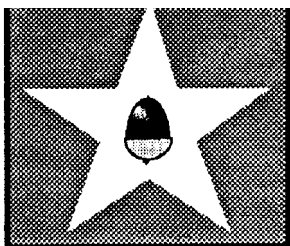


Conflict Studies Research Centre

Dr Mark A Smith

**Current Russo-Chinese
Relations**

January 2003



F81

Current Russo-Chinese Relations

Dr Mark A Smith

This paper notes that while Russia and China have developed a cooperative relationship, particularly in the energy and security fields, this stops far short of being either a strategic alliance against the USA or a commitment to mutual defence.

Contents

Overview	2
Russian Views On China	3
China's View Of the International System	5
Japan	5
India	6
Russia	6
The Russo-Chinese Political Relationship	6
The Shanghai Cooperation Organisation	7
The Economic Relationship	8
Energy	9
Gas	9
Oil	11
Military Relations	12
The Future Of Strategic Partnership	13

Current Russo-Chinese Relations

Dr Mark A Smith

Overview

In the 1990s, the Russian Federation saw its links with the People's Republic of China (PRC) as one of its key foreign policy relationships.¹ The Yel'tsin leadership was keen to trumpet its relationship with the PRC as a strategic partnership, and gave strong indication that it saw this partnership as a partial counter to the USA's domination of the post-Cold War international system. Both the Russian and Chinese leaderships made clear that their association was not an alliance, although Russia sometimes gave the impression that it ideally would like to see the relationship as being more than mere partnership, hoping that it would move towards becoming a quasi-alliance. In China, in his last foreign visit as Russian President in December 1999, Yel'tsin reminded the USA of the existence of the Russian nuclear deterrent. It was a rhetorical threat, but probably underlined the Russian desire to see its connection with the PRC as being to a certain extent directed against the USA. In December 1998, then foreign minister Yevgeny Primakov had spoken of the possibility of a Russo-Chinese-Indian strategic triangle, which would presumably also counter American predominance.² Such a triangle is highly unlikely, given the mutual suspicion of China and India, but these statements reflected the Russian desire in the mid-1990s to develop foreign policy networks to offset the position of supremacy enjoyed by the USA.

Putin himself argued at the beginning of his presidency that Western pressure on Russia could push Russia into seeking an alliance with countries that are also threatened by the West. In April 2000 he warned that "if the West threatens us and scares us with sanctions, it is actually forcing us to turn to the East, pushing Russia in that direction. And the West is following the same policy toward those countries which could objectively become our allies."³

However, at the end of the 1990s, it was clear that neither Russia nor China desired to challenge seriously the USA's position in the international system. Although Russia's relationship with the USA and the West cooled as a result of the Kosovo crisis, the Russian leadership was unwilling to turn its back on the USA. China, too, strongly disapproved of NATO's Operation Allied Force, but also did not see NATO's policy (and even the accidental US bombing of the Chinese Embassy in Belgrade) as sufficient reason for a long-term freezing of ties with the USA. Both Russia and China saw no alternative to having a "normal" relationship with the USA, and therefore had no practical interest in developing their strategic partnership in an anti-US direction, irrespective of their views regarding the US role in the international arena.

In July 2001, a Russo-Chinese Friendship and Cooperation treaty was signed when Chinese President Jiang Zemin visited Moscow.⁴ This was the logical continuation of the declaration on strategic partnership signed in April 1997 and codified the relationship. The joint communiqué issued by President Putin and Jiang Zemin on that occasion called for the development of a multipolar international system, emphasised the need for the UN to play the leading role in dealing with challenges to international security and condemned the concepts of humanitarian intervention and limited sovereignty.⁵ It also called for continued adherence to the 1972 ABM

treaty. This was a coded criticism of the USA, but these mild comments constituted the maximum extent to which the Russian leadership was prepared to use its link with China to oppose the USA. Of far greater importance to Russia at that time was the first Bush-Putin summit in Ljubljana in June 2001 and the G8 meeting in Genoa one month later.

The new Russian leadership that had come to power at the end of 1999 saw closer integration with the West as the main focus of its foreign policy. The Russian relationship with China is not an alternative to a cooperative relationship with the West, but rather a supplement to it. This viewpoint received further impetus after the events in September 2001, where it was extremely keen to cooperate with both the USA and the EU in countering the threat posed by Islamic terrorism. At the same time, it desired to develop a cooperative relationship with the PRC. After “9-11”, therefore, Moscow no longer made any subtle hints about seeing its ties with China as a counterweight to the USA. The communiqué issued during Putin’s visit to China in December 2002 was devoid of even the mildest of implied criticisms of the USA.⁶

Russian Views On China

The 2000 Russian foreign policy concept sees China as a key Russian partner in Asia, and notes that the convergence of the two powers’ views on many key international issues is a major factor contributing to stability in Asia.⁷ Foreign minister Igor Ivanov describes Russo-Chinese cooperation as aiming at making the international order more just and democratic, and notes that the bilateral relationship is a weighty factor in maintaining global stability.⁸ The Putin leadership is not interested in playing a China card against the West (even if this were possible), but it is interested in using its relationship with China to demonstrate to the West that Russia does have other friends. There are several factors which make it logical for Russia to seek a cooperative relationship with China.

