

## KHAZAR PROFESSOR'S ARTICLES PUBLISHED IN INTERNATIONAL JOURNALS



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**By Assoc. Prof.  
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### THE TORTUOUS SINO-RUSSIAN ARMS TRADE

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The history of Russian-Chinese relations are full of turnarounds and mutual distrust, even disdain at times. A century of unequal treaties between the two countries, resulting in Russia's encroachment on China's sovereignty and ideological tensions dating back to the 1960s, have left deep marks on the consciences of policymakers on both sides.

Numerous spats and breaks in diplomatic relations occurred in the 20th century. Since the fall of the Soviet Union, though, Moscow and Beijing have gradually improved their relations, as evidenced by the creation of the Shanghai Cooperation Organization in 2001, of which Russia and China are founding members, and the signing of the Treaty of Good Neighborliness, Friendship and Cooperation, also in 2001. In economic, cultural and political spheres, relations have never been better than they are now.

Officials from both countries have developed a "strategic partnership" based on strong bilateral and multilateral cooperation in many fields. Military cooperation has taken center stage in this relationship, which is characterized by three main aspects: 1) politico-military cooperation through meetings of senior officials, especially defense ministers and chiefs of staff; 2) joint military maneuvers and training; 3) sales of military equipment and licensed technology transfer from Russia to China.

Of these three aspects, the most important is the arms trade, even though in recent years a significant drop in Russian military equipment exports to China has been observed, which has in turn affected the "strategic partnership".

It is estimated that between 1991, the year the Soviet Union collapsed, and 2010 over 90 percent of the heavy conventional weapons imported into China came from Russia. During this period the People's Republic of China (PRC) purchased a wide range of modern Russian weapons, including Su-27 fighters, Su-30 transport aircraft, Mi-17 helicopters, Kilo class diesel-electric submarines of the designated Project 636 and 877E types and *Sovremenny* class destroyers (anti-surface warships), to name but a few. Since 2005, however, arms trade watchers have noted an unprecedented decline in these orders, and this trend does not seem to be abating. Recent sales data demonstrates that this form of Sino-Russian cooperation has yet to return to previous levels. The reasons for this lie in a number of events that have taken place in the two countries in recent years.

During the last decade of the twentieth century and early years of the current century, China, in order to ensure that its armed forces are adequately equipped to fulfill their aspirations, has had no other choice but to import military equipment from abroad, mainly due to the underdevelopment of its own domestic defense industry. Russia was the obvious preferred supplier, not only because it had a well-developed arms industry of its own but also because it was willing to export at a time when the United States and the European Union (EU) had imposed an arms embargo on Beijing in the aftermath of the Tiananmen Square massacre of April 1989.

This embargo created a windfall for Russian companies. They quickly became dependent on the Chinese market. High-end and heavy weapons started

to stream to China, and within a few years China had managed to obtain significant quantities of Russian technology through buying complete weapons systems, obtaining licenses to manufacture Russian weapons on Chinese soil, importing Russian components intended to help Chinese manufacturers assemble their own weapons and by sending technicians to Russia for training. China's need for weapons even drove it, in some cases, to industrial espionage. In this fashion, the PRC was able to modernize its armed forces in a short period of time and, above all, develop a serious domestic arms industry, making the country increasingly independent of Russian supplies. The so-called "new leap forward" in the military industry was especially apparent in the production of advanced aircraft and surface platform systems; so that China can now boast that some of its armaments are equal to those available from any other global supplier.

The Russian authorities, concerned by the rapid emergence of the Chinese military industry, have in recent years limited the volume of weapons exports to China (the resultant loss of revenues being offset by a boost in arms exports to India. Policymakers in Moscow are also much more cautious nowadays when negotiating deals with China to manufacture military equipment under license, as this enables the Chinese to acquire the expertise to produce their own high-grade arms. Russia's new approach is not only due to worries about the emergence of counterfeit, knock off military products and weapons technology theft but also because of the ever-growing geopolitical competition it faces from China.

The acquisition and assimilation of Russian military technology have given China's defense industries the ways and means to compete successfully in what was previously Russian markets (principally in developing countries). This head-on competition may in the long run compromise the very existence of various sectors of the Russian defense industry.

The ability and willingness of Russian companies to provide the PRC with equipment and technology, combined with the already-mentioned practice of technology theft and industrial espionage, have raised many flags in Russia about a number of issues: 1) the current level of Russian military technology; 2) the quality of Russian exports; 3) the level and prospects in terms of arms trade relations with India. All these factors come together and play a crucial role in the volatile and politically-charged arms market, where the price and quality of products, the level of political relations between buyers and sellers and the terms of engagement between the parties are critical concerns.

