

# Comparative Connections

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## China-Russia Relations: Russia's Pride and China's Power

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For Russia and China, the last four months of 2014 began with the welding of the first joint of the 4,000-km East Siberian-China gas line near Yakutsk, which could deliver 38 billion cubic meters of Russian gas to China for 30 years. At yearend, both countries were relieved by the safe return of a Siberian tiger to Russia after two months of roaming in China. In between, top leaders met several times at multilateral events (SCO, APEC and G-20) against the backdrop of deepening crises in Ukraine, Syria, and Iraq. Most interactions between Moscow and Beijing were business as usual as the two countries cooperated, competed, and compromised over a range of issues. Increased Western sanctions against Russia, plus a steep drop in oil prices, led to a lively debate in China about how should help Russia. In the end, this public discourse was partly “reset” with Russian Ambassador to Beijing Sergey Razov telling his Chinese audience that Russia needs China’s diplomatic support, not its economic assistance. Stay tuned for more dynamics resulting from China’s growing power and Russia’s pride in the timeless game of the rise and decline of the great powers.

### **SCO Dushanbe Summit: expansion, internet security, and economic development**

The 14<sup>th</sup> Shanghai Cooperation Organization (SCO) Summit was held in Dushanbe, Tajikistan on Sept. 11-12 against the backdrop of general instability and uncertainty around the world: the deepening of the Ukraine crisis, the seemingly unstoppable growth of the Islamic State (IS), and the end of International Security Assistance Force operations in Afghanistan.

One of the major accomplishments in Dushanbe was the adoption of the “Order for Granting the Status of SCO Member State” and the revised “Model Memorandum of Commitments by the Applicant State for Obtaining SCO Member State Status.” The creation of this legal framework paves the way for the systematic expansion of the SCO. For several years, Iran, Pakistan, and India have expressed their intention to become SCO members. By the time of SCO’s next summit in Russia, India and Pakistan are likely to become formal members, while the admission of Iran will likely be postponed due to UN sanctions.

Another notable accomplishment at this summit was the emphasis on security and stability of the “information space,” as the heads of state jointly declared:

The SCO Member States step up joint efforts to create a peaceful, secure, fair and open information space, based on the principles of respect for national sovereignty and non-interference in the internal affairs of other countries. They will cooperate in preventing the use of information and communications technologies which intend to undermine the political,

economic and public safety and stability of the Member States, as well as the universal moral foundations of social life, in order to stop the promotion of the ideas of terrorism, extremism, separatism, radicalism, fascism and chauvinism by the use of the Internet.

The Member States advocate equal rights of all countries in Internet governance and the sovereign right of states to govern the Internet in their respective national segments, including the provision of security.

The Member States support the development of universal rules, principles and norms of responsible behavior of states in the information space, and they consider the “Code of Conduct in the Field of Ensuring International Information Security,” disseminated on behalf of the Member States as an official document of the UN, to be an important step in that direction.

Over the past few years, the SCO has been increasingly concerned with the security of the information space. While much of the first paragraph of the above quote from the 2014 Dushanbe Declaration (Clause #5) was identical to the wording of the 2013 Bishkek Declaration, the inclusion of “radicalism, fascism and chauvinism” clearly indicates Russian and Chinese regarding internet security in the aftermath of the Snowden affair, the US National Security Administration (NSA) disclosure, color revolutions, and the perceived revival of European fascism and Japanese militarism. This time, internet security was ranked ahead of the Afghan issue in the final declaration (#5 over #7).

The Dushanbe Declaration only briefly touched on the Afghan issue, stating that the SCO supported the implementation of an “Afghan-led and Afghan-owned” reconciliation and reconstruction process. The symbolic treatment may have been because Afghan President Hamid Karzai pointed out that terrorism and extremism were serious threats to the security, stability, and prosperity of the entire region, and that stability in his country was in the interest of the whole region. Karzai’s view was shared by President Vladimir Putin, who called for more attention to the Afghan issue not only by SCO member states, but also the observer countries.

In his formal speech, President Xi Jinping did not mention Afghanistan. It was not clear if this omission reflected a wait-and-see attitude regarding Afghanistan’s future. Xi began his speech with some general references to the SCO’s usual concerns about the “three forces” (terrorism, extremism, and separatism), drug-trafficking, organized cross-border crimes, and cybercrimes. “We need to root out the sources and block the channels of dissemination of terrorist and extremist ideologies, enforce stronger vigilance and surveillance against attempts of infiltration, and prevent them from being manipulated by external forces for the purpose of sabotaging regional security and stability and stirring up social unrest,” remarked Xi. He called for a group effort to “negotiate and sign a convention against extremism, look into the establishment of mechanism for taking actions against cyber terrorism and hold regular, practical joint counter-terrorism exercises so as to build up our joint counter-terrorism capability.”

The bulk of Xi’s speech dealt with economic issues, which has been the weakest link for the regional group. “We need to take common development and prosperity as our goal. The primary task of governance is to enrich the people,” said Xi. To achieve this goal, Xi produced a long “to-do” list: expand cooperation in trade and investment, grant each other Most Favored Nation status, promote regional economic integration, adopt an “international road transportation

facilitation agreement,” establish an SCO financial institution to support SCO’s large-scale projects, create an SCO Energy Club, safeguard the security of energy infrastructure, coordinate food policy and security, etc. China would provide a loan of \$5 billion to SCO member states to finance cooperation projects. Additionally, Xi also announced that China would increase the \$1 billion China-Eurasia Economic Cooperation Fund, which was launched in 2013, to \$5 billion.

President Xi’s effort to put the SCO into economic overdrive had at least one partner. In his speech, President Putin also called for closer trade and economic cooperation within the SCO, especially in view of an increasing number of “various restrictions and barriers” being put up, presumably in reference to Western sanctions imposed against Russia. Putin did not directly embrace Xi’s offer of financial assistance. Instead, he proposed to update again the SCO trade and economic cooperation program of 2003, updated the first time in 2008. In fact, the program has been stalled since 2008. For Russia and other SCO members, the challenge is dealing with China’s economic power and ambition using an outdated framework.

