



China-Russia Relations:

## Russia Says “No” to the West, and “Sort of” to China

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The Russian-China strategic partnership moved to high gear toward the end of the quarter as Russia kicked off its “Year of China.” This coincided with President Hu Jintao’s state visit to Russia on March 26-28, his third trip as president. Beyond the grand opening gala of Russia’s China Year in Moscow, Putin and Hu were facing global dynamics, dilemmas, and growing dangers. Meanwhile, the two Eurasian powers closely coordinated, throughout the quarter, to soft-land the Korean nuclear crisis as well as postponing, and preparing for, the upcoming storm regarding Iran.

There was, however, a rather paradoxical mist in the festival air as Russia launched its first-ever China Year. While a stronger Russia chose the first quarter to severely criticize U.S. unilateralism and its missile defense program in Eastern Europe (Feb. 10), Moscow also proceeded to “Russianize,” despite China’s “inquiries,” its vast retail market: in other words, it decided to expel a million non-Russian “illegal” vendors, about 90 percent of whom were ethnic Chinese. After years of working through the worst economic hardship in the post-Soviet era, those Chinese entrepreneurs found no space in a recovering Russian economy.

### **Hu’s Moscow night**

By any standard, China-Russia relations deserved to be called the “best ever” as their strategic partnership entered a second decade. In both symbolic and substantive terms, Hu’s third official visit to Russia as China’s president testified to the warm bilateral relations. As did Russian President Vladimir Putin a year before in Beijing, Hu’s Moscow visit was accompanied by a dozen high-profile political, cultural, and economic activities (\$4.3 billion in contracts).

The idea of holding national years was agreed in July 2005 when Hu visited Russia. The actual length of China’s Russia Year in 2006 was only about eight months. Between March 21 and Nov. 9, 2006, some 300 activities and projects were held throughout China, with the direct participation of half a million people and hundreds of millions of audience members/viewers. Now it was Russia’s turn to reciprocate.

The Moscow night of March 26 was the culmination of Hu's visit. Following a state banquet, Hu and Putin presided over the opening ceremony for the "China Year" at the State Kremlin Palace with hundreds of Chinese and Russian performing artists and 5,000 members of the audience. Both spoke highly of the accomplishment of China's "Russia Year" in 2006 and projected an even better China Year in Russia for 2007.

Some 250 of the best Chinese cultural workers participated in the gala concert "Spring's Symphony." Among them were artists from the Beijing-based Oriental State Song and Dance Ensemble, the Chinese Central Ballet Troup, the Chengdu circus troupe, the Shaolin Monastery martial arts fighters, to name a few. The world famous Chinese pianist Lang Lang was accompanied by Russia's world-class Tchaikovsky Orchestra. Their spectacular teamwork brought the festivities to a peak, ironically, not by playing the timeless *Moscow Night*, but with the *Yellow River* piano concerto, a symbol of a rising, nationalist China resisting Japan's invasion during World War II.

Few among the audience and performers would not be affected by the *Yellow River*. Fewer, perhaps, were aware of the piano concerto's historical "finger print": Chinese composer Xian Xinghai was in Russia in 1941 when he revised the 1939 version he wrote in the Chinese Communist wartime capital of Yanan. Xian had no idea how his work would be used to bridge the strategic partners in the 21<sup>st</sup> century. Culture, history, and the fate of the Chinese and Russian nation-states are inseparable.

### **Strategize the strategic partnership?**

Aside from the grand opening in the Kremlin, the real business of Hu's state visit was done during the day. Shortly after his arrival in Moscow, Hu held summit talks with Putin in the Kremlin. This was followed by the signing of the "Sino-Russian Joint Statement" and nine other agreements in the areas of transportation, banking, communication, etc. After a brief joint press conference, Hu held talks with Russian Prime Minister Mikhail Fradkov and Chairman of the State Duma Boris Gryzlov.

The two heads of state apparently had a serious and satisfactory meeting that focused on regional and world affairs. "Foreign policy matters received the bulk of attention at the Moscow summit," remarked Putin after the summit talks. "We are convinced that our joint efforts will help maintain stability in Russia and China, stability in Central Asia and the Asian-Pacific region," Putin said. Hu's public assessment of the summit talks, however, wasn't entirely in tune with Putin's, "We had a substantive exchange of views on the deepening of strategic interaction and the expansion of cooperation on regional and international issues."