Competition from other major arms

manufacturers – principally EU countries and Israel – constitutes more worry for Russian domestic producers. Even though Russia is the world's second largest exporter of military equipment, in technical terms its products lag behind those of its competitors in many ways, which forces Chinese policymakers to look elsewhere for the most advanced military devices. Despite the continuation of the post-Tiananmen Square embargo on the export of military equipment, EU countries are now allowed to sell to China so-called dual-use technologies which can be used (and in fact are) for both civilian and military purposes. The level of these exports, though not high (in 2009 total EU arms exports to China were worth only 58 million euros), indicates that there are opportunities for developing greater trade cooperation between China and Europe. This constitutes a warning to Russia that, to some extent, changes in commercial relations and defense cooperation between Beijing and Brussels are possible, and even probable, in the not-so-distant future.

Competition from former Soviet bloc countries also prejudices Sino-Russian cooperation. Ukraine, for example, supplies the Chinese arms industry with tanks, missiles, aircraft and helicopters; it also conducts combat training exercises for the Chinese military. The most noteworthy example of trade between these countries was the sale by Ukraine in 1998 of an unfinished Soviet *Varyag* multipurpose aircraft carrier, which has since been customized by the People's Liberation Army Navy for "scientific research, carrying out tests and training."

The purchase of four *Zubr-class* heavy-duty air-cushion landing ships (hovercraft) from Ukraine is another important deal that has precluded the signing of similar contracts with Russian companies. For the period 2010-2012 Ukraine's export of weapons to China totaled 1.2 billion euros, a rapid increase if one considers that China purchased only 1.5 billion euros worth of such equipment from Ukraine in the entire period 2002-2009.

In addition, Chinese policymakers' increasing frustration with the poor quality of the equipment and components imported from Russia, continuous delays in deliveries and breaches of contract in terms of deviations from the originally agreed prices account for the recent decline in arms trade and close defense cooperation. Although Russian industry representatives are fully aware of these problems, efforts to improve the export system have fallen short.

Since they have the financial resources, Russians weapons manufacturers could resolve this collection of shortcomings and reduce the number of defective products by making direct investments in plants

located in China. Such closer cooperation would achieve much in converting the overall uneasy relationship between the two countries into a genuinely “strategic partnership,” but this has not yet occurred.

Another issue affecting Russo-Chinese relations is the evolution now taking place in the decades-old Russia-India interaction. Chinese experts often point out the disparity in military trade dealings between Russia, China and India –accusing Moscow of selling a higher volume of modern equipment to New Delhi than to China, a fact which creates tension between the three countries. However, this Chinese discontent with Russia stems in reality from many other factors, mutual suspicion deriving from the Sino-Soviet border conflicts of 1969 being the most prominent amongst these. Most Russian policymakers and experts on China consider an armed conflict between the two countries highly unlikely. Nevertheless, the threat of Chinese aggression continues to play a major role in the Kremlin's strategic projections. India remains one of Russia's most trusted partners in the arms trade and, most importantly, there has never been an armed conflict between these two countries. The level of trust in this relationship is best demonstrated not by the quantity of weapons sales but by their talks on reinforcing cooperation in the high-technology sector. Joint projects, such as the development of fifth-generation fighter and multi-role transport aircraft, reflect the growing importance of the Indo-Russian relationship, which beyond reasonable doubt hinders cooperation between China and Russia in this area.

In recent years Russia has also vented irritation over China's counterfeiting and thefts of high-tech components. The Russian media has intensified longstanding accusations that some systems produced in China are basically knock offs of Russian ones. Such purported behavior has led to the introduction in Russia of new provisions relating to the protection of intellectual property in the arms manufacturing sector. Only time will tell how the new laws will work in practice, though. The most glaring example of disregard for intellectual property rights was the case of the J-11B fighter, a single-seat, twin-engine jet fighter produced by the *Shenyang* Aircraft Corporation, which Russia officially declared to be based on the Russian *Sukhoi* Su-27 in April 2008. Despite these disputes, many signs point to a willingness by both parties to settle their differences. For instance, 2008 brought an agreement on intellectual property rights between the two countries, and in 2009 negotiations on an agreement with China on copyright protection for Kalashnikov assault rifles began.

Weapons sales competition in foreign markets

has also begun to affect cooperation between China and Russia. There is a widespread belief that China will play an increasingly important role in the export of weapons systems to Asian, African and Latin American countries. In the event that the PRC manages to offer military equipment on better terms than Russia does, many states will then choose Chinese products over less competitive ones from Russian companies. Such a change would have an extremely negative long term impact on Russian-Chinese relations.