- Russia’s weakened state since 1991 makes it inadvisable to have a confrontational relationship with a state with whom it shares a border of almost 5,000 kilometres in length, particularly as China twice ceded territory to Russia in the 19th Century. Moreover, the Russian Far East is seriously underpopulated (it has a population of about 8 million, and an area of 6.2 million square kilometres; the neighbouring province in northern China has a population of 100 million and an area of 1.9 million square kilometres), and China is growing in strength both economically and militarily.
- Russia desires to be a significant player in the Asia-Pacific region. Its weakened state again makes it more logical to cooperate with China rather than oppose it.
- Russia and China have common security interests in Central Asia. Both states fear the threat of Islamic extremism and separatism, and they have both expressed unease over the US military presence which has been deployed in Central Asia since 2001.
- China’s need for military technology makes it a logical partner for the Russian military-industrial complex, which has been energetically seeking markets since the collapse of the Soviet Union.

- Chinese energy needs make it logical for Beijing to purchase Russian gas and oil.
- Although Russian overt criticism of US unipolarity has diminished since “9-11”, Moscow is still clearly uncomfortable with many aspects of US foreign policy, a concern which is shared by China.

In addition to the development of bilateral cooperation, as symbolised by the signing of the Friendship and Cooperation Treaty in July 2001, Russia and China also cooperate in multilateral forums such as APEC (Asia Pacific Economic Cooperation) and the Shanghai Cooperation Organisation. This cooperative relationship seems likely to continue for the foreseeable future. Aleksandr Lukin argues that in contrast to Russia's relations with the West, Russia and China have no major areas of disagreement.⁹ The Russian Sinologist Aleksandr Yakovlev argues that there are good reasons in the long term for the formation of an alliance with China against the USA.¹⁰

“Over the centuries and until the present day, the Russian and Chinese states have been under constant and dangerous pressure from the same global powers which the Western nations and Japan were and still are today. Also, the threat to the very existence of these two states from the powers mentioned has, over time, assumed increasingly ominous features. At present, due to the planet's limited raw material and environmental potential, the most profound antagonism has arisen between these powers - "the super-developed centre" and the extensive world periphery to which both China and Russia belong. The countries of the periphery will only be able to survive if they unite into a "new global pole", which can happen only if Russia and, particularly, China assumes a leading role. Neither of these countries will be able to escape from this role, for they are both "targets, primary targets at that, in the West's hegemonic strategy", which is currently as consolidated as never before. And since an alliance will soon be necessary for its participants to survive, it is clear that preparations for it must be made now.”¹¹

However, there is also a school of thought which sees China as a potential threat. Then defence minister Igor Rodionov expressed this fear openly in December 1996. More recently, an article by Aleksandr Sharavin in *Nezavisimaya Gazeta* in September 2001 argues that China is the main (and possibly the only) military threat to Russia.¹² Sharavin argues that Siberia and the Russian Far East could be a tempting target for an authoritarian regime in need of natural resources. He notes how vulnerable Siberia and the Russian Far East are in comparison to China. Sharavin argues that all the preconditions exist for Chinese aggression against Russia. Sharavin's view is a rather extreme one, and is probably only held by a small minority. Aleksandr Yakovlev criticised Sharavin's viewpoint and argued that such a view of China could become a self-fulfilling prophecy and make an enemy of China.¹³ Aleksandr Lukin saw fears of a Chinese threat as being “terrors for those who are weak-nerved”.¹⁴

Others who favour further westernisation of Russia are concerned that the multi-polar foreign policy long favoured by the post-Kozyrev foreign policy establishment will simply make Russia a mere tool of China's foreign policy. By implication, Russia will therefore gain little from partnership with China. Konstantin Kosachev, deputy chairman of the Duma International Affairs Committee, wrote in 2000,

“China, a great nation, probably a future superpower, is unlikely to be interested in an anti-American alliance with Russia. Beijing is playing its own complicated game in which strengthening economic relations with the US and the complicated relations with Japan, and India, and much more are taken into account. The Chinese leaders can talk about multipolarity, the threat of American hegemony, and so on, but this is only moves in their game, so there is no point in deluding ourselves.”¹⁵

However, the prevailing view in Russian foreign policy circles is that “strategic partnership” with China is of value, enhancing Russia’s position in the international system, and will therefore be pursued as a significant component of contemporary Russian foreign policy.

China’s View Of The International System

China, like Russia, sees the current international system as unipolar, dominated by the USA.¹⁶ China is also opposed to US dominance, but sees little it can do to alter this situation. China is a regional power, and desires to strengthen its position in East Asia. Its principal security concern is Taiwan, whose position as the last rebel Chinese province it would like to bring to an end. China opposes any moves towards Taiwanese independence. Any PRC-Taiwan conflict would, however, create the danger of conflict with the USA.