Nonetheless, in their two-part, 30-clause Joint Statement, the "international" content clearly outweighs the bilateral portions – a sharp contrast to their Beijing Declaration a year before. Of the 30 separate clauses, 17 are devoted to regional and international issues, ranging from the UN (II, 2), international law (II, 3), nonproliferation (II, 4), outer space (II, 5), information and communication security (II, 6), peaceful resolution of international disputes (II, 7-12), and to regional multilateralism and a multipolar world

(II, 13-17). Each of the outstanding international issues is covered by one clause: Iran, Korea, Iraq, Israeli-Palestinian conflict, and Afghanistan. Almost all multilateral institutions with Russia and/or China participation are addressed: the Shanghai Cooperation Organization, the G-8, Euro-Asia Economic Community, the Collective Security Treaty Organization, the Sino-Russian-Indian trilateral mechanism, and even the UN ministerial-level meeting between Brazil, Russia, India, and China.

These issues and concerns were not obscured by the festivities in Moscow. Despite their soft-landing the Korean nuclear crisis, clouds are gathering following Iran's seizure of 15 British soldiers. Meanwhile, both a "good war" (Afghanistan) and a "bad" one (Iraq) are being mismanaged, further destabilizing the already volatile region vital for both Moscow and Beijing. Each also has its own problems with the world's sole superpower: Russia on the deployment of U.S. missile defense close to home (in Poland and the Czech Republic) and NATO's continuing expansion into the shrinking post-Soviet space (Ukraine, Georgia, etc.); China on the potentially explosive situation across the Taiwan Strait. All these issues are by themselves important, but they are being compounded by the approaching "timelines" in 2008: presidential elections in the U.S., Russia, and Taiwan, and the 2008 Summer Olympics in Beijing. The Olympics may not be a time just for international sports, but is an opportunity for a statement by pro-independence Taiwan activists, who do not consider time to be on their side. Given these issues and concerns, Beijing and Moscow cannot leave their relations on autopilot.

The heavy load of international affairs in the joint declaration may be in line with a growing power and confidence that has largely been absent in Russia during the post-Soviet years. Curiously, none of the 17 clauses of the international portions include Russia's indignation over the U.S. missile defense deployment, which may have triggered Putin's sweeping criticism of the U.S. on Feb. 10 at the Munich Security Conference. Exactly what would be accomplished if China openly sided with Putin in lashing out against the U.S. missile defense remains hypothetical. In East Asia, missile defense in the framework of the U.S.-Japan alliance is already an irreversible process, and there is nothing China can do except live with it while developing its own counter-capabilities. Besides, Beijing still remembers Putin's first two years in the Kremlin, when the new Russia president was loud and clear in his opposition to U.S. withdrawal from the ABM treaty. After Sept. 11, however, Putin simply swallowed the "bitter pill." It remains to be seen to what extent Putin's tough talk at Munich was essentially an announcement that "Russia is back, and it must be reckoned with," insisted Sergei Yastrzhembskiy, special representative of the Russian president for the development of relations with the EU shortly after Putin's speech. Even before Putin's speech, however, Russian Foreign Minister Lavrov asserted that "No international problem of any significance can be resolved without Russia or in spite of Russia." For China, if a stronger and more confident Russia is more capable, and willing, to take on the West, it may also be capable of dealing with its strategic partner of China from a position of strength.

## “Harmonize” bilateral relations

For Hu and his colleagues, a well-synchronized strategic partnership requires constant care and adjustment, whether Russia is weak or strong. This may well be the reason that both the Chinese media and President Hu urged – before, during, and after the Moscow summit – to “upgrade” bilateral ties “to a higher level.”

The joint statement starts with bilateral issues, mostly focusing on economic (I-6, 7, 8, 9, 10) and humanitarian-social interactions (I-5, 11, 12, 13). Clauses 1-4 in Part I, however, lay the foundations for both bilateral and foreign policy cooperation, including the emphasis on the so-called “core issues” such as Taiwan and Tibet (I-2) and the border (I-4). The document, however, opens with the capstone clause, which stretches “strategic partnership relations” into five more specific dimensions:

- Increase mutual trust;
- Enhance cooperation in the political area;
- Strengthen mutually beneficial economic cooperation;
- Deepen cooperation in science, technology, in culture and the arts; and
- Coordinate to enhance cooperation in the security area.

All five areas originated on the Chinese side. It was unclear how Putin responded to these recommendations. Several concerns seemed to be salient at this time.