The modernization of the defense industry is one of the main goals of the PRC's current (2011-2015) five-year development plan. Among the many objectives set out in the plan are a 15% increase in industrial and military capacity, the promotion of scientific innovation and the integration of military and civilian industries to quickly enhance China's military capabilities. Such goals, quite achievable given the continuing economic rise of China, are also a sizeable threat to continuing military cooperation between China and Russia.

All things considered, is a continuation of the current trend of decline in arms trade between China and Russia inevitable? The Chinese defense industry is still not modern or innovative enough to produce many of the needed weapons and systems on its own, as it lacks, for instance, the technologically-advanced components required to build combat aircraft and submarines – the supply of these is heavily dependent on Russia. Technological backwardness is noticeably pronounced amongst Chinese engine manufacturers, who egregiously need help from more experienced producers.

Russia is likely to remain the main supplier to China of certain types of more advanced equipment and technology: long-range transport planes, airborne tankers and modern naval missile ground-to-air systems, to name but a few. Also, one must not overlook Russia's continued willingness to supply top-level – and very expensive – armaments. Although sales of advanced products, such as the new state-of-the-art S-400 surface-to-air missile defense system or the components of the fifth-generation stealth fighter jet PAK-FA, are extremely unlikely at present, perhaps at some time in the not-too-distant future such transactions may occur, especially if Beijing is willing to provide adequate protection of intellectual property rights. Signing contracts for the sale of these new and very competitive Russian military devices to China could undoubtedly breathe new life into the “strategic partnership.”

## CONTINUED TUG OF WAR ON THE IRANIAN NUCLEAR ISSUE

By Richard Rousseau

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Since 2002, the year the world first became aware of Iran's nuclear program, the international community has engaged in grueling negotiations with Tehran to ensure that this program is, and remains, a civilian one and does not become a covert means or mechanism, as many fear, for developing nuclear weapons.

While Iran repeatedly confirms the peaceful nature of its nuclear activities and Supreme Leader Ali Khamenei reiterates that the Islamic Republic, considers nuclear weapons as immoral and contrary to Islamic precepts, the International Atomic Energy Agency (IAEA), in its latest report, says it is "increasingly concerned" about "the possible military dimension" of the Iranian nuclear program. (1) Meanwhile, an armed intervention by Israel becomes a more realistic scenario with each passing day.

After a stalemate that lasted fifteen months the P5 +1 countries (the five permanent members of UN Security Council, China, France, United Kingdom, Russia and the United States, plus Germany) resumed meetings with an Iranian delegation led by Said Jalili on April 14 in Istanbul and May 23 in Baghdad.

Despite the lack of concrete results, the meeting in Istanbul saw the return of Tehran to the negotiating table without any preconditions. Under strong international pressure, Iran actually abandoned its two main conditions before it would agree to sit down and engage in talks: the removal of the international sanctions and an unconditional acceptance of its right to enrich uranium for peaceful purposes.

On behalf of the P5 +1 powers, Catherine Ashton, the EU High Representative for Foreign Affairs and Security Policy, described the meeting in Istanbul as "constructive and useful" while the White House spoke of "a positive first step" in a "constructive atmosphere." Though there remain many doubts about the ultimate effectiveness of the ongoing talks and the good faith of the parties involved, the resumption of negotiations is in itself welcomed by those who seek a diplomatic solution to the crisis.

Meanwhile, Iran's nuclear program continues to advance. Despite resolutions by the United Nations condemning the program, international sanctions,

computer systems sabotage, targeted killings and operational problems of various kinds, the Iranians have been able to add a significant number of new-model uranium enrichment centrifuges at its Natanz complex, while making fast paced progress at the underground – and therefore immune to military attack – enrichment facility at Fordow near Qom.

A long negotiation process plays into the hands of the Islamic Republic, since it is moving, slowly but inexorably, towards the technological threshold of being able to build a nuclear weapon, the stage beyond which the country will have all the necessary capabilities – tools, infrastructure, equipment, materials and knowledge – to produce a nuclear weapon whenever it wishes to. (2)

To avert such an outcome and prevent forceful action by Israel, whose effectiveness can certainly be open to question but whose dramatic consequences for the Middle East and international security are inevitable, (3) the next round of talks, after Baghdad, must achieve significant and quick milestones on the uranium enrichment issue.

The objective of these talks is to break the current stalemate, relieve tension and prevent the situation from getting out of hand. To achieve such objectives, it is necessary that both parties review their negotiating strategies, adopt a more incremental and pragmatic approach and move away from maximalist positions. Such changes would foster convergence between the negotiators, something which is essential if they are genuinely holding talks to reach a workable and sustainable agreement, while at the same time saving face.

If the conclusion of a final agreement is actually the goal of the negotiations, the P5 +1 powers must then abandon their primary requirement that Tehran fully renounce its right to enrich uranium. However, those who harbor the hope that Iran will accept such a humiliation obviously do not understand the Iranian leaders and the public mood. Asking Iran to halt its nuclear program is purely wishful thinking. Since such a demand would in all probability be brushed off by Tehran, it would actually play in the hands of the "hawks who wish to "resolve" the issue by taking fast and forceful action.

A more realistic compromise would be to allow Iran to enrich uranium up to 4-5%, a level sufficient for solely civilian use. The downside is that this proposal would be sub-optimal and certainly not conducive to a final agreement since it would leave intact Iran's ability to enrich uranium. On the other hand, this would establish a more promising basis for what will undoubtedly be long and arduous negotiations. The P5 +1 powers could obtain in exchange the assurance from Tehran that it will stop all enrichment above the level needed for regular power plants (twenty percent is the threshold above which the fissile material is very dangerously close to being suitable for military use). Such a deal would defuse the crisis and avert a possible war. (4)

To be successful, such a "quid pro quo" requires that both parties fulfill their commitments. Iran could be persuaded to stop its enrichment of uranium if the West assures it that the sanctions, which are severely affecting the country, will be softened or even lifted altogether. Let's remind ourselves that the postponement of the European Union's oil embargo is scheduled for July.

In return, the P5 +1 countries should obtain from Iran full transparency regarding its nuclear activities. The International Atomic Energy Agency (IAEA) should be given access to all sites used by Iran in its nuclear program. Tehran's openness and cooperation with the IAEA should be complete and non-conditional. Ideally, Iran should voluntarily and immediately implement control measures (Additional Protocol) under the aegis of the IAEA. (5)

Clearly, both parties would find these proposals not easy to accept or implement. Almost ten years of unsuccessful negotiations have inspired caution. Despite the need to ease the effects of the sanctions, it is not at all obvious that Iran is willing to reach an agreement. For U.S. President Barack Obama, a mountain of obstacles lie in the way, beginning with Israel's growing impatience with the cat and mouse game being played by Tehran, strong resistance from many members of Congress (and prospective Republican presidential candidate Mitt Romney) and Obama's own lackluster popularity in a presidential election year.

That said, there have been some positive signs in recent weeks. Both Washington and Tehran have become less intransigent on the uranium enrichment issue. Gary Samore, a top adviser to President Obama on issues of arms control and nonproliferation, recently said, alluding to the issue of enrichment, that the P5 +1 countries have undertaken the "negotiations" in order to determine which parts of

the Iranian program will be allowed to continue. (6) In the same vein, Iranian Foreign Minister Ali Akbar Salehi has stated that "enrichment is Iran's right, but we can negotiate on what levels we can enrich." (7)

It is in everyone's interests that the ongoing talks bear fruit. One more negotiation failure would lead to a worsening of the present state of uncertainty set against the backdrop of a potential war.

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(1) See <http://www.iaea.org/Publications/Documents/Board/2012/gov2012-9.pdf>

(2) There is a widespread consensus among observers that Iran has not yet made a final decision to acquire a nuclear arsenal, but rather aspires to obtain a "nuclear capability" to achieve the status of a "virtual nuclear power."

(3) On the difficulties of such a military undertaking, see Elisabeth Bumiller, "Iran Raid Seen as a Huge Task for Israeli Jets", The New York Times, February 19, 2012. For a debate about the pluses and minuses of an Israeli attack, see the collection of opinions given by the magazine Foreign Affairs.

<http://www.foreignaffairs.com/features/collections/the-iran-debate-to-strike-or-not-to-strike>

(4) Iran has always said that the 20% enrichment of uranium will be undertaken for civilian purposes only, and in particular for the production of medical isotopes at the nuclear reactor in Tehran (TRR). Part of the agreement should also consider the supply of highly enriched uranium to meet these needs. In case of interruption of supply, Iran would be allowed to resume enrichment.

(5) Further measures to increase mutual trust may include suspension for the duration of the negotiations of the installation of additional centrifuges or a reduction of operational expenses. The possibility that Tehran will grant voluntary access to IAEA inspectors to sites such as the Parchin military base is unlikely. For an extensive and detailed review of specific proposals for future negotiations, see the report from Pugwash, Prospects for Diplomacy with Iran, Washington, DC, 23 February 2012. <http://www.pugwash.org/>

(6) Los Angeles Times, April 27, 2012.

(7) Peter Crail, "P5 +1 and Iran Hold 'Positive' Talks," Arms Control Today, May 2012.

[http://www.armscontrol.org/act/2012\\_05/P5\\_plus\\_one\\_and\\_Iran\\_Hold\\_Positive\\_Talks](http://www.armscontrol.org/act/2012_05/P5_plus_one_and_Iran_Hold_Positive_Talks)