The USA is China’s biggest rival in East Asia. US power is the single biggest constraint on Chinese regional ambitions. US-Chinese rivalry is partly reminiscent of the US-Soviet rivalry during the Cold War, namely a mixture of competition and confrontation. The Bush Administration initially described China as a strategic rival, but has dropped this term. The Clinton Administration regarded China as a strategic partner. The recent relationship under President George W Bush has improved after a bad start, when a US intelligence gathering aircraft collided with a Chinese interceptor in April 2001 over the South China Sea. China shares both US and Russian views on the threat posed by Islamic terrorism, and has to contend with the challenge of Moslem Uighur separatism in Sinkiang. “9-11” has therefore improved Sino-American ties, although significant strains still remain. Chinese intelligence cooperation with the USA since 2001 has been limited, and has not transformed the bilateral relationship into an entente.¹⁷

China would like to see a diminished US presence in the region (ie a military withdrawal from South Korea). Some in the Chinese security community also desire an end to the US-Japanese security treaty, and it is uncomfortable with the US military presence in Central Asia. Beijing is suspicious of US talk of engagement with China, seeing this, along with human rights rhetoric, as a means of undermining the communist system in China, and moves towards bringing China into a US sphere of influence.

Japan

After the USA, Japan is seen as the next biggest security challenge. The Chinese security community feels far greater hostility to Japan than to the USA. This is because of the memories of Japanese military intervention in China in the 1930s and because of Tokyo’s unwillingness to display a sufficient degree of contrition for these events. Japanese military power is not currently seen as a threat, but there is a fear that there may in the future be a resurgence of Japanese military might. There are conflicting views over the US-Japanese alliance. Some Chinese analysts

see the USA as constraining Japanese power and ambition, while others fear that Japan is deceiving the USA, and is using the alliance with Washington to build up its power. China was critical of the issuing of new guidelines for US-Japanese security cooperation in 1997, fearing that Japan might play a bigger role in opposing Chinese interests vis-à-vis Taiwan and South Korea. The Russian leadership was far less critical of the renewed Washington-Tokyo military alliance.

India

India is viewed by some Chinese analysts as a potential threat or challenge to Chinese ambitions. There is still a border dispute between the two states.

Russia

Following the dramatic improvement in Soviet-Chinese relations in the late Gorbachev era, and the collapse of its economic and military power in the 1990s, Moscow is no longer seen as a threat by the majority of Chinese foreign policy analysts. However a minority of analysts are concerned that Russia could re-emerge as a threat to China in the long term.

Whilst China does see the USA and Japan as its major security challenges, these states are also its major trading partners. Its trade with them is far more important than its trade with Russia. Trade turnover with the USA in 2001 was \$102.231 billion; with Japan it was \$86.866 billion. This compares with \$10.67 billion with Russia.

China joined the World Trade Organisation in December 2001, so emphasising its desire to be fully part of the global economy. This inevitably places a constraint on strategic rivalry with the USA and provides a global context in which the Russo-Chinese strategic partnership should be placed.

The Russo-Chinese Political Relationship

The foundation stone of the Russo-Chinese relationship in the Putin era is the Friendship and Cooperation Treaty of July 2001. This treaty intends to define the relationship well into the future, as it will be in force until 2021. It aims to provide a legal-treaty basis for the cooperative relationship which developed between the two powers in the 1990s. Both sides express respect for each other's territorial integrity, and affirm that they have no territorial demands on each other. This treaty thus removes the potential threat to Russian territorial integrity made by Mao Tse Tung in 1964, when he raised the issue of the unequal treaties imposed on China by Tsarist Russia.

Article Seven of the treaty states that Russo-Chinese military-technical cooperation is not directed against any third country. Article Nine states that "if one party to the treaty believes that there is a threat of aggression menacing peace, wrecking peace, and involving its security interests and is aimed at one of the parties, the two parties will immediately make contact and hold consultations in order to eliminate the threat that has arisen". This is the extent of security cooperation envisaged by the two states in the event of a direct threat to at least one of them. It is a long way from being an alliance like NATO, or the US-Japanese Security Pact, with their commitments to collective defence.

In the absence of any major and immediate threat posed by a third state, Russia and China are likely to remain content with a treaty commitment that limits them

to holding consultations in the event of a threat rather than a formal obligation to help the other party. Article Twenty commits the signatories to “actively cooperate to crack down on terrorism, separatism and extremism”. In many ways this reflects the main security priority for Russia and China at present. The term “extremism” is probably a reference to Islamic extremism adhered to by groups such as Al Qaeda. This priority is one shared by the USA and other major western powers. The praise expressed by Chinese foreign minister Tang Jiaxuan for US-Russian security cooperation against international terrorism at the meeting of foreign ministers of the Shanghai Cooperation Organisation in Moscow in November 2002 makes clear the commonality of the views of the three states on many international security issues, above all that of international terrorism.¹⁸

Article Ten proclaims that “the two parties will use and perfect the mechanism for holding periodic meetings at various levels, and first of all at the highest and high levels, to hold periodic exchanges of views and coordinate their stances on bilateral relations and major and urgent international issues of common concern, so as to strengthen their strategic cooperation partnership of trust as equals”. This outlines the desire of the two sides to institutionalise their bilateral summitry in order to create a long-term dialogue and a relationship that will deepen and persist, irrespective of changes of leadership on either side.