At a minimum, Hu and his colleagues simply did not believe that the existing framework and mechanism between China and Russia would guarantee the quality and momentum of mutual interaction between the two powers. Despite the thickening and deepening of their relations in the past decade of strategic partnership, the chemistry of goodwill and mutual trust at the top level seems unable to trickle down to the working level and in issue areas. Indeed, beyond the rather frequent summit meetings (six times in 2006 in both bilateral and multilateral occasions), almost every major area of bilateral relations has major and potential problems, which give rise to misperceptions and mistrust on both sides. In their military-to-military relationship, Moscow and Beijing are at a crossroads after large-scale air and naval arms transfers to China, most of which were delivered by 2006. The current lack of procurement orders from China may well be the result of a “digesting” period for the People’s Liberation Army (PLA) after a decade-long shopping spree for Russian arms. It may also be negatively affected by Russia’s inability to fulfill a \$1.5 billion Chinese order in 2005 for 34 *Il-76* military transport aircraft and four *Il-78* refueling aircraft.

There is no question that the mil-mil relationship remains healthy, and is growing and deepening. Russia, however, remains wary of China’s economic growth and its impact on China’s military posture. It appeared that the Russians were perhaps as surprised as the Americans by China’s successful anti-satellite test on Jan. 11. Some Russian analysts went as far as to suggest in February that China’s current conventional deployment and training in the Beijing and Shenyang Military Regions targeted only Russia due to their proximity to the Russia’s Far East Military District. As a result, Russia “should have no

illusions about the border treaty signed recently between Russia and China,” insisted Aleksandr Khramchikhin, head of the analytical department at the Institute of Political and Military Analysis in the Moscow daily *Izvestiya* Feb. 13. “We had already signed the Treaty of Peking in 1860, followed by a number of protocols. In accordance with the agreements, the Amur islands of Tarabarov and Bolshoy Ussuriyskiy belonged unequivocally and incontestably to Russia. Now, they are Chinese (at present just half of the latter). If China becomes still stronger and Russia still weaker, they [the Chinese] will ‘ask’ for new territories. Will we really give them up once again without a murmur, as we did two years ago?” It is also well known that Russia has chosen India as its partner for joint research and development for the next generation of jet fighters and missiles.

Even in the fast-growing economic relationship, Russia sees itself becoming a raw material supplier to China. Bilateral trade in 2006 grew by 15 percent to \$33.4 billion. The proportion of machinery and equipment deliveries in Russia’s exports to China, however, fell by nearly 40 percent to \$217 million, or only 1.2 percent of Russia’s overall exports to China compared with 2.1 percent in 2005. For many in Russia, the prospect of Russia becoming a raw material supplier to China is simply unacceptable, even if this has long been a fact of economic life in Russia’s trade relationship with the West. Energy cooperation is both mutually beneficial and mutually complementary if markets, not *petropolitiks*, dictate terms. After years of foot-dragging, Russia finally started building the Eastern Siberia-Pacific Ocean oil pipeline (ESPO); 800 km had been completed by the end of the first quarter. Shortly before Hu’s state visit to Russia, a group from the China National Petroleum Corporation (CNPC) held a meeting with the Russian pipeline operator Transneft, and they felt “confident that the branch will be built.” [emphasis added] It is also unclear if Russia would remain competitive in China’s fast-growing nuclear power market following Russia’s withdrawal from tenders after China presented the bidders with extra conditions demanding complete technology transfers. In the end, Westinghouse won the \$5.3 billion deal for four VP-1000 reactors with complete technology transfers.

The distrust and lack of trust are particularly obvious at the societal level. Ordinary Russians and Chinese seem to be bypassing each other to Westernize and modernize. This may not necessarily be a “bad” thing if they no longer love or hate one another as much as in the past. The problem today is that they may not care much about each other. There are numerous reasons for misperceptions, distrust, and lack of attention to each other. The “best ever” bilateral relationship between the two nations, for one, is being fostered, maintained, and nurtured precisely at a time when their domestic political systems are so different: Russia has become a democracy, while China remained communist, though each departs from its own legacies on its own terms and at its own pace. This is compounded by China’s steady rise and Russia’s historical decline, leading to psychological discomfort for many in Russia. This, coupled with the ongoing depopulation of Russia’s Far Eastern regions and a perceived illegal immigration “problem” there, is fanning a deeply seated Russian xenophobia.

