

PUTIN IN BEIJING

## Russia and China Pursue Ties In Space, Nuclear, Transport

by Rachel Douglas

Oct. 17—The 16th Regular Russian-Chinese Prime-Ministerial Meeting, held between Premier Wen Jiabao and Prime Minister Vladimir Putin on Oct. 11-12, resulted in 17 bilateral cooperation documents, and an affirmation of “strategic partnership” between these two great Eurasian powers. If augmented by the right kind of policy from the United States, Russian-Chinese cooperation of the type committed to by Wen and Putin—prioritizing transport, nuclear power, and the economic development of outer space, as the key areas for growth—could become the engine of economic recovery that the world so desperately needs.

Lyndon LaRouche addressed the potential embodied in the agreements, during LPAC-TV’s Weekly Report on Oct. 12. “We have in Russia, China, and potentially India, but Russia and China are more likely to lead in a process like this now,” said LaRouche, “the basis for a trans-Pacific economic orientation. Europe, for the moment, doesn’t function. All the governments of Central and Western continental Europe are not functional now, under this financial swindle of which they’re victims. They’ve lost their sovereignty, they’ve given up their national sovereignty in favor of the euro system. So the trans-Atlantic region, momentarily, does not function. But China and Russia, and implicitly India would join; ... we have a trans-Pacific orientation, which is typified by the NAWAPA [North American Water and Power Alliance] project for the Western and Central United States.

“Therefore, we have the immediate prospect, and the Russians and Chinese are doing it now, for a partnership of the United States with Russia and China, and other nations of the trans-Pacific region, to revive the world economy, and thus bring Europe back into its proper role as an economy. ... We’re at the point where that can occur. And what we need is the imagination, not just fantastic imagination, but the imagination to see the truth, what we can do: If we can get this President out now, while we still have a country, then we will be able to inspire people in the United States. We know, because they want employment, they want real employment, they want real economy, and we can give it to them. We, ourselves, and especially in cooperation with Russia and China, who are the major powers in the Pacific region, together with us. And therefore, we have an option for going back to a civilized form of life. ... We, the United States, together with Russia and China, are the potential linchpins of the salvation of civilization on Earth.”

### Strategic Cooperation

Eight of the bilateral agreements were signed in the presence of the two prime ministers on Oct. 11. Both Putin and Wen, at a press conference after they met, stated their commitment to shifting Russian-Chinese economic cooperation increasingly into high-technology areas, and to projects that will have an impact throughout Eurasia. Both emphasized the role of the Shanghai Cooperation Organization (SCO), whose



Government of the Russian Federation

*Russian Prime Minister Vladimir Putin's visit to Beijing, where he met with Chinese Premier Wen Jiabao and other top leaders, affirmed the two nations "strategic partnership," with numerous economic deals. Here, Putin (left) and Wen seal their agreements with a handshake, Oct. 11, 2011.*

members include both nations plus Kazakstan, Kyrgyzstan, Tajikistan, and Uzbekistan (plus India, Iran, Mongolia, and Pakistan as observers).

The centerpiece agreement was titled the Memorandum on Cooperation between the Governments of the Russian Federation and the People's Republic of China in the Sphere of Economic Modernization. This document mandates joint development of the Russian space industry, nuclear, and aviation industry technologies for use by China, as well as Chinese high-speed rail and ship-building projects in Russia.

*China Daily*, in its Oct. 14 report on the joint communiqué released by Putin and Wen, emphasized that the Russian-Chinese relationship has become one of "strategic cooperation." Their bilateral energy-sector

cooperation is "not confined to the supply of oil and natural gas," the Chinese paper underscored. Deputy Prime Minister Igor Sechin, who has handled the sometimes tense Russian-Chinese negotiations on Chinese payments for current Russian oil deliveries, as well as delivery and price issues related to potential Russian natural gas sales to China, visited China's Experimental Fast Breeder Reactor, a joint project in nuclear technology which was one of the projects agreed on during Putin's last visit, in October 2009.

"The readjustment goes with the two nations' domestic strategies for economic development," observed *China Daily*, "especially as Russia is seeking to diversify its economy and lessen its reliance on exports of energy and raw materials." Other areas of cooperation referenced in the joint communiqué are nanotechnology, new materials, bioengineering, energy conservation, telecommunication, aviation, and aerospace.