Articles Eleven to Thirteen affirm both parties’ commitment to international law, opposition to interference in the internal affairs of other states, to strategic stability and the pre-eminent role of the United Nations in handling international affairs. These articles may be seen as oblique criticisms of the USA, but it would be an exaggeration to regard the treaty as having any strong anti-US slant.

The Shanghai Cooperation Organisation

This organisation developed from a summit meeting of Russia, China, Kazakhstan, Kyrgyzstan and Tajikistan which took place in Shanghai in April 1996. The term “Shanghai Five” first began to be used in 1999. By 2000, it had expanded to six members, when Uzbekistan joined. It was then renamed the Shanghai Forum. At this point the Shanghai Forum was merely a loose grouping of states with no organisational structure. It did, however, provide a framework for these states to discuss common problems and coordinate policy. The main focus was security. All six states consider themselves to be threatened by Islamic extremism, and the forum provides a means whereby they can formulate policies to counter this threat. It therefore overlaps with the role played by the CIS Collective Security Treaty.

In June 2001, the Shanghai Forum formally became the Shanghai Cooperation Organisation (SCO). A text of a Convention for Fighting Terrorism, Separatism, and Extremism was adopted, and it was agreed to create an anti-terrorist centre. In June 2002, the SCO adopted a charter, so boosting its organisational status. The SCO’s headquarters will be in Beijing, and the anti-terrorist centre in Bishkek, Kyrgyzstan.

The SCO is not a military alliance, but its focus on terrorism does make it an organisation with a strong security orientation. It gives China a formal role in managing the security affairs of Central Asia. From Moscow’s viewpoint, cooperation within the SCO framework may serve as a means of ensuring that this Chinese role does not undermine the Russian position in Central Asia. Interest has been expressed in other countries becoming members, such as Mongolia, India and

Pakistan, although the acceptance of new members is probably unlikely in the near future, as the SCO has yet to determine fully its interaction with non-member states and procedures for accepting new members. It is mainly a means whereby Russia and China can manage security jointly in Central Asia.

The Economic Relationship

In March 1997, then deputy foreign minister Grigory Karasin spoke of Russia's desire to achieve a trade turnover with China of \$20 billion by the end of the twentieth century. In 1996, it stood at \$7 billion. This objective has not been achieved, although this is not a cause for reproach, as it was an excessively optimistic target. In 2001, trade turnover stood at almost \$10.67 billion. In 2001, Russia became China's eighth largest trading partner, and Russia's share of China's foreign trade turnover grew to 2.1 per cent, against 1.7 per cent in 2000. Machines and equipment rank first (29 per cent) in Russian exports to China (an 8.5 times increase against 2000), ferrous metals 15 per cent, mineral fuel 10 per cent, chemicals 9 per cent, timber 8 per cent, fertilizers 7 per cent, fish and seafood 6 per cent, non-ferrous metals 5 per cent and cellulose 4 per cent. Russia mostly imports consumer goods such as leather goods, shoes, clothes and foodstuffs from China, which make up 80 per cent of its Chinese imports. In recent years China has increased exports of machine equipment and household electrical appliances to Russia.¹⁹

However, the level of mutual investment remains rather low. In a review of Russo-Chinese relations published in *Far Eastern Affairs* in July 2002, Russia's ambassador to China, Igor Rogachev, noted that at the end of 2000 the Chinese Ministry of Foreign Trade and Economic Cooperation sanctioned the creation of around 400 enterprises with Chinese capital.²⁰ The volume of the two sides' contractual investment came to just over \$250 million (firms in areas such as microelectronics, communications, agriculture, lumber processing, catering, household appliance assembly). In China at the same time there were some 1,160 enterprises operating with Russian capital, with an overall investment level of more than \$230 million (in the nuclear industry, car industry, agricultural machinery, chemical industry and construction).

China has signed contracts to purchase civilian airliners from Russia: in September 2001, a contract was signed for five Tu-204 aircraft. In November 2002, Russia and China signed a joint programme for development, production and supply of civil aircraft. The document was signed during the international exhibition Air Show China 2002 by the first deputy director general of the Russian aerospace agency Valery Voskoboynikov and the first deputy chairman of the Chinese committee for defence, science, technology and the defence industry Zhang Hongbiao. Voskoboynikov said that working groups would be set up by the end of 2002 to draft a programme of joint development and promotion of civil aircraft. The programme will cover a period of ten years.

In July 2002, Igor Rogachev noted that "Russian companies are gearing up to take part in the building and modernization of another series of Chinese power industry facilities. In particular, at the most recent session of the Subcommittee on Trade and Economic Cooperation, the Chinese partners proposed that negotiations begin on continuing the purchases of Russian power equipment for expanding the capacity of the Yimin and Jixian-Panshan thermal power stations and on supplying the equipment for the new Huahua thermal power station."²¹

Current Russo-Chinese Relations

Cooperation in the field of civilian nuclear technology is an important part of the Russo-Chinese economic relationship. Russia is currently building two reactors for the Tianwan nuclear power station, and is competing for contracts to build two more reactors at Tianwan.