Putin, however, had his own calculation. With Russia being constrained by the West and Japan, economic development of either the SCO as an entity or even its member states would benefit Russia at least for the next few years as Western sanctions continue. Russian Foreign Minister Sergei Lavrov made it clear during the summit that under the pending Russian chairmanship of the SCO, which started immediately after the Dushanbe summit, it would strive for more coordinated steps of the SCO in the field of economic, financial, energy, and food security. The emphasis would be on broader use of national currencies in mutual settlement, multilateral projects in transport, energy, science, and technology, said Lavrov.

### **Bilateral economic cooperation**

Economic issues were also prioritized in a sideline meeting between the two presidents prior to the summit. Beyond bilateral issues, Xi and Putin also discussed regional and global issues. After Putin gave Russia’s assessment of the Ukrainian crisis, Xi responded that the responsible parties should deal with the roots of the problem, and that China supported a comprehensive political solution of the Ukraine crisis. This was the fourth meeting between the two leaders following the February meeting at the Sochi Winter Olympic Games, the May meeting during the fourth meeting of the Conference on Interaction and Confidence Building Measures in Asia in Shanghai, and the July meeting ahead of a BRICS summit in Brazil.

Just 10 days before the SCO Summit, construction of the East Siberia-China gas pipeline was launched. In contrast to the decade-long talks for this pipeline, the execution of the agreement reached in May in Shanghai was swift. “We always have things to talk about,” said Putin at the start of his sideline meeting with Xi. Putin went to say that “Only recently, as you may know, we have launched a new major project in the Russian Far East .... I am certain, [it] will proceed in the same business-like manner and will be efficiently carried through by both parties.” For Xi, the most important issue was to cooperate on the “major projects of strategic importance,” such as the construction of high-speed railways, satellite navigation systems, joint development of commercial jets and heavy helicopters, etc. Of these strategic items, Xi urged the initiation of the West-Siberian gas pipeline “at the earliest possible time, as well as cooperation in currency swapping and financial coordination.”

Several projects are under consideration. In early September, Alexander Misharin, first deputy president of state-owned monopoly Russian Railways, was quoted as saying that China was ready to invest \$10.7 billion in the construction of an 800-km high speed railway linking Moscow with Kazan (the capital city of the Republic of Tatarstan in Western Russia). The design allows trains with a top speed of 400 kph, cutting the journey time from about 14 hours on regular trains to just 3 1/2 hours between the two cities. A bilateral working group for feasibility studies is working on both the design and financing of the project.

The Sino-Russian economic drive was in full speed in October when Chinese Premier Li Keqiang visited Russia for the 19<sup>th</sup> regular meeting of the Russian and Chinese prime ministers, who are supposed to hammer out specific outcomes within the general outlines drawn by Xi and Putin. Li and Russian counterpart Dmitry Medvedev signed 38 agreements covering a wide range of sectors including energy, banking, aerospace, custom, rail, and infrastructure. In Moscow, Li also met President Putin, Chairman of Russian State Duma Sergey Naryshkin, and Russian Federation Council speaker Valentina Matviyenko. One of the major issues discussed was Russia's gas delivery through the "west line," which would provide China with 30 billion cubic meters (bcm) of gas in its initial stage with a potential of 100 bcm. Apparently, the talks went quite well as Medvedev disclosed that a preliminary framework could be reached as early as November.

Progress on these "major strategic projects" is against the backdrop of a new round of sanctions against Russia by the EU, including export to Russia of deep-sea and shale drilling equipment and technology, certain dual-use technology, and credit lending for five Russian state banks and three Russian energy firms. These new sanctions target Russia's energy, banking, and military sectors. Russia's "turn to China," therefore, was expected, at least to certain degree, to offset Western sanctions.

### **SCO Prime Ministerial Meeting**

Economic issues also dominated the agenda for the annual SCO Prime Ministerial Meeting in Astana on Dec. 14-15, which was the last top-level meeting between Russian and Chinese leaders in 2014. In their formal speeches and separate bilateral meetings, Premier Li Keqiang and Prime Minister Medvedev seemed to have consensus on SCO's funding/finance, transportation, and energy security. In his speech, Medvedev stressed a "result-driven" approach, instead of signing agreements and photo ops with weak implementation, which have plagued the SCO for years. In fact, Beijing has also been frustrated with the lack of progress in the economic sphere of the SCO, which it has attributed to Russia's lack of interest. As a result, China has dealt with individual Central Asian states. This time, Li's trip to Astana for the SCO meeting coincided with a state visit to Kazakhstan, during which Li and his host signed multiple agreements worth \$14 billion. In his SCO speech, Li cited this achievement, apparently to leverage the rest of the SCO for more actions.

In Astana, the SCO's Central Asian leaders showed impatience with Russia's inaction, if not obstruction, regarding SCO's economic development. In his turn, Prime Minister Medvedev attached extra importance to the issue of a financing mechanism for the SCO. "The SCO project

activities should have financing backing, it should have a set of financial instruments that we need to create, and this issue is very urgent. The presence of mechanisms and financial facilitation is an indispensable condition of successful implementation of projects, and therefore the countries should complete the consultations on their creation and decide how, on the basis of what structure – the Eurasian Development Bank or some other structure – they will be created, but the decision needs to be made soon, it’s perfectly obvious,” urged Medvedev in his speech. With Western sanctions targeting major Russian banks, China’s financial power is a potential offset for Russia’s financial predicament. In the past few years China initiated several huge funding packages, including the \$40 billion Silk Road Fund, and a \$5 billion loan to SCO member states, a \$5 billion China-Eurasia Economic Cooperation Fund. China is also the major driver for the launching in 2014 of an Asian Infrastructure Investment Bank (AIIB) and a BRICS Development Bank.