The space agencies of the two countries have drafted and adopted a follow-up cooperation outline for 2013 and beyond, it said, while the leaders agreed to the "establishment of an innovation chain that ranges from joint research to commercialization and industrialization of China-Russia research output." They will also support the free entry of high-tech enterprises to both countries' high-tech parks and create necessary conditions for the cooperation between innovation institutes of both countries. According to the communiqué, the two nations are also discussing building a special economic zone somewhere in Russia. "Cooperation in capital, logistics, and energy could be boosted in the zone," said Jiang Yi of the Chinese Academy of Social Science.

In his remarks at the press conference, Wen noted that China has become Russia's largest trade partner, with trade, as measured in monetary terms, to reach \$70 billion this year. The two countries plan to nearly triple that level by the year 2020. Wen welcomed the start-up of oil deliveries through the new Chinese-Russian spur of Russia's East Siberia-Pacific Ocean pipeline. He then said:

"We intend to further deepen our cooperation in such important areas as space, the aircraft industry, coal mining, electric power, construction of trans-border infrastructure, water management, environmental protection and agriculture. China and Russia intend, in communication with other SCO members, to strive for progress toward a solution of improving transport within the SCO, creating an SCO Development Bank, as well as humanitarian cooperation and other new cooperative successes in the framework of the SCO."

Putin likewise stressed the extension of cooperation into new areas: “We intend to support close cooperation in production, creating promising technological alliances, and implementing infrastructure products, while increasing mutual capital flows. Our goal is to diversify our trade and economic ties. We have created a whole set of tools for achieving these goals, including the Investment Cooperation Plan, as well as the Program for Cooperation between the Regions of the Far East, Eastern Siberia, and Northeast China.”

(The latter program, when first unveiled in 2009 by Presidents Dmitri Medvedev and Hu Jintao, already listed over 200 joint projects; according to Deputy Prime Minister Alexander Zhukov, who represented Russia in talks with Vice Premier Wang Qishan at the Sixth China-Russia Economic Forum on Oct. 10, twenty-eight of those projects have been completed, while 60-some are in the process of implementation.)

In early October, Putin had published an article in *Izvestia* on the upcoming transformation of the Russia-Belarus-Kazakhstan Customs Union into a single economic space and, eventually, a Eurasia Union. There he established a regional context for all of Russia’s economic cooperation in Eurasia, including with China: “We suggest creating a powerful supranational union capable of becoming a pole in the modern world, and, at the same time, an effective bridge between Europe and the dynamic Asia-Pacific Region.”

### Scientific Frontiers

In his remarks after meeting with Wen, Putin added, “The emphasis will be on increasing new technologies and skilled jobs. Today we paid particular attention to issues of investment and promising areas, above all, those where we have a significant amount of scientific groundwork already done, as well as resources and manpower. This means space exploration, telecommunications, machine-building, the aviation industry, the agro-industrial complex, and, of course, military-technical cooperation.”

Russia’s growing recognition of China’s rapid technological advance is a key element in way their bilat-



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*China will benefit from Russia’s leadership in nuclear energy, space, and aviation. “We shall develop closer cooperation in nuclear power . . . on the basis of the most advanced, modern technologies in the world, so that we shall reduce potential risks practically to zero,” said Putin. Shown: Leningrad nuclear power plant 2.*

eral economic relations will proceed, wrote Vladimir Radyuhin, veteran Moscow correspondent of the Indian Foreign Ministry-connected daily, *The Hindu*, in an Oct. 11 report on Putin’s visit. “Russia still possesses advanced technologies but cannot put them to production because of outdated equipment and high labor costs,” he quoted Dr. Mikhail Karpov of the Moscow Institute of Asia and Africa, regarding the Memorandum on Modernization. Thus the most important result of the Modernization agreement “will be the establishment of manufacturing facilities in China based on Russian technologies.”

Radyuhin also cited Zhukov, who said that Russia sees the Memorandum on Modernization agreement “as a two-way traffic road.” The *Hindu*’s author wrote: “China will benefit from Russia’s leadership in nuclear energy, space and aviation, while Russia will take advantage of Chinese superiority in high-speed rail transport, shipbuilding, power generation equipment and alternative energy production. The Kremlin hopes to kill three birds with one stone: speed up technological renovation, promote growth in Russian regions along the 4,000-km border with China, and mitigate growing imbalances in bilateral commerce. . . . While machines and equipment do not exceed 5% of Russian supplies to China, they account for more than half of Chinese exports to Russia.”