Rogachev considers that the following sectors could be profitable areas for mutual investment:

- Development of high technologies and organisation of production on this basis that could supply both Russian and Chinese markets, and also be exported to third countries.
- China is interested in investing in energy extraction in Russia.
- The forestry sector in Russia.
- Telecommunications.

Most Sino-Russian trade takes place in the border regions, although the complementary nature of the economies of the Russian Far East and Chinese North East is often overstated. However, the Heilongjiang province leadership has been keen to promote cross border trade. There has been talk of creating a free trade area across the borders, although no agreements have yet been reached. China is the Russian Far East's biggest foreign trade partner (Amurskaya oblast in particular does a considerable amount of trade with China), but Chinese levels of investment are relatively low.

Energy

Energy is another important feature of economic ties between the two powers. China is the second largest consumer of energy in the world (after the USA), and needs to import both oil and gas. Its demand for energy is increasing. It has therefore developed an interest in importing both of these from the Russian Federation.

Gas

In 1999 China consumed 24.2 billion cubic metres of natural gas and is forecast to consume 54-55 billion cubic metres in 2010. Although it will be able to meet some of the increased demand from expanding its own production, it will also require imported gas, and Russia is a logical source of gas for China. Maxim Potapov, who is head of the Coordination Department of Foreign Economic Relations and International Organizations of Gazprom's Foreign Relations Board outlined the main features of Gazprom's involvement in China in April 2002:

The current cooperation between the leading Russian gas company OAO Gazprom and its Chinese partners CNOC and Petro China is based on an agreement between the Russian Government and the Chinese Government of July 18, 2000 on continuing the cooperation in the energy sphere. The main targets of this cooperation at present are the following:

- participation in constructing a major West-East gas pipeline in China;

Dr Mark A Smith

- drawing up a project for developing the Kela-2 gas field in the Tarim Basin in the Xinjiang-Uighur Autonomous Region of China;
- concluding the technical-economic understanding for creating an underground gas storage system in Northeast China.

In December 2000, OAO Gazprom received an invitation from the Petro China Company to take part in a tender to build a major West-East pipeline in China, which is included in the 10th Five-Year Plan of socioeconomic development of the PRC (2001-2005) as one of the priority projects. An analysis by Gazprom experts of the material presented by the Chinese side made it possible to conclude that if Russian gas is delivered across the western section of the Russian-Chinese border (the Republic of Altai) and the period for delivering gas is increased to 30 years, the gas pipeline will be economically profitable.

In January 2001, Gazprom submitted an application to participate in the first qualifying round of the tender under the West-East project. In submitting this application to participate in the tender, Gazprom was pursuing the following main goals:

- gaining access to the rapidly developing Chinese gas market and creating a basis for developing diverse cooperation;
- creating the necessary conditions for ensuring the delivery of Russian gas to China with access to the end consumer;
- gasifying Russian regions, if the question of delivery of Russian gas is resolved, and constructing a Novokuznetsk-Shanshan junction;
- putting economic pressure on European purchasers of Russian gas.

A consortium of OAO Gazprom and OAO Stroitransgaz was formed for participating in the tender, which successfully passed the first two rounds of the tender, bought an information packet, and drew up an investment proposal in which the emphasis was placed on the consortium receiving contracts for designing and delivering equipment in an amount no less than the consortium's share in the gas transportation company, which would amount to 25% plus one share.

In September 2001, the consortium received an official invitation from the Chinese side, and at the beginning of October of the same year, OAO Gazprom began negotiations in Beijing between the consortium and the Shell Company, which also passed the preliminary rounds of the tender, on the one side, and the Petro China Company, on the other, to come to terms on a Framework Agreement on Creating a Joint Venture, as well as on other project agreements throughout the entire technological chain - on LNG at the Kela-2, Inmai-7, Yantak, and Yuidong-2 fields; on creating a joint pipeline company; on rendering gas transportation services; on creating a joint trade company for natural gas sales; on measures for ensuring the implementation of standards, and others.

At the end of December 2001, the Gazprom/Shell consortium signed an intermediary agreement with Petro China in Beijing on the main

Current Russo-Chinese Relations

principles for implementing the Framework Agreement for a Joint Venture to Construct the Trans-China West-East Gas Pipeline. According to this agreement, the foreign participants, in the form of Gazprom and Shell, will have a 45% stake in the project, and Petro China will own 55%. Signing of the Framework Agreement, which is expected to take place during the first six months of 2002,²² will complete the tender and create the basis for founding the joint venture, which will be responsible for gas production and transportation, as well as operation of the gas pipeline.

Implementation of the major West-East gas pipeline construction project, as well as an increase in the consumption of natural gas in China in light of the deficit anticipated in the country by 2010 of 30-50 billion cubic metres, will compel China to consider the question of obtaining additional gas deliveries, primarily by purchasing this commodity from Russia, which meets OAO Gazprom's strategic interests. There is a real opportunity to place Russian equipment, materials, and technology for this gas project on the Chinese market. A major problem facing the Chinese gas industry at present is that of creating and developing the market for natural gas in the coastal regions, and then in the central and western regions of the country.