Despite their growing common interest in SCO’s economic development, Li and Medvedev had different ideas for tapping the SCO’s economic potential. The Joint Statement issued at the end of the Astana meeting did welcome China’s Silk Road Economic Belt initiative, but Medvedev tried to raise the possibility of establishing some formal connection between the SCO and the Eurasian Economic Union (EEU) that will start functioning in 2015. It remains to be seen how Russia will be able to influence the SCO in 2015 when it takes over the SCO presidency.

### **The Mongolian “pivot”**

The Putin-Xi meeting on the sideline of the SCO’s Dushanbe summit reveals a growing trend: while formal SCO gatherings have become routine, predictable, if not boring, the meetings on the sidelines generate interesting and even substantive stuff. This was demonstrated in Dushanbe where Xi and Putin met Mongolia President Tsakhia Elbegdorj ahead of the summit. During the meeting, Xi was quoted as saying that the developmental strategies of China, Russia, and Mongolia were highly complementary and that China’s Silk Road Economic Belt, Russia’s trans-Siberia railroad, and Mongolia’s “passage to grassland initiative” can be integrated into a Sino-Russian-Mongolian economic corridor. He also urged the three countries to beef up interconnectivity by rail and road, facilitate customs clearance, and study the construction of cross-border power grids. Putin expressed his belief that the three countries could construct a long-term and stable cooperative relationship in the areas of energy, mineral exploration, and transportation. Elbegdorj said his country attaches strategic importance to developing closer good-neighborly friendship and cooperation with China and Russia. The three leaders also decided to establish a consultation mechanism at the vice foreign minister-level to coordinate and promote trilateral cooperation.

Behind these publicly articulated agreements, there has been considerable dissonance between the three parties regarding Mongolia’s “connectivity” to Russia and China. Despite its traditional ties with Russia and China, which receives 80 percent of its export and provides nearly half its imports, the landlocked Mongolia has opted for a so-called “third neighbor policy.” It prioritizes cooperation with Western countries (including Japan and South Korea) over relations with its immediate neighbors (Russia and China). At the political and strategic level, Mongolia has been among the most pro-West formal Soviet “satellite” nations, contributing troops to both the Iraq and Afghan wars.

Mongolia's "China skip" strategy has gone as far as to toy with the idea of building a 5,683-km broad-gauge (1,520 mm) railway to Russian seaports for exporting minerals to other countries, rather than a much shorter route through China. This would be more than 3,000 km longer than a direct line from Tavan Tolgoi mine, the largest coking coal mine deposit, and the nearest Chinese seaport, Tianjin, and triple the transport costs. In dealing with its large neighbor in the south, Mongolia pays lip service to China's "three-in-one" cooperation mechanism that integrates mineral exploration, infrastructure construction and financial cooperation, while maximizing investment from others, particularly, Western countries.

Against these "structural" constraints, the Sino-Russia-Mongolian trilateral mini-summit was proposed by the Mongolian side during Xi's visit to Mongolia in August 2014. Ulan Bator's move had several considerations. One was not to miss the "caravan" of China's ambitious New Silk Road Economic Belt initiative kicked off in September 2013. Part of China's effort to revive the old Silk Road was not only to connect China and Europe through rail and roads, but also to tap the economic potential of the vast Eurasian landmass. For this purpose, China announced in November 2014 a \$40 billion Silk Road Infrastructure Fund. It was unclear how the fund would be allocated. Mongolia had to compete with at least two alternative transportation corridors across Eurasia: the west line (Xinjiang-Kazakhstan-Russia-Belarus-Poland-Europe) and the east line (China's Manzhouli-Trans Siberian Railroad-Belarus-Poland-Europe). Already in 2014, the west line had run 100 trains to Europe, which is 15-25 days faster than sea transportation and 80 percent cheaper than air cargo.

Three additional factors also affected Mongolia's calculation. With the completion of Russia's Eastern Siberia-Pacific Ocean oil pipeline (ESPO) in 2011-12, its branch line from Russia's Skovorodino to China's border city Mohe had diverted over 75 percent of the trans-Mongolian rail oil shipment from Russia to China (from its peak of 6 million tons of oil dropping to just 1.4 million tons per year). Obviously, Mongolia needs to utilize its surplus rail capacity. Mongolia's mineral-based economy, despite phenomenal growth in the past 15 years, was experiencing its weakest growth as a result of sharp drops in commodity prices following the 2008 financial crisis. The local currency had also dropped some 40 percent against the US dollar. In the first half of 2014, foreign investment fell by 70 percent. In the longer-term, Mongolia's mineral export-based economy is constrained by the lack of infrastructure both within the country and its connectivity through Russia and/or China to the outside world.

Mongolia's "new thinking" was not missed by its two large neighbors. While Moscow sees Mongolia's "opening" as an opportunity to boost Russia's less-developed Far East region, China considered Mongolia not only as a market and resource provider, but also more security along China's northern border. China and Mongolia share the longest common borders (4,710 km). Ultimately, a more balanced posture by Mongolia between its immediate neighbors and those Western countries is in the interest of both Moscow and Beijing.

Mongolia's initiative was particularly attractive to Russia for several reasons. Despite its "third neighbor" mindset, Mongolia tilts to Moscow if it has to choose between its two large neighbors. In the face of Western sanctions, Mongolia would facilitate Russia's eastward "pivot" for more diplomatic and strategic space. At the heart of Mongolia's economic development is

transportation infrastructure, which is where Russia occupies a pivotal position. For example, Ulaanbaatar Railways (UR), the largest transportation firm in Mongolia, is a joint venture with a 50 percent Russian stake formed under an agreement between the USSR and Mongolia in 1949. Its 1,815-km rail lines accounts for roughly 80 percent of Mongolia's domestic freight turnover and up to 100 percent of its exports and imports.