As recently as last year, Radyuhin wrote, one senior Kremlin official claimed that “China can hardly help us modernize because it pursues extensive growth based on cheap labor.” President Medvedev’s visit to the Shanghai World Expo in September 2010 laid that outdated perspective to rest.

Dr. Andrei Ostrovsky, deputy director of the Institute for Far East Studies (Russian Academy of Sciences), said, in an interview published on the eve of Putin’s trip, that the composition of Russia’s exports to China had slipped even further toward raw materials in recent times. The share of machinery in Russia’s exports to China, he stated, is currently only 1.5%, as against 49% in the other direction.

Aware of China’s optimistic plans for space exploration, including industrialization of the Moon, Putin identified the two countries’ space industry cooperation as exemplary of an area in which the raw materials tilt could be cured. In an interview with the Chinese state television channel CCTV, Putin presented space cooperation as an economic driver:

“As you understand, this is a perfect example of a high-tech business. And if we manage to convert this experience into joint space exploration projects, both Russia’s and China’s technological level will only increase. It’s not only about the production of rockets and commercial launches in the interests of third countries. It will spur the development of a whole chain of other businesses, like satellite scanning of the Earth... We’ve made significant progress in the development of the Glonass navigation system. . . . Apart from the satellite fleet, we have to develop the ground infrastructure. It’s an area where we would greatly appreciate the help of our Chinese partners, with their technologies, advanced production facilities, and qualified experts. It will boost the sales and beef up production, but also it will have an indirect positive impact on the economy in general, streamlining logistics for transportation by land, sea, or air. There are multiple applications. I think our progress in this area will not do any harm; on the contrary, it will open up new horizons.”

Reviewing various areas of energy cooperation, Putin, at the Oct. 11 press conference, mentioned oil and gas, saying that matters had reached the “final stage” before agreement on the modalities of selling Russian natural gas to China. But he especially went into nuclear power: “We shall develop closer cooperation in nuclear power, and I emphasize that this will be on the basis of the most advanced, modern technologies

in the world, so that we shall reduce potential risks practically to zero. Our cooperation is not limited to just building plants. We have outlined cooperation in scientific research, and in preparing and implementing promising projects.” Hydroelectric and “alternative” power were also on the agenda. Both prime ministers welcomed the increasing use of the yuan and the ruble in bilateral trade.

## Joint Investment Fund

Among the other agreements signed during the week were a Memorandum of Understanding on Increased Cooperation in the Sphere of Agriculture, between the respective agriculture ministries. Two investment-related documents were titled “Framework Agreement between the [Russian] Bank for Development and Foreign Economic Affairs (Vnesheconombank, or VEB) and the China Development Bank”; and “Memorandum of Intent between the Bank for Development and Foreign Economic Affairs (Vnesheconombank), the Russian Direct Investment Fund, and the China Investment Corporation, To Cooperate on Establishing an Investment Fund.”

According to the Russian government daily *Rossiyskaya Gazeta*, the investment fund project has been in the works since last Winter, when Medvedev, at the Davos World Economic Forum, announced plans to create a sovereign fund to “share risk with foreign investors through joint investment in projects to modernize our economy.” In May the Russian State Duma allocated 62.2 billion rubles (approximately \$2 billion) to establish the Russian Direct Investment Fund (RDIF). The head of the China Investment Corporation sits on the RDIF’s advisory board (as do representatives of the Korea Investment Corporation, the Kuwait Investment Authority, and various money-center investment funds including Apollo Global Management, Warburg Pincus, and the Blackstone Group).

Kirill Dmitriyev, head of the RDIF, visited China in August to negotiate creation of the new Russian-Chinese fund. The fund’s size of \$4 billion was confirmed during Putin’s trip. *Kommersant* reported on a memo from organizers of the new fund: “Contributions of \$1 billion to the Russian-Chinese Investment Fund (RCIF) will be made by the Russian Direct Investment Fund, a new \$10 billion state fund set up to attract foreign direct investment into Russia, and China Investment Corporation, a sovereign \$410 billion fund. The rest will come from outside investors, mainly Chinese, in the next 18 months.”

According to the Russian economic weekly *Expert*, Dmitriyev said Oct. 11 that the RCIF's first deals will be finalized within the next six to nine months. Its resources will be directed, Dmitriyev added, into non-raw-materials sectors of industry, including nuclear power, aerospace, pharmaceuticals, and telecommunications.

