Analyses OSW

CENTRE FOR EASTERN STUDIES 14.09.2018 www.osw.waw.pl

The Eastern Economic Forum in Vladivostok. In the shadow of Russian-Chinese cooperation

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The 4th Eastern Economic Forum in Vladivostok (11-13 September) was principally the setting for a meeting between Russian President Vladimir Putin and the leaders of China and Japan, Chairman Xi Jinping and Prime Minister Shinzo Abe, as well as with the President of Mongolia Khaltmaagiin Battulga and the Prime Minister of South Korea Lee Nak-yeon. The Forum itself is a Kremlin initiative aimed at intensifying economic cooperation between Russia and its Asian partners, in circumstances when cooperation with the West, which has been Russia's main partner since the 1990s, has been curtailed by EU and US sanctions. This year's forum confirms a tendency which has been emerging in Russia's relations with its Far Eastern partners: economic and political relations are intensifying primarily between Russia and China, while cooperation with Moscow's other partners (Japan, Korea), despite an increase in mutual trade, is far less important.

A Russian agenda dominated by relations with China

Although numerous documents were signed during the Forum, only a few were contracts and financial agreements: a loan agreement of 12 billion yuan (US$1.7 billion) between the Chinese State Development Bank and the Russian state bank Vneshtorgbank; an agreement between Russia's Kamaz and China's Weichai Power to set up a joint company to manufacture motors at the Kamaz factory in the Yaroslavl region; and an agreement between the Chinese online sales giant Alibaba and the Russian companies MegaFon & Mail.ru Group and the Russian Direct Investment Fund to establish a joint internet trading company, AliExpress Russia, worth around US$2 billion.

It is noteworthy that these agreements were made only with Chinese entities, which confirms China's dominant role in Russia's Asian policy. The clearly asymmetric nature of Russian-Chinese relations is apparent; it is the Chinese side which is granting loans, and Chinese companies which are bringing investments and know-how onto the Russian market.

No specific Russian-Chinese agreements have been signed in the energy sphere. President Xi Jinping stated that he had given orders to Chinese entities to conclude contracts for gas supply via the so-called western route (from Western Siberia deposits), but experience so far indicates that turning such declarations into actual contacts requires many years of negotiations.

The growing importance for Moscow of military cooperation with Beijing is also evident. The forum was held against the background of the Vostok 2018 military exercises which took place on 11-17 September, and which Moscow 'advertised' as Russia's largest exercises since the time of the Warsaw Pact's Zapad-81 exercises. About 300,000 soldiers and military personnel are supposed to have participated in the Vostok exercises. According to Russian declarations, 297,000 soldiers from the Eastern and Central military districts and seconded units from the European part of the Russian Federation (mainly the Northern Fleet) took part in the exercises. In real terms, only around a fifth of these forces actually went into the field, including the spectacular simulation of a clash of ground units with air support at the Tsugol training ground in which 25,000 soldiers participated. It is worth noting that the Vostok 2018 exercise did not reduce the training activity of the Russian Federation's Armed Forces in Europe, and the exercises being conducted at the same time in the Kaliningrad oblast and Crimea should be seen as particularly intensive.

It is particularly important that this year's Vostok exercises, which on previous occasions (they are held every four years) had been interpreted as a demonstration of Russia's combat capabilities towards China, included for the first time a significant Chinese military contingent (3200 soldiers). And although the Russians and Chinese have been conducting joint military exercises since 2005, their cooperation in these exercises is a clear signal to Washington that Moscow does not see China as a potential opponent, but could expect military support from Beijing in a possible confrontation with Washington. It is no coincidence that both President Vladimir Putin and Chairman Xi Jinping stressed in their speeches at the forum that their countries are linked by a rejection of the 'one-sided approach' (read: US policy) in politics and the global economy.

The primacy of the economy in the Chinese perspective of relations with Russia

For Beijing, the presence of Xi Jinping in Vladivostok, as well as the participation of Chinese soldiers in the Vostok exercises, represents a declaration of Beijing's willingness to deepen relations with Moscow, which is referred to in China as 'comprehensive strategic cooperation'. In the view of Chinese decision-makers, the PRC is the stronger partner and can derive tangible economic benefits from this fact, at both interstate and regional levels – in the Russian Far East. This is why Beijing was putting pressure on Russia during the Vladivostok forum to move the two states' economic cooperation to the regional level, where the Chinese partners' economic advantage is overwhelming. Also, the agreement between the Chinese Alibaba Group and its Russian partners will enable the construction of a new platform combining e-commerce, social media and multimedia entertainment, which will use the Russian Mir payment system, thus bypassing the dollar. This will give Beijing the opportunity to dominate commercial internet applications in Russia. It will also allow China to eliminate intermediaries, promote the yuan in international payments, and open up a new channel for exporting retail products and services. If the project is successful, it will also help Beijing to propose similar solutions to other partners.