## A 'chill' in the air

While these issues – mil-mil relations, economic asymmetry, and people-to-people exchanges – have preoccupied bilateral relations in the past few years, Russia's new migration legislation – which was put into effect Jan. 15 and will be completed April 1, leading to a totally Russianized-retail system – stunned the Chinese and other foreigners. It will eliminate foreign nationals as salespersons in Russia's retail market, a serious blow to the businesses of Chinese nationals in Russia. Despite repeated requests by the Chinese for a more humane execution of Russia's immigration law, Russian policy became irreversible, to the dismay of many Chinese. Moreover, the timing of the Russian immigration law runs counter to the goal of the Russia-China national years: bringing ordinary Russians and Chinese closer.

For many of those Chinese nationals, the impact of this “spring chill” in the heat of Russia's China Year was immediate. Most of those vendors had clearance sales at give-away prices. Some have already packed and left; others tried to wait it out. Still others hurried to legalize their status by getting citizenship. Exactly how average Russians will benefit from this “exclusion act” remains to be seen. Some Russians may have to pick up those manual and unpleasant jobs they did not want, even if they are able to do them. In the long-term, many outgoing Chinese, talented and hardworking, will bypass Russia in their global search for wealth and opportunities. This is because what is happening in Russia makes little sense: a stronger and more prosperous nation should be more open to foreign inputs.

A few Russians seem to have realized the negative implications of these tactics in an age of globalized competition for the best and the brightest. Igor Rogachyov, former Russian ambassador to China and now Federation Council member, pointed out that “most Chinese are hardworking, disciplined, responsible, and, what is most important, law-abiding people.” “All the concerns voiced by various political pundits and the media on this account are farfetched from beginning to end. There is no such threat,” Rogachyov told Russian media *Interfax* on the last day of the first quarter and shortly before the day of “judgment” (April 1) when all illegal foreign vendors have to be completely out of Russia's retail market, at least theoretically. Perhaps more than anyone else, Rogachyov noticed a striking difference between Russia and America in dealing with talented Chinese.

In the mid-1960s, according to Rogachyov who worked at the time in the Soviet Embassy in Washington, “[t]here were only 400,000 Chinese living in America then, and American politicians said already then in conversations that they did not fear Chinese expansion but, on the contrary, were interested in attracting the Chinese workforce,” and “[t]here are over 7 million ethnic Chinese in the U.S. now, and nobody feels any threats or suggests imposing some restrictions.” For the 100,000 Chinese students who are now studying at U.S. universities and colleges, Americans selected the most talented to keep them at work in the U.S. and provide all essential conditions for their promotion, “because they understand that investment in brains is the most rewarding investment,” said the veteran Russian diplomat.

At the onset of the second ten years of their strategic partnership, Putin's Russia, with a steadily recovering and growing economy, has clearly become more nationalistic in both its foreign and domestic policies. Meanwhile, a fast-rising China seems to be opting for a quite different path. Two and half weeks after Putin's Munich tough talk against Washington, the "Shanghai flu" – a 9 percent dip of the Shanghai stock market – sent a shock wave through world financial market, leading to a 416-point (3.2 percent) drop in the Dow Jones industrials, the biggest losses since Sept. 11. This, however, did not prevent the U.S. computer-chip giant Intel from announcing in late March that it would build a \$2.5 billion semi-conductor plant in China that will use cutting edge 90-nanometer technology to build 12-inch wafer chips. Both the "Shanghai flu" and the U.S. "chip fever," however, showed that China present and future is irreversibly linked to the world economic system, for better or worse.

Exactly how Russia's "Year of China" will shape the minds of ordinary Russians regarding China remains to be seen. Fewer Chinese in Russia – as a result of Russia's decision to Russianize the nation's retail market – may alleviate the Russians' sense of a "China threat," leading to a "better" perception of China. More important, the Hu-Putin summit took the two countries beyond the bilateral horizon and beyond the political-strategic level for the post-Sept. 11, post-Iraq, and post-Korean nuclear crisis world. For all the inadequacies in their bilateral ties, real or imagined, Russia and China are each other's strategic rear. In this sense, the China-Russia relationship is strategic by nature, be the two countries friends or foes. Plus, Moscow and Beijing need to continue to interface through the SCO to adjust their respective interests in Central Asia. This is a region where not only Russia and China are engaging and hedging the U.S., but is also a meeting place, if not a fault-line, for all major civilizations.