For Moscow, an immediate concern was to reverse the downward trend in economic relations in two consecutive years (16 percent in 2013 and 13 percent for the first half of 2014). During his one-day "working visit" to Mongolia on Sept. 2, President Putin signed 13 agreements, including an agreement on visa-free travel and an agreement to upgrade and develop the railway, which means to electrify and double track a host of UR rail lines by 2020. Not only will this facilitate Mongolia's mineral exports, but also makes it easier for Chinese cargos to access Russia's trans-Siberia railways to Europe. Strategically, a Mongolia with elevated status may even "balance" Moscow's tilt toward Beijing in the context of the Ukraine crisis.

For Beijing, economic interconnectivity is always a preferred choice to bypassing, if not overcoming, political, cultural and social hurdles. On Aug. 21-22, President Xi visited Mongolia, which was the first visit by a Chinese president in 11 years. It was described as "visiting relatives" in the Chinese media. A major move was to elevate the Sino-Mongolian strategic partnership relations to a "comprehensive" one. For this, the two sides inked 26 cooperative agreements covering rail, highway, mineral, infrastructure, transportation, banking, and investment. As Mongolia's largest trading partner and investor, China continues to promote its "three-in-one" investment-infrastructure-finance mechanism, which was the focus of both the 2013 prime ministerial meeting in Beijing and Xi's 2014 Mongolia visit. In the end, Mongolia would have to balance between its aspiration (third neighbor diplomacy) and interests in working with its large neighbors, particularly China. "It will be difficult for Mongolia to revive its sluggish economy and improve its international status if it continues sticking to its third neighbor policy," remarked Chen Yurong, a senior researcher at the China Institute of International Studies shortly after the meeting in Dushanbe. For Mongolia, however, perhaps it is time to rebalance with Moscow and Beijing after securing relations with Western partners.

Whatever the case, a trilateral consultation mechanism at the deputy foreign minister-level started in early November in Ulanbataar, as a follow-up to the trilateral mini-summit. The talks focused on economic and technical issues. Prior to this, Mongolia proposed that Russia's western gas pipeline, now being discussed between Moscow and Beijing, could go through Mongolia instead of through Russia's Altai natural reservation area. This would cut its length and please environmentalists. The next trilateral consultation will be in Beijing in the first half of 2015.

### **From Beijing to Brisbane: tales of two Eurasian powers**

In November, Presidents Xi and Putin met twice: on the sidelines of the Beijing APEC meeting and the G-20 Summit in Brisbane, Australia. Prior to the APEC meeting on Nov. 10-11, Putin made a state visit to China. "Many things have been done for the development of Russian-Chinese strategic relations. I want to stress that they are developing in practically all directions. I am referring to high-level cooperation at the political level, military and military-technical cooperation, and the economy," Putin remarked at the onset of formal talks. In his response, Xi

described bilateral relations as “evergreen” friendship and cooperation saying, “No matter how the international landscape shifts, we must insist on giving priority to the development of Sino-Russian ties in our diplomatic endeavors, constantly boost political and strategic mutual trust, and keep expanding and deepening comprehensive cooperation.”

Aside from a discussion of the global and regional issues, Putin and Xi witnessed the signing of 17 bilateral cooperation agreements, including a MOU for the Sino-Russia Western Route natural gas pipeline and a framework agreement between China National Petroleum Corporation (CNPC) and Russia’s Gazprom. This was potentially the second gigantic energy/gas deal within six months between the two large Eurasian powers, though it is still in its initial stage with an open-ended negotiating process for details before it is finalized. This route envisions shipments of 30 bcm of gas from the Western Siberia field to China via the Altai gas pipeline. In May 2014, Gazprom and China’s CNPC signed a 30-year deal worth \$400 billion to supply up to 38 bcm of gas per year to China, starting from 2018, via the Eastern Route. Once the Altai gas line is completed, Russia’s gas supply to China will be 68 bcm per year, surpassing the current level of Russia gas export to Germany at 40 bcm annually.

In Beijing, President Putin also expressed support for China’s Silk Road Initiative, though with his preferred twist that Russia would like to see China’s New Silk Road connect to the trans-Siberian and Baikal-Amur rail lines. “We had plenty of infrastructural capacity for building a part of that route across Russia,” Putin was quoted as saying on Nov. 9. Russia’s role in the trilateral effort between China, Russia, and Mongolia discussed earlier, is also part of Moscow’s Asia pivot. “The connection of the Silk Road to these rail lines will expand the possibility of transit of Chinese commodities to Europe and our commodities to Southeast Asia and that will revive the economy,” Kremlin administration chief Sergei Ivanov said in Beijing in July.

Those huge energy deals between Moscow and Beijing, both signed and envisioned, are indeed unprecedented, considering that it took more than 10 years of hard negotiation to reach the current stage. It is debatable to what extent that the current Ukraine crisis and Western sanctions accelerated those deals. The increasingly closer strategic, diplomatic, and economic coordination between Russia and China has been a sustained process.

President Putin enjoyed a visible profile at the APEC meeting, not only because of a warm reception by his Chinese host and the huge energy deals, but also because of Russia’s continuous and active engagement with the economies of Asia-Pacific. In his speech at the APEC meeting, Putin said that Russia was planning to increase its trade share with Asia from the current 26 percent up to 40 percent and “we are taking specific steps to broaden the geography of our exports and raise the proportion of non-energy and high-tech goods.”

Xi Jinping, however, was the clear driver at the Beijing APEC meeting. One major success was Xi’s ability to win consensus from the 21 other heads of state to study the establishment of the Free Trade Area of the Asia-Pacific, or FTAAP. The leaders also decided to step up efforts to fight corruption and strengthen infrastructure development to further regional economic growth, according to a joint declaration released after the meeting. These APEC decisions were not easy, considering that the influence of APEC in the world economy had diminished due to the stalled progress on trade agreements.

A few days later in Brisbane for the ninth G-20 Summit the mood shifted. President Putin faced a chilly reception from Western leaders regarding Ukraine and Crimea and made an early exit, saying he needed rest and had to get back to work in Moscow on the coming Monday. Curiously, Putin's trip to Australia was coincided with an appearance of four Russian navy ships off Australia's northern coast (a guided missile cruiser, a destroyer, a tug boat, and a refueling vessel). These ships were never in Australian territorial waters and departed after Putin left for home.

