



China-Russia Relations:

Partying and Posturing for Power, Petro, and Prestige . . .

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Russia's first-ever "Year of China" was somewhat "routinized" during the second quarter, following an extravagant opening in early 2007. Politicians, artists, journalists, and businessmen continued to flock to each country's major cities as hundreds of celebration activities took place. Normal balancing and bargaining between interlocking institutions of the two strategic partners, however, provided both progress and problems, particularly in the economic area.

Much of the festivity of Russia's China Year was in sharp contrast to Moscow's tension with Washington. It was unclear, toward the end of the quarter, how this Western "civil war" of words would affect Russia's strategic matrix with China. Moscow and Beijing were working hard to prepare the Shanghai Cooperation Organization (SCO) for two events: The *Peace Mission-2007* military exercise in Russia and a friendship treaty for SCO member states to be signed at the SCO August summit in Kyrgyzstan.

The party continues ... Russian style

No real summits took place in the second quarter except a brief meeting between the two heads of state during the annual G-8 meeting in Heiligendamm, Germany. Other top officials, however, frequented each other's capital, including Russian State Duma (the lower house of Parliament) Chairman Boris Gryzlov in May and China's first Vice Premier Wu Yi in June. In early May, China's new Foreign Minister Yang Jiechi, (appointed on April 27) and his Russian counterpart Sergei Lavrov met for the first time at Sharm El-sheikh in Egypt on the sidelines of an international meeting on Iraq. Russia's new Defense Minister Anatoly Eduardovich Serdyukov (appointed on Feb. 15) met Chinese counterpart Gen. Cao Gangchuan in late June at the SCO's fourth annual conference of defense ministers in Bishkek, capital of Kyrgyzstan.

The bulk of the China Year activities were organized between functionary institutions, sister cities, and professional associations, such as friendship groups, legislative bodies, media, sports, etc. While major Russian cities such as Moscow and St. Petersburg were saturated with Chinese groups, much of these sister city activities were about business.

Perhaps the most prominent item for the China Year in Russia was St. Petersburg's "Shanghai Week" beginning June 9. China sent an impressive group of 168 top CEOs led by China's most prominent Vice Premier Wu Yi. The Chinese group was overwhelmed by 10,000 other participants, including 6,000 invited guests from 60 countries, for the 11th St. Petersburg International Economic Forum on June 8-10, the largest fair for Central and Eastern Europe and CIS states. Among the participants were 200 top executives from some of the world's biggest companies (Royal Dutch Shell, BP, Chevron, Coca-Cola, PepsiCo, Siemens, Magna, etc.), 10 presidents, 11 prime ministers (mostly from CIS states), and 64 ministers. A roundtable on Russian-Chinese investment and trade cooperation in St. Petersburg was co-chaired by Wu Yi and Russian Deputy Prime Minister Alexander Zhukov. The roundtable, however, paled in comparison to a closed-door meeting of Russian President Vladimir Putin with 100 foreign CEOs organized by the World Economic Forum. First Deputy Prime Minister Dmitry Medvedev and First Deputy Prime Minister Sergei Ivanov, two favored successors of Putin, were also in St. Petersburg for the forum, together with almost all top Russian economic officials.

This extraordinary gathering of world economic power in Russia's most Westernized city was hailed by Russian media as a major success for President Putin, much needed when Russia was in difficult times with both the EU and the U.S., particularly after a difficult G-8 meeting in Germany. Nothing was wrong with this Russian style of partying. What matters more was its substance and outcome, if compared with the Chinese way of doing business.

Economics: progress amidst problems

The three-day St. Petersburg International Economic Forum yielded an impressive \$3.3 billion worth of contracts signed between foreign and Russian partners, tripling the \$1 billion worth of contracts in 2006. It was unclear how much of this sum was between Russian and Chinese companies. Vice Premier Wu Yi concluded her St. Petersburg visit at the site of China's largest non-energy investment project in Russia: the Baltic Pearl residential complex. Started in 2005, the \$1.346 billion project will provide 1 million sq. meters of housing and related services for up to 35,000 residents by 2012. From here, Wu traveled to Moscow to join the foundation-laying ceremony of the Chinese Trade Center in the Russian capital. The project, with a \$300 million first phase investment from China, would provide business service with office space, hotels, exhibition centers, malls, and even Chinese gardens.