### **Chronology of China-Russia Relations January-March 2007**

**Jan. 1, 2007:** The official website – [www.2007china.org](http://www.2007china.org), for the "Year of China" in Russia in 2007 – is opened in both Chinese and Russian. It covers all activities during the "Year of China."

**Jan. 8, 2007:** Chen Haosu, president of the Chinese People's Association for Friendship with Foreign Countries (CPAFFC) announces China will establish friendship associations to enhance ties with five Central Asian countries (Uzbekistan, Kazakhstan, Tajikistan, Kyrgyzstan and Turkmenistan). He makes the remark at a reception with ambassadors of the five nations in Beijing to celebrate the 15<sup>th</sup> anniversary of the establishment of diplomatic relations between China and five central Asian countries.

**Jan. 12, 2007:** China and Russia veto a U.S.-sponsored UNSC resolution that demanded an end to political repression and human rights violations in Myanmar.

**Jan. 15, 2007:** Russia bans all foreigners from working as sellers in its shops and markets. Foreigners can still work as loaders, cleaners, wholesalers, or managers.

**Feb. 10, 2007:** In a key policy speech at an international security conference in Munich, Russian President Vladimir Putin strongly denounces U.S. policy, using – among other terms – the words “pernicious” and “unacceptable.”

**Feb. 14, 2007:** The second trilateral meeting of foreign ministers of India, Russia, and China is held in New Delhi (between Pranab Mukherjee, Sergei Lavrov, and Li Zhaoxing).

**Feb. 27, 2007:** Shanghai Stock Exchange drops 8.8 percent on fears that Beijing might try to dampen the recent rise in stock prices; other exchanges have steep drops as well.

**March 3-4, 2007:** Russian Armed Forces Chief-of-Staff Army Gen. Yury Baluyevsky visits China to discuss bilateral military and military-technical cooperation, particularly joint military exercises *Peace Mission 2007* in summer. He meets Deputy Chairman of the Chinese Central Military Council Guo Boxiong, Defense Minister Cao Gangchuan, and Chief of the Chinese Army General Staff Liang Guanglie.

**March 10, 2007:** China and Russia, along with the United States, France, England, and Germany, agree to UNSCR 1747 to ban all Iranian arms exports and freeze the financial assets of 28 Iranian officials and institutions, including several commanders of the Iranian Revolutionary Guard Corps.

**March 15, 2007:** SCO holds its second meeting of the expert working group on modern information and telecommunication technology in Bishkek to prepare documents for the SCO summit in Bishkek, Kyrgyzstan, Aug. 16, 2007.

**March 26, 2007:** Intel announces plan to build 12-inch wafer plant in China.

**March 26-28, 2007:** Chinese President Hu Jintao pays a three-day state visit to Russia. Hu and Putin attend the opening ceremony of the “Year of China” in Russia. He also meets Prime Minister Mikhail Fradkov and State Duma Chairman Boris Gryzlov. Russia’s Year of China will feature some 200 activities, including a large Chinese National Exhibition in Moscow on March 26-29, the biggest exhibition China held overseas in almost three decades; \$4.3 billion contracts are signed during the exhibition.

**March 28, 2007:** Executive Committee of the SCO’s Regional Anti-Terror Structure (RATS) holds ninth session in Tashkent. Representatives of intelligence agencies of Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan discuss creation of a secure information and telecommunications system. They pass a draft RATS 2006 report that will be submitted to the Council of Heads of State, and deliberate on a draft agreement for the training of specialists and instructors for SCO countries’ anti-terror units. Myrzakan Subanov of Kyrgyzstan is elected new director of the RATS Executive Committee.

**March 29, 2007:** A delegation of Russian Interior Ministry Forces, led by Deputy Commander-in-Chief Maj. Gen. Yury Babkin, begins a visit to China. The group holds the third coordination session with Chinese counterparts in Beijing for a joint exercise in September in Russia's Krasnodar territory. The Russian delegation also visits a Chinese armed police unit in Shanghai.

**April 1, 2007:** Igor Rogachyov, former Russian ambassador to China and now Federation Council member, points out to Russian media *Interfax* that “most Chinese are hardworking, disciplined, responsible, and, what is most important, law-abiding people” and that “all the concerns voiced by various political pundits and the media on this account are farfetched from beginning to end. There is no such threat.”