Unlike Putin's "escorted G20-only visit, President Xi complemented his travel to the G-20 with three state visits (Australia, New Zealand, and Fiji) and meetings with eight Pacific island nations' leaders in Fiji (Fiji, Samoa, Vanuatu, Niue, Tonga, Papua New Guinea, Cook Islands, and the Federated States of Micronesia), leading to the signing of more than 50 agreements. Perhaps the biggest contrast for the two leaders was that the same Australian Prime Minister Tony Abbott, who made rather undiplomatic remarks as he "shirtfronted" Putin at the G-20, concluded an historical free trade pact with Xi Jinping days later. Xi also signed cooperation agreements regarding Antarctica with both Australia and New Zealand.

While at the G-20 meeting, Xi and Putin met again for a BRICS get-together, held ahead of the G-20. The five heads of state discussed the launch of the new BRICS Development Bank and the pool of contingent currency reserves with a total capital of \$200 billion. They also discussed reform of international financial institutions, specifically, redistribution of IMF quotas. Currently, the BRICS countries produce 30 percent of the world's GDP, make up 40 percent of the world's population, and possess \$5 trillion the gold and currency reserves. Yet their IMF voting share is disproportionately small. Western countries, particularly the US, have been reluctant to reform the current system. This was the reason behind the BRICS' 2014 decision to create its own version of the IMF and World Bank, though not intending to replace the Western institutions. Russia is the next chair of the organization and the next BRICS Summit will be held at Russian city of Ufa on July 8-9, 2015, simultaneously with the SCO Summit.

For both Xi and Putin, their south Pacific trip was the last foreign travel they would undertake in 2014. It was the 11<sup>th</sup> time they met as heads of state since early 2013, which significantly enhanced their personal ties. The two large nations they have led, however, seem to be heading in different directions in relations with the West-dominated world. It has been a huge challenge for both to adjust their respective strategies at home and abroad.

### **Beijing's new discovery: Moscow does not believe in tears**

The issue of the emergence of a Sino-Russian alliance has been a recurring topic in both China and Russia. The current Ukraine crisis and Western sanctions against Russia have led to another round of debates in the two countries.

In response to the Western sanctions imposed on Russia as a result of the Ukraine crisis, quite a few commentators have raised the idea of Russia pivoting away from Europe and the West toward Asia, particularly China, observed Carnegie Moscow Center Director Dmitri Trenin in mid-October. As a result, China is viewed in Moscow as a potential source of investment and even some advanced technologies. Trenin, however, pointed out that despite some very

promising prospects for deepening bilateral economic ties, China's economy is slowing, leading to lower oil prices. Further, borrowing costs in China are significantly higher than in Europe and major Chinese banks do incur risk if they make loans to those Russian banks sanctioned by the West. In the long run, Russians do not understand Chinese market or Chinese culture. The lack of competent Sinologists in Russia may be a long-term hindrance to crack the Chinese market. In the final analysis, this "growing China connection" in Russia won't turn the Eurasian giant into an Asian country. "In any event, Russia will undoubtedly maintain close economic, but also cultural ties with the European Union," argued Trenin. A simple fact is that the Russia-EU trade is several times bigger than the Sino-Russian exchange.

At the policy level, the "Trenin doctrine" regarding China seems in active operation. Russian political and opinion elites always toy with the idea of Russia's inevitable turn to Asia; the same people also dismiss the possibility that Russia would become dependent on China, and/or at the expense of its relations with the West. Moreover, they deny that Russia's turn to Asia has anything to do with Western sanctions. In late October, Foreign Minister Lavrov said that "Russia is developing relations with Eastern partners but this is not an alternative to relations with the West." Lavrov continued, "Indeed, the sanctions spur on relations with partners in the East but we would like to do so not as a replacement but as a process simultaneous with the normal development of traditional interaction with the West."

Meanwhile, President Putin also stated that Russia did not intend to end its relations with its traditional partners, including Europe, and that expansion of cooperation with China was a global trend. Russia's relations with China "didn't begin ... yesterday or due to some sanctions or political restrictions. We have been talking about it for a long time. Why did we create the SCO and BRICS?" asked Putin. His view was echoed by an editorial in Beijing's *Global Times* on Oct. 14, but blaming a West-centric bias. "Many Western media outlets hold that it's Western sanctions that have pushed Moscow to side with Beijing, making China the biggest beneficiary of the West-Russia confrontation.... But noticeably, this was the 19th China-Russia Prime Ministers' Regular Meeting. If the West merely takes China-Russian cooperation as subordinate to the Western attitude toward the two, it is ridden in excessive Western centralism," noted the editorial. It further pointed out that "Western countries fail to learn from how China and Russia overcame a myriad of conundrums to enter into overall cooperation. Instead, they keep calculating how China and Russia benefit from them. They are more willing to believe China and Russia should be entangled into cooperation, competition, and even confrontation as are the relationships between China and the US, or between China and Japan." As a result, "Western countries fail to grasp the essence of the China-Russia relationship. They are laboring under the misperception that the two countries are engaged in a temporary courtship."

It is true that the current state of China-Russia relations is not driven solely by Western sanctions. It is also true that Russia is hurting because of the sanctions, which affects its ability to do business with China. For various reasons, China is still being sanctioned by the West; it is therefore sympathetic with Russia's predicament and has repeatedly said that it opposes Western sanctions. In September, President Xi told the visiting Russian Federation Council Speaker Valentina Matviyenko that sanctions against Russia are "unacceptable" and China will never participate in these sanctions. Discussing Chinese aid to Russia, the Chinese Foreign Ministry on

Dec. 18 said that China believed that Russia was able to overcome the current difficulties given its large foreign reserve and its fine industrial basis.