A deal for \$1.5 billion of Chinese investment in a new aluminum smelter, to be built by Russian Aluminum at Tayshet (where the Baikal-Amur Mainline splits from the first Trans-Siberian Railroad), was finalized during Putin's trip.

### Transport Corridors

Some of the most far-reaching discussions of the Chinese-Russian cooperation potential took place on the eve of Putin's trip, at a conference of Russian and Chinese officials and scholars, held in Russia's Sakhalin Island region. Speaking at a press conference in Yuzhno-Sakhalinsk on Oct. 11, at the close of a two-day conference, participants told of their discussions about expanded infrastructure cooperation in northeastern Eurasia. Interfax and *Rossiyskaya Gazeta* were among the media reporting on the event, held under the title, "Russian-Chinese Cooperation in Northeast Asia: Toward Sustainable Development and Mutual Prosperity." It was the first such event between representatives of the two countries to be held on Sakhalin Island.

Academician Mikhail Titarenko, head of the Far East Institute of the Russian Academy of Sciences, spoke at the press conference. He has a long record of advocacy for the Eurasian Land-Bridge, going back to the 1996 conference held in China (see *EIR*'s 1997 Special Report, "The Eurasian Land-Bridge"). Titarenko, who waged a long and intense fight against the prejudice of some in Russia that the Chinese land-bridge routes would be developed to the detriment of Russia's Trans-Siberian, said that he was glad to welcome "Chinese interest in creating a transcontinental transport corridor from Southeast Asia to Europe through Russia," according to Interfax. The news agency quoted Academician Titarenko: "China recognizes this corridor through Russia, and is even offering certain efforts to develop this project. But, in order for this corridor to work, the Trans-Sib must be able to



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*China's superiority in high-speed rail transport, including maglev, will be of tremendous benefit to Russia. "The Kremlin hopes to kill three birds with one stone: speed up technological renovation, promote growth in Russian regions along the 4,000-km border with China, and mitigate growing imbalances in bilateral commerce," wrote The Hindu. Shown, the Shanghai maglev train.*

provide rapid container shipments, which it currently cannot; it needs to be modernized."

According to *Rossiyskaya Gazeta*, an official of the Development and Reforms Committee of Liaoning Province in China, taking part in the conference, informed the Sakhalin regional government that Chinese investors are prepared to build a new seaport at the city of Poronaysk on Sakhalin Island. The deputy chairman of the Sakhalin Region's government, Sergei Khotochkin, cited existing cooperation between Sakhalin and China's northeastern regions on construction materials and the coal industry.

The *Gazeta* report highlighted remarks by another Far East Institute scholar, Anatoli Klimenko, about the need to upgrade the Shanghai Cooperation Organization, because of the "extremely difficult period" the world is entering, as shown by events in Northern Africa and Southwest Asia. He called for "completely revising the charter of the SCO, to lift it to a new level of competence, adequate to the challenges of this time." The head of the Chinese delegation, who is the director of the Institute for Russia, Eastern Europe, and Central Asia of the Chinese Academy of Social Sciences, said that he would take these ideas about upgrading the SCO to the relevant leaders in China.

The Russian-Chinese partnership in their border areas may potentially extend into strategically crucial projects

around the Pacific Rim: ultimately the Bering Strait and the Arctic. Already now, there is progress in cooperation in the development of the Korean Peninsula, where the renovated North Korea-Russia railway, a future part of the northern route of the Eurasian Land-Bridge via the Trans-Siberian Railway, had a test run before hundreds of officials of the two countries on Oct. 14.

The restored track, after three years of work mostly financed by Russia, once again links Russia's Far Eastern border town of Khasan to North Korea's northeastern port city of Rajin (Rason). Hundreds of North Korean and Russian officials attended the ceremony in a North Korean border railway station to celebrate the opening. "Rajin port will be a new center that will attract cargo from the Asia-Pacific region," said Valeri Reshetnikov, senior vice president of Russian Railways. Russia will eventually link the 54-kilometer-long railway line with the Trans-Siberian Railway. As part of the project, Russia is scheduled to complete a new container terminal at the Rajin port by next year.

*Michael Billington, Mary Burdman, Dorothea Bunnell, and Ron Castonguay contributed reporting for this article.*

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