At present, several projects are being drawn up for exporting Russian gas to China. The main ones include the Kovykta project (laying a gas pipeline from the Irkutsk Region to the northeast provinces of China with the capacity of 30 billion cubic metres a year, including 10 billion cubic metres to the Republic of Korea); the Yakutsk project (construction of an export gas pipeline to China from the Chainadin and Talakan fields), and the one called western project which envisages the laying of a gas pipeline from the Tomsk Region to XUAR through the western section of the Russian-Chinese border. Possibilities are also being analyzed for delivering Russian liquefied gas from the Island of Sakhalin.²³

Oil

In order to supply China's increasing oil demand and boost its own export potential, Russia has been negotiating with China to build an oil pipeline linking the two countries.²⁴ In July 2000, Vladimir Putin and Jiang Zemin signed a memorandum of understanding on a feasibility study for a potential oil pipeline between Russia and China, and in September 2001 Russian and Chinese officials signed a general agreement to prepare a feasibility study for the line's construction.

Originally, Transneft and Russia's second largest oil producer, Yukos, were working together on the idea of building the proposed \$1.7 billion pipeline, which would bring East Siberian oil to northeastern China. Under a 25-year deal, the pipeline would supply China with 400,000 bbl/d (barrels a day) starting in 2005 - the equivalent of 26% of China's projected net imports at that time. Spur lines would eventually link the Talakanskoye, Verkhne-Chonskoye, and Yurubchenskoye fields to the main pipeline, boosting capacity to 600,000 bbl/d by 2010 and helping to alleviate localized fuel shortages in Russia that have been aggravated by high rail tariffs.

A preliminary proposal signed by Chinese and Russian sides called for the line to stretch nearly 1,500 miles from Angarsk, across Mongolia, then into Beijing. Russia wants to cut the pipeline's distance by traversing Mongolia, but China would

like to circumvent Mongolia for security reasons. In addition, Yukos and Transneft have differed in their preferences for the pipeline route, with Yukos, which previously favoured a pipeline route from its fields in the Tomsk region straight to China, now favouring a route that would terminate in Nakhodka on Russia's Pacific Ocean coast. Yukos argues that shipping crude oil via Nakhodka would give producers a bigger choice of buyers, while Transneft has said that both routes could eventually be built. A feasibility study for a 400,000-bbl/d-capacity pipeline linking East Siberia with the port of Dalian in northeastern China is due in the first half of 2003.

Military Relations

Military-technical cooperation is an important feature of Russian policy towards China. China is Russia's biggest arms customer, accounting for 40 per cent of Russia's arms exports. Arms exports comprise one-fifth of Russo-Chinese trade, and Russia earns in excess of \$1 billion annually from Chinese arms purchases.²⁵ The following comprise some of the major Russo-Chinese arms deals:²⁶

- In 1996 a contract was signed for the supply and production under licence of 200 Su-27SK and Su-27UB trainers to the value of \$2.2 billion. The supply of these planes will be completed by 2008.
- In 1999 an agreement was signed to supply China with 48 Su-30MKK fighter-bombers.
- Since 1993 China has been supplied with the S-300PMU-1 ground to air missile sufficient to equip eight divisions. This system comprises the core of the Chinese air defence forces. In 1997 a contract was signed to supply Chinese ground forces with 35 Tor-M1 ground to air missiles.
- In the second half of the 1990s, Russia supplied China with four Kilo class submarines. In May 2002 a contract was signed for the supply of further Kilos to China.
- In 1997 two Sovremenny class destroyers were ordered by the Chinese navy. Another two may also be purchased.
- In the first half of the 1990s, two hundred T-80U tanks were supplied to the Chinese army. More the one hundred self-propelled 2C23 Nona-SVK guns have been supplied to the armed forces.
- Talks were conducted in 2001 over the supply of A-50 AWACS type aircraft equipped with an Israeli radar system, Falcon. US pressure forced Israel to pull out of the deal, which now means that China is considering purchasing four A-50E aircraft, which are equipped solely with Russian electronics.
- China has also discussed the joint use of the GLONASS Russian space navigation system. China has also discussed the possible purchase of other weapons systems, such as BMP-3 armoured fighting vehicles, Ka-27 and Ka-28 helicopters, and Msta-S self-propelled howitzers.

China is becoming more interested in purchasing components of weapons systems, rather than purchasing the systems themselves. It is possible that future military

cooperation could extend to joint research and development of weapons systems. There is, however, some awareness that Russia could be creating a threat against itself in the future.²⁷ The balance of power between the Russian and Chinese air forces on the Sino-Russian border is now in favour of China; the Chinese air force has Russian aircraft which were manufactured more recently than the aircraft the Russian air force possesses. However this concern is outweighed by the viewpoint that Chinese foreign policy towards Russia is unlikely to change over the next 20-30 years, and that Chinese purchases of Russian arms are a valuable source of hard currency that boost the technological development of the Russian defence sector.