Beyond the official line, experts and scholars in China have been actively debating both the format and degree of China's support for Russia, or the possibility of an alliance with Moscow. Despite a louder cry for some sort of alliance with Russia with the deepening of the Ukraine crisis, Gen. Wang Haiyun reiterated his argument that China should take a middle road of a "quasi alliance" with Russia, which is different from either "fighting alone" or moving toward formal alliance with Russia. Wang seemed mainly concerned about possible repercussions from the West, which may jeopardize China's grand strategy and historical rise. He believed that the term and format of "strategic partners," or "quasi-alliance" is less alarming to third parties. Such ties "bear no obligations and are not imbued with strong military meaning," argued Wang. With this baseline, China should adopt a more proactive posture to enhance its strategic partnership relations with others including Russia, adopt a more proactive approach to creating and building up multilateral institutions such as the SCO and BRICS. This would be conducive to creating the necessary conditions for alliance formation if there is such a need in the future. At a practical level, Wang warned that a China-Russia alliance, even if it includes several smaller members, would inevitably be a weak alliance in comparison with its Western counterpart. Besides, such an alliance would require real ability to protect its small and weaker members, which is a question that strong and leading alliance members must take into consideration.

It should be pointed out that Wang has promoted his quasi-alliance model for China and Russia for several years. As a former military attaché to Russia, Wang understands, perhaps more than any pure academic, the potential and limits of the China-Russia relationship. His quasi-alliance model, however, has yet to be part of the official vocabulary in China. Part of the reason may well be that the current strategic partnership relationship between Moscow and Beijing is still adequate as well as flexible for the current world situation. Its basic components include mutual respect for each other's national interests, the principle of equality, inclusiveness, non-confrontational, not against any third party, etc. Any degree of alliance between the two would change, if not undermine, some of these key components for the current bilateral relations. For this writer, the only scenario in which Moscow and Beijing may move toward a formal alliance is that the core interests of both China and Russia are violated at the same time by the same enemy. The current state of world affairs is not producing a clear picture.

How to alleviate Russia's current predicament remained a topic in Chinese media. Such a discussion became ubiquitous toward the yearend when the ruble nosedived (down 20 percent against the dollar) by Dec. 16. An editorial in the *Global Times*, however, seemed more optimistic about Russia's self-help ability. It noted that Russia's current situation was actually better than the 1990s when the Soviet system collapsed. Besides, Russian society is more realistic and more rational after that catastrophe. Russia's internal cohesion and its \$400 billion foreign reserve would help sustain, at least for a while, the current living standard for Russians. Still, they are not facing a strong, fast-moving storm, but a long and cold winter. China does not want to see Russia fail, which is well known. It is capable of assisting Russia at crucial times and in crucial sectors. Even so, any help China provides must first and foremost be requested by Moscow. To avoid any misunderstanding, China must have high respect of Russia and help maintain Putin's prestige among Russians.

Chinese Foreign Ministry spokesman Qin Gang said on Dec. 18 that the China-Russia currency swap agreement had not yet been affected by the ruble's slide. "We are confident in the Sino-Russian economic and trade cooperation outlook. The two countries' governments and enterprises are motivated to further improve bilateral trade and investments," said Qin. The articulated official view apparently failed to quell the debate in China. Two days later, two researchers at the Chinese Academy of Social Sciences (CASS) discussed the pros and cons of helping Russia. Li Jianmin, a fellow at CASS' Institute of Russia and Central Asian Studies, believed that the Russian economy was in serious trouble. If Russia did need help, China should provide it. This was the right thing to do politically, ethically, strategically, and economically. Helping Russia was to help China. In addition to helping Russia through bilateral channels, China could utilize multilateral mechanism such as SCO, BRICS, etc.

Wen Yi, a scholar from CASS' Institute of World History, strongly disagreed with Wang. He believed that China was simply unable to "put off such a huge fire thousands of kilometers away." What is happening in Russia was not simply caused by Western sanctions or oil price declines, but by an economic turmoil with deep social, political and even military causes, and is affecting every sector of Russia's economy. It was beyond the cure of token assistance. There was no case in world history when a country's economic crisis was relieved by another's help. "Do we have the ability to raise the oil price to the level that meets Russia's national interests? Even if we could, is that price in China's interests? Is it wise to put huge investment in Russia today? Are we capable of keeping the ruble from declining and inflation from going up in Russia?" asked Wen. The CASS historian also pointed out that some in China tended to see that strategic partnership with China was Russia's only choice, which, ironically, was not Russia's view. Putin's eastern policy was a huge arch-shaped strategy that covered those in the post-Soviet space, India, and Vietnam. With these hugely different perceptions about the current bilateral relationship, Wen questioned the wisdom of helping Russia by importing large quantity of oil and gas. "Will Russia be happy if China imports so much oil from Russia with so low a price?" asked Wen. Beyond that, Wen seriously doubted if China would be able to assist Russia to oppose Western sanctions as well as support Russia in its own sanctions against those "speculators who undermine Russian economy." "Is there any good for China if China does this for Russia? Would Russia genuinely reciprocate with us?" and "When Putin safeguards Russian interests, one should not forget China's interests," argued Wen at the end.

Despite Wen's warning, official position was leaning to doing something for Russia. On Dec. 20, Commerce Minister Gao Hucheng was quoted as saying that "China is prepared to offer assistance to Russia within China's capacity." Two days later, Chinese Foreign Minister Wang Yi also reiterated that "If the Russian side needs, we will provide necessary assistance within our capacity." Guo believed that a currency swap agreement between China and Russia and a broader use of the yuan in bilateral trade would be the most important form of assistance to Russia. In October 2014, China and Russia signed a three-year currency-swap line of 150 billion yuan (\$24 billion). The agreement may be broadened by mutual consent. Meanwhile, an official *People's Daily* commentary stressed that relations with Russia "is not swayed by the international situation, and equal and mutually beneficial cooperation between the two countries is even more important in the present situation." "The historic mission of China-Russia

development and invigoration will not change, and the social and popular will basis for their friendship will not change,” assured the commentary.