Far from St. Petersburg and Moscow but adjacent to Russia's Far East, the 18th International Trade and Economic Fair of Harbin (June 15-19), capital of China's Heilongjiang Province bordering Russia, inked almost 500 investment agreements for a total sum of \$75.3 billion. The contract amount, 23 times that of the St. Petersburg forum, was achieved without much fanfare and certainly without top Chinese leaders, except State Councilor Tang Jiaxuan (former foreign minister).

The contrast between St. Petersburg and Harbin underscored several features in Russian-Chinese economic relations. First, the Chinese market has become far more independent of the will and capacity of individual leaders, and has a life of its own. Second, the size of the Chinese market is enormous and is continuing to grow rapidly. Indeed, most (\$60.9 billion) of the \$75.3 billion contracted amount was invested by Chinese firms from other parts of the country. The sheer amount of investment, intended or actual, means there is enormous potential and a favorable investment climate in China for domestic and foreign firms. Finally, Chinese firms themselves have increasingly been active investors for both domestic and foreign markets, including Russia.

Despite these major differences between the two markets, there were quite a few other bright spots in bilateral economic relations during the second quarter:

- Bilateral economic interactions continued to grow. In 2006, the total volume reached \$33.4 billion, up 15 percent from 2005. Meanwhile, China became the fourth largest trading partner of Russia, while Russia became the eighth largest trading partner of China.
- Russia's export of electromechanical products to China between January and April 2007 showed a 53.2 percent hike to \$106 million, which was a rebound for the first time in recent years, even if this made up only 1.7 percent of the total value of Russian exports to China.
- The first unit at the Russia-built Tianwan nuclear power plant was commissioned for commercial operation (May 17). The second unit started a test run (May 1) and will be commissioned at year-end. A working group was set up to study the feasibility of installing two more Russian power units on the same site in Tianwan.

A foothold in the most rapidly growing nuclear market is comforting for Russia's nuclear power industry. In the next 15 years, China plans to launch two or three 1,000 mw power units every year to meet its goal of raising nuclear power capacity from 1.6 percent of the total power capacity to 4 percent by 2020. Still, this remains far behind the current world-wide average of 16 percent of total power consumption, let alone the U.S. share of 20 percent and France's 80 percent.

There is, however, no lasting guarantee that Russia will keep its current lead in the nuclear power sector. Not only does it have to compete with other foreign firms equipped with better technology, but Russia may face increasingly capable Chinese nuclear companies in the not-too-distant future. In May, China launched the State Nuclear Power Technology Co. (SNPTC) in Beijing, which is co-funded by the State Council and four large state-owned enterprises, including the China National Nuclear Corporation (CNNC). The new company focuses on the transfer of third generation nuclear power technologies from other countries (both Russian units are based on second-generation technology). On Feb. 28, CNNC signed a contract to buy four third-generation pressurized water reactors from U.S.-based Westinghouse Electric Co. which includes far more technology transfers than Russian Atomstroyexport was willing to make.

While China's competitiveness in the nuclear power sector is a matter of the future, several worrisome signs plagued bilateral economic relations. One of them is a considerable slowdown of the growth in bilateral trade in 2006. The 15 percent increase in the 2006 trade volume, for example, was only half of the 2005 growth rate (30 percent) over 2004. Although the first quarter of 2007 witnessed faster trade growth (28.5 percent), it is unclear if this rate will be maintained.

Trade structure continues to worsen for Russia: even if the portion of manufactured goods in Russian exports to China stopped declining in early 2007, Chinese exports to Russia are increasingly diverse with a growing range and proportion of manufactured products. In 2006, machines and equipment made up 29 percent of China's exports compared with 11 percent in 2001. Meanwhile, oil and petroleum products made up 47.3 percent of Russian exports to China. Even so, Russia accounted for only 11.34 percent of China's overall oil and petroleum product imports and was in fourth place after Saudi Arabia, Iran, and Angola.

One major lag in Russia's exports to China was the significant shrinkage of Russia's arms sales to China. In 2006, only \$200 million worth of contracts were signed; the normal level is \$1 to \$1.5 billion per year. Despite such a decline, the Russian side has not been able to fulfill some of the largest contracts signed with China, particularly the \$1.4 billion contract for 38 *Ilyushin* military cargo planes (including 34 *IL-76MD* and 4 *IL-78* refueling aircraft).

A turning point in bilateral trade may also be reached by the end of the year; for the first time since 1999, trade will be more or less even, ending the trade surplus Russia has had with China since 1999. China may have a surplus, which would have a psychological impact that few in Russia would like to entertain.

Pipeline delayed, gas denied?

One factor in the shrinking Russia