In addition to arms supplies, there are currently around 200 Chinese officers studying in Russian military academies. Since 1991, more than 2,000 Chinese officers have studied in Russia. The development of contacts between the Russian and Chinese armed forces has not so far matched those between the armed forces of NATO states and Russia. However contacts are being extended. They are not just taking place at MOD and General Staff levels. The Siberian and Far Eastern Military Districts have both exchanged delegations with the Chinese military. Chinese observers attended the South Anti-terror exercises in Tajikistan in April 2002, and in July 2002 the Chinese foreign ministry announced that Russia and China were having talks about joint exercises by signals troops in Inner Mongolia.

The Future Of Strategic Partnership

It seems likely that the Russia and China will continue with their respective policies towards each other for the foreseeable future. Both leaderships see their strategic partnership as a long-term commitment that suits their national interests. Any sudden shift away from the current entente-type relationship is therefore highly unlikely. In contrast with the Sino-Soviet relationship from the Khrushchev era until the thaw of the Gorbachev period, there are currently no major conflicts of interest between Russia and China. There is indeed a strong common interest that in many ways provides the foundation stone for the partnership, and that is opposition to a US dominated unipolar international system. However, this is not an alliance, and is unlikely to become an alliance. Only the emergence of strongly anti-American leaderships in both countries is likely to provide the background that could lead to an alliance, and that is currently unlikely.

The desire of both Moscow and Beijing to be part of an international economic system means that in many respects they consider their respective ties with the USA to be more important than their mutual relationship. Economic factors therefore limit the potential of the Russo-Chinese strategic partnership to constrain the USA. The partnership is probably of value to Moscow and Beijing in that it acts as a means of psychological comfort: it sends a signal to the international community, and in particular the USA, that there are two major powers that do not automatically accept the leadership role that has been played by the USA since the end of the Cold War. The USA, however, is not constrained by any Russo-Chinese connection. Close friendship between Moscow and Beijing has not deterred Washington from using military force in certain areas, despite Russian and Chinese disapproval, and neither has it prevented US departure from the ABM Treaty. The US has expressed no open concern about Russian arms sales to China, even though China and the USA may conceivably clash one day over Taiwan. Washington does not appear to be perturbed by the development of Russo-Chinese ties since the 1990s, as it does not see them as a constraint on its power to act in

the international arena. Even a more overt Russo-Chinese security “axis” would be unlikely to deter the US from using force if it considered it imperative to do so.

The problems that do exist between Russia and China are of minimal significance. There has been Russian concern over Chinese immigration into the Russian Far East, and exaggerated claims of between one and two million illegal settlers have been made. The real figure is probably in the region of one to two hundred thousand. Some regional governments (eg that of Yevgeny Nazdratenko, governor of Primorskiy kray 1993-2001) have in the past whipped up Sinophobia and attempted to undermine Moscow’s desire to improve relations with Beijing. These problems do not pose a serious threat to the partnership that has developed steadily since 1997. There are also some relatively minor trade problems, but there is also little risk of them substantially undermining the overall relationship.

Are there any conceivable scenarios which could threaten the strategic partnership? For the foreseeable future, none. Neither side has any interest in creating a formal anti-American alliance, and so there is little risk at present that one side could pull the other into an undesired confrontation with the USA. However, Chinese economic development could possibly transform it into a more serious economic and military competitor to the USA by the end of the second decade of this century.²⁸ If a Sino-American strategic rivalry develops in East Asia analogous to the US-Soviet rivalry of the Cold War era, then Russia may perhaps feel less comfortable about being too closely tied to China. Furthermore a China which becomes an economic and perhaps military giant would mean that Russia, in its current state, would be a junior partner in the relationship. This may create debate in Moscow about the wisdom of pursuing a close friendship (particularly in the field of arms sales), especially if a stronger China reversed the current Chinese leadership’s view that all territorial disputes with Russia had been resolved. This need not mean that there would be a direct military threat to the Russian Federation. Significant economic penetration may undermine Russia’s *de facto* sovereignty of its Far Eastern regions.

However, whilst the Russian foreign policy community is aware that significant strains could emerge in the long term, it currently sees no alternative to the cultivation of a good relationship with its eastern neighbour. In its current weakened state, a good relationship with China is certainly better than a bad one. A bad relationship would give Russia a further security challenge, and weaken its already enfeebled hand in dealing with the West. A good relationship with China is more likely to give it some input into the discussion of the future of the two Koreas, dealing with the problem of North Korea’s nuclear ambitions, and enhance its significance as an actor in the Asia-Pacific region, where it has to deal with both the USA and Japan.

Fear of being marginalised and becoming irrelevant has played a large part in driving the Putin leadership towards strategic partnership with the USA and the EU. This received further impetus after 11 September 2001. Strategic partnership with China supplements this fundamental orientation, but is too limited to be an adequate substitute for Putin’s Euro-Atlanticist orientation. However, in the event of any rupture with the West, then the link with China will become more important. It would be the only alternative (with the possible exception of India) to having no significant partners at all.