To a large extent, these reassurances by top Chinese policy makers was targeted at the domestic audience, particularly those sectors of the economy with growing interactions with the Russian market. By Christmas time, the ruble rebounded sharply (34 percent) after Russian central bank’s intervention with an interest hike to 17 percent.

On Dec. 25, Beijing’s *Global Times* carried a special interview with Russian Ambassador to China Sergey Razov who declared that “Russia does not need China’s assistance but support.” Razov believed that the current economic crisis in Russia was largely structural, and Russia would be able to overcome it in two years. He pointed to several bright spots in the Russian economy: it was still growing though at a slow pace; Russia still enjoyed a significant trade surplus; agriculture was in good shape with an export capacity of 30 million tons of grain. Despite its economic difficulties, Russia remained a global diplomatic player, not a second-rank nation, remarked Razov. It was unclear if the Russian ambassador requested the interview. This replay of the 1979 prize-winning Soviet movie “Moscow Does Not Believe in Tears,” seems to be a timely reset for the ongoing “Russia” debate in China as public discourse on the subject noticeable subsided.

Curiously, the Razov interview was followed by two “over-corrections” or counter-trends in China’s assessment of the relationship. In an op-ed piece in Shanghai’s online *Observer*, Feng Yujun of the China Institute of Contemporary International Relations (CICIR) tried to break the impasse by exploring deep-seated “defects” in the Chinese culture regarding Russia. One of these beliefs was to perceive others through China’s own tainted lens, while ignoring cultural differences. As a nation with strong national pride and more than 300 years of major power diplomacy, Russia would never beg others for help even if it was genuinely in need. Instead, Russia would find ways to “cooperate” with those givers to the extent that it is Russia that actually assisted the givers.

Another mistaken belief was the lack of confidence that China needs the Russian “shield” in world politics. One needed to realize, however, Russia was both unable and unwilling to be China’s shield. Nor would the US let China go because of its tense relations with Russia. In this regard, traditional Sino-Russo-US triangulation had outlived its usefulness. Each of the three bilateral pairs (Sino-US, Sino-Russia, and US-Russia) has its own dynamics and values. China, therefore, should pursue a new type of major power relationship with the US for its own sake regardless of the Russian factor.

The goal of diplomacy is national interests, argued Feng. One needed to be absolutely sober when helping others. China should not forget about its “brotherly” assistance to North Korea, Vietnam, and Albania. Besides, China was still a developing country and more resources should be diverted to domestic needs. Diplomacy is an art in that doers may not be talkers, or vice versa.

In the final analysis, only the Russians could save Russia. One should not overestimate the current crisis between Russia and the West. Putin is by no means a rough adventurer, but a shrewd pragmatist constantly calculating how to compromise with the West while saving face.

Given these considerations, what China should do was simple: do not join the West in sanctioning Russia and deepen pragmatic cooperation with Russia on the basis of equality, mutually beneficial relations, and win-win outcomes.

Feng's view paralleled with a few, but rarely seen, critical assessments of Russia. One day after Razov's interview was published in *Global Times*, an op-ed in Shanghai's online *Observer* went so far as to use the title "What's Wrong with Putin's Policies?" It argued that Putin was impatient in dealing with the West, particularly in the Crimea case. On Jan. 3, while focusing on the US in their assessment of the South China Sea situation, Du Wenlong and Li Li, two military analysts for China's *Central TV* Channel 4, used strong words about Russia's sale of *Kilo*-class submarines to Vietnam as well as Russia's deepening involvement in the South China Sea issue, which is quite rare in China's official media outlets.

### **Putin's tigers in China: wild and well-fed**

In the last few months of 2014, what grabbed the attention of most Chinese were not Western sanctions against Russia or the Russian-China gas deal of the century. Aside from the occasion downing of airlines based in Malaysia, it was Kuzya, Ilona, and Ustin, (Putin's tigers) that attracted the attention of many Chinese, including President Xi. The Chinese host reportedly promised President Putin at the APEC meeting on Nov. 9 that the Russian tiger would have a good time in China. The giant cat was released into the wild by Putin in May and left Russia for China by swimming across the Amur River in early October. The Russian side informed the Taipinggou nature reserve in Luobei County in northeast China's Heilongjiang Province that the Siberian tiger, tagged with a tracking device, was near the China-Russia border river. The Chinese set up more than 60 cameras in the hope of capturing its image and removed traps. Meanwhile, forestry police officers notified local farmers about the tiger's presence. Shortly after Kuzya's "defection" to China, Ilona, another of Putin's tigers and a female, was also found along the Sino-Russian border; by early November, Ilona was found on the Chinese side. Sighting of the third tiger, Ustin, on the Chinese side of the border followed. All three giant cats were part of a five-cub litter found orphaned in Russia's Far East in 2013. The cubs were nursed to health and released into the wild with the blessing of Putin, a noted animal lover.

The Russians believed that these two-year old tigers ventured into China in search of food, love (sex), or "territorial" purposes. The Chinese replied that Putin's tigers should not have to worry about food because there were various kinds of wild animals inside the protection zone. If necessary, forestry officials in the reserve area would release cattle. As for their "nature" need (sex), China is perhaps less helpful because only 18-22 wild Siberian tigers remain on the Chinese side of the border while there are about 500 giant cats on the Russian side. As to their "territorial" ambition, China may not be a hospitable place because of many animal traps.

In the next two months, the Siberian cats left a trail on the Chinese side of the river, including killed wild and domestic animals and captured photos by remote cameras. Some Chinese specialists claimed that Kuzya had gained a lot of weight, indicating an adequate diet while in China. By Dec. 10, Kuzya was back to Russia after two months in China. "Kuzya is very likely to visit China again as it marked the areas he visited with his urine, designating his 'territory'," said Zhang Minghai, vice director of the State Forestry Administration's Feline Research Center.

Regardless of what comes out of a “clash” between the enduring pride of the largest Eurasian landmass (Russia) and an ever growing Chinese power, Putin’s tigers have marked China as their adopted hunting/living space with plenty of food and attention.

## **Chronology of China-Russia Relations September – December 2014**

**Sept. 1, 2014:** President Putin and Chinese Vice Premier Zhang Gaoli witnessed the welding of the first roll of pipes on the Russian part of the China-Russia East Route natural gas pipeline in Yakutsk. Prior to this, Zhang co-chaired the 11<sup>th</sup> meeting of the China-Russia Energy Cooperation Committee in Moscow with Deputy Prime Minister Arkady Dvorkovich.

**Sept. 11, 2014:** President Xi Jinping and President Putin meet in Dushanbe ahead of the 14<sup>th</sup> Shanghai Cooperation Organization (SCO) Summit. Later, they meet Mongolian President Tsakhiagiin Elbegdorj to discuss economic cooperation among the three neighbors.

**Sept. 11-12, 2014:** The 14<sup>th</sup> SCO Summit is held in Dushanbe.

**Sept. 13-15, 2014:** Chinese Vice Premier Liu Yandong visits Russia and co-chairs, with Deputy Prime Minister Olga Golodets, the 15th session of the China-Russia Committee on Humanities Cooperation in Moscow.

**Sept. 21-23, 2014:** Valentina Matviyenko, chairwoman of the Russian Federation Council, the upper chamber of Parliament, visits China at the invitation of China’s top legislator Zhang Dejiang. They co-chair the 8<sup>th</sup> meeting of the Sino-Russian legislative committee and sign a document on deepening legislative cooperation between the two countries.

**Sept. 26, 2014:** President Xi meets a delegation from the Russian Communist Party headed by the party leader Gennady Zyuganov in Beijing.

**Sept. 26, 2014:** Chinese Foreign Minister Wang Yi meets Russian counterpart Sergei Lavrov in New York City on the sidelines of the annual UN General Assembly meeting.

**Oct. 1, 2014:** President Putin sends a telegram to President Xi on the occasion of the 65th anniversary of the foundation of the People’s Republic of China.

**Oct. 12-14, 2014:** Chinese Prime Minister Li Keqiang visits Moscow, his first visit as Chinese premier. On Oct. 13, Li and Russian Prime Minister Dmitry Medvedev co-chair the 19th regular meeting between the Russian and Chinese prime ministers.

**Oct. 20, 2014:** Russian and Chinese police hold an anti-terror and riot-control drill, code-named *Lijian-2014 (Sharp Sword-2014)* in Manzhouli City, North China’s Inner Mongolia Autonomous Region. It involves hostage rescues and physical competitions between the two police units.

**Oct. 20-26, 2014:** A 100-member Russian youth delegation led by Sergey Pospelov, head of Federal Agency for Youth Affairs of Russian Federation, visits China. The group is part of the Year of Youth Exchange between China and Russia in 2014-15.

**Oct. 31, 2014:** China hosts the fourth Foreign Ministerial Conference of the Istanbul Process on Afghanistan in Beijing. The Istanbul Process was launched in November 2011 by China, Russia, Afghanistan and Central Asian countries and now has 14 members and 28 supporting parties including the US, UK, UN, and SCO.

**Oct. 31, 2014:** Russian and Chinese border defense units from China's Huichun area and Russia's Khasan area conduct *Border Defense Cooperation-2014* joint exercise against cross-border criminal and terrorist activities. They practice operations such as early warning, ambush laying, area sealing and control, catching terrorists.

**Oct. 31-Nov. 1, 2014:** Russian Deputy Foreign Minister Igor Morgulov meets China's North Korea envoy Wu Dawei in Beijing to discuss the situation in Northeast Asia. Morgulov also meets Deputy Foreign Minister Cheng Gouping to discuss SCO related issues.

**Nov. 4-11, 2014:** Deputy Chief of the PLA General Staff Wang Guanzhong visits Russia and Belarus. On Nov. 5, Wang and Russian Deputy Chief of the General Staff Kartapolov co-chair the 17th round of strategic consultations in Moscow.

**Nov. 9-11, 2014:** President Putin visits China for a state visit and to attend the APEC meeting.

**Nov. 9, 2014:** Foreign Minister Lavrov meets Chinese counterpart Wang Yi in Beijing. They discussed world and regional affairs, as well as the Korean Peninsula and Iran nuclear issues.

**Nov. 15, 2014:** Leaders of the BRICS countries (Brazil, Russia, India, China, and South Africa) meet on the sidelines of the G-20 Summit in Brisbane.

**Nov. 17-19, 2014:** Russian Minister of Defense Sergey Shoygu visits China and co-chairs a session of the Russia-China Intergovernmental Committee on Military-Technical Cooperation with Chinese counterpart Col. Gen. Chang Wanquan. The two militaries agree to hold a joint naval exercise in the Mediterranean Sea in the spring of 2015.

**Nov. 24, 2014:** Foreign Minister Lavrov and Chinese counterpart Wang Yi meet in Vienna on the sidelines of the Iran nuclear negotiations.

**Nov. 27, 2014:** Russian Deputy Defense Minister Anatoliy Antonov and PLA's Deputy Chief of the General Staff Wang Ning meet on the sidelines of the first session of the South and Southeast Asian (SASEAN) Defense Chiefs' Dialogue in Colombo, Sri-Lanka.

**Dec. 5, 2014:** Foreign Minister Wang Yi sends a letter of condolence to Russian counterpart Lavrov over the terrorist attack in the Chechnya Republic, which killed at least 17 people.

**Dec. 14-15, 2014:** The 13<sup>th</sup> SCO Prime Ministerial Meeting is held in Astana. Premier Li Keqiang and Prime Minister Dmitry Medvedev meet on the sidelines.

**Dec. 31, 2014:** Chinese and Russian presidents exchange New Year's greetings.