Military cooperation with Russia is gaining a new dimension for China. To a lesser extent, this is dictated by Beijing's need to acquire new military technologies (which it is trying to develop effectively on its own, although it is still dependent on some Russian solutions), but to a greater extent it is necessary in order to increase the combat value of the People's

Liberation Army. Beijing is working to improve the tactical skills of its commanders at all ranks, improve the chain of command and coordination between the different military branches, and reform the training process for soldiers. Russia seems to be the only country with adequate knowledge and experience which it is ready to share with the Chinese armed forces, hence the increased involvement of the Chinese side in joint exercises.

However for Beijing, the economic dimension of its 'strategic cooperation' with Russia remains a priority, for which the PRC repays Moscow in political activities, sometimes purely symbolic, such as Xi Jinping's visit to the forum in Vladivostok.

Stagnation in Russia's relations with other Far Eastern neighbours

The forum also highlighted the fundamental political problems hindering the intensification of relations between Russia and the two other significant actors in the Far East, Japan and South Korea.

There is a clear stagnation in Russia's relations with Japan. No contracts between them were signed during the forum. Prime Minister Abe's initiative to create favourable conditions for resolving the territorial dispute around the Southern Kurils/Northern Territories, by organising joint economic activity in the disputed territory and increasing Japan's economic involvement in the Far East, has stalled due to the inability to find a legal formula that would be acceptable to both parties, as well as Japan's unwillingness to engage in any serious projects without a guarantee that the Russian side will make concessions on the territorial issue. Putin's offer to sign a peace treaty by the end of the year means in practice that Tokyo will be asked to reconcile itself to the existing territorial *status quo*.

Similarly, the implementation of the significant tripartite projects with South and North Korea which Russia has been proposing for many years is encountering political obstacles. Seoul, which would have to be the main financial sponsor of these projects, is firmly of the opinion that the denuclearisation of North Korea is a condition for starting any projects with it. On the contrary, Russia – as Putin indirectly confirmed during the forum – believes it is precisely economic cooperation that would create conditions conducive to the denuclearisation of the DPRK. It is symbolic that the South Korean prime minister stated during the summit that American companies should also join Russia in the putative project of opening a railway connection from South Korea via North Korea.

In turn, Putin and Xi Jinping used the forum to declare their *de facto* common position towards Washington regarding the DPRK's nuclear programme. Both leaders stressed that North Korea could only be denuclearised as part of a multilateral agreement, under which Russia and China would give security guarantees to Pyongyang. In this way, they made it clear – above all to Washington, but also to Seoul – that they would try to disrupt any solution to North Korea's nuclear problem which consists of a bilateral agreement between Pyongyang and Washington (or a tripartite Pyongyang-Washington-Seoul agreement).

It is worth noting that despite the Kremlin's repeated encouraging signals, neither of the Korean leaders came to Vladivostok. Russia had hoped that their presence at the forum would help it to rejoin the group of leading participants in the game around the tensions on the Korean peninsula, in which Russia has been clearly pushed into the background (in comparison with the United States and China) over the last few years.

No concrete results were brought by the meeting between President Putin and the President of Mongolia Khaltmaagiin Battulg. It is worth noting that, contrary to the announcements, there was no meeting between the leaders of Russia, China and Mongolia. This tripartite format of cooperation has been promoted by both Moscow and Beijing for several years because it creates a specific mechanism for Russian-Chinese 'condominium', minimises Ulaanbaatar's opportunities to exploit the differences between Moscow and Beijing, and reduces or even prevents Russian-Chinese rivalry for influence in Mongolia.

Annex: Dynamics of Russia's trade with its main economic partners in East Asia (in US$ billion, in % of total turnover)

	2014	2015	2016	2017	2018 (I-VII)
China	88 (11.3%)	64 (12.1%)	66 (14.1%)	87 (14.9%)	59 (15.5%)
Korea	27 (3.5%)	18 (3.4%)	15 (3.2%)	19 (3.3%)	9 (3.3%)
Japan	30 (3.9%)	21 (4.1%)	16 (3.4%)	18 (3.1%)	12 (3.1%)

Data from the Russian Federation's Federal Customs Service (in round figures)