ENDNOTES

- ¹ For an overview of Russo-Chinese relations in the 1990s, see Sherman W Garnett, ed, Rapprochement or Rivalry? Russia-China relation in a changing Asia, Washington DC, Carnegie Endowment for International Peace, 2000. See also Jennifer Anderson, The Limits of Sino-Russian Partnership, Adelphi Paper 315, International Institute of Strategic Studies, London, Oxford University Press, 1997.
- ² Dmitry Gornostayev, Sergey Sokut, 'The punitive action against Iraq culminates in a crisis of international relations', Nezavisimaya Gazeta, 22 December 1998.
- ³ Cited in Alexander Larin, Russia's Chinese policy under President Vladimir Putin, Far Eastern Affairs, 3, 2001, pp3-18.
- ⁴ For the text of the treaty see the website of the Chinese Ministry of Foreign Affairs <http://www.fmprc.gov.cn/eng/c2258.html>.
- ⁵ For the text of the communiqué, see *ibid*.
- ⁶ For the text of the communiqué see BBC Summary of World Broadcasts (SWB), SU/4722, 4 December 2002.
- ⁷ See the concept in Igor Ivanov, Novaya Rossiyskaya Diplomatiya: desyat' let vneshnei politiki strany, Moscow, Olma-Press, 2001, p228.
- ⁸ *Ibid*, p156. See also Russian foreign minister Igor Ivanov's article on Russo-Chinese relations entitled 'The pine and the bamboo', Kommersant, 28 November 2002.
- ⁹ Aleksandr Lukin, 'Russia-China: hieroglyphics of partnership', Krasnaya Zvezda, 21 June 2002.
- ¹⁰ Aleksandr Yakovlev, 'International-Political Factors in the Development of Strategic Interaction Between Russia and China in the 21st century. Russia and China: Partnership Prospects in the APR in the 21st Century', Russian Academy of Sciences Institute for Far Eastern Studies, Moscow, 2000; cited in Larin, fn 3.
- ¹¹ Cited in Alexander Larin, fn 3.
- ¹² Aleksandr Sharavin, 'Third threat. The military development of Russia without taking into account the danger emanating from China', Nezavisimaya Gazeta, 28 September 2001.
- ¹³ Alexander Yakovlev, 'The Third Threat: China as Russia's No 1 Enemy? (How and Why a Prospective Strategic Partner is Being Made into a Strategic Adversary)', Far Eastern Affairs, 2, 2002, pp26-41.
- ¹⁴ See fn 9.
- ¹⁵ Cited in Larin, fn 3.
- ¹⁶ See the following for further discussion of Chinese foreign policy. Michael Brown et al, The Rise of China, Cambridge Mass, London, MIT Press, 2000; Denny Roy, China's Foreign Relations, New York, Oxford, Rowman & Littlefield Inc, 1998; Avery Goldstein, 'China's Grand Strategy', China Quarterly, No 168, December 2001, pp835-864.
- ¹⁷ L Friedberg, '11 September and the future of Sino-US relations', Survival, Vol 44, No 1, Spring 2002, pp33-50.
- ¹⁸ See BBC SWB, SU/4712, 24 November 2002.
- ¹⁹ Interfax, 20 August 2002.
- ²⁰ Igor Rogachev, 'The Russian-Chinese Treaty of Good-Neighborliness, Friendship, and Cooperation: The Results of the First Year', Far Eastern Affairs, 3, 2002, pp1-11.
- ²¹ *Ibid*.
- ²² According to <http://www.shell.com.cn/english/wep/schedule.html>, on 29 June 2002, Shell signed a Memorandum of Understanding with OAO Gazprom and ExxonMobil to jointly pursue participation in the project as equal partners. Other international oil companies are HKCG and OAO Stroytransgaz. On July 4 2002, Shell, Gazprom and ExxonMobil signed with PetroChina a Joint venture Framework Agreement (JVFA), covering upstream, midstream and marketing cooperation.
- ²³ Maxim Potapov, 'China's Gas Market and Prospects for Russian-Chinese Cooperation', Far Eastern Affairs, 2, 2002, pp77-99.
- ²⁴ For information on the Russo-Chinese energy relationship, see the website of the US Department of Energy, Country Analytical Briefs for China and Russia, <http://www.eia.doe.gov/cabs/china.html> <http://www.eia.doe.gov/cabs/russia.html>.
- ²⁵ Krasnaya Zvezda, 1 June 2002.

²⁶ A Mazin, 'Russia: Politics, Economics. The Asian vector of the Russian MIC', MEiMO, 12, 2001, pp65-74.

²⁷ Ibid.

²⁸ See Jacek Kugler, Ronald L Tammen & Siddarth Swaminathan, 'Power transitions and alliances in the 21st century', Asian Perspectives, Vol 25, No 3, 2001, pp5-30.

Disclaimer

The views expressed are those of the
Author and not necessarily those of the
UK Ministry of Defence

ISBN 1-904423-17-5

Published By:

Defence Academy of the
United Kingdom

Conflict Studies Research Centre

Haig Road
Camberley
Surrey
GU15 4PQ
England

Telephone: (44) 1276 412995
Fax: (44) 1276 686880
E-mail: csrc@defenceacademy.mod.uk
<http://www.csrc.ac.uk>

ISBN 1-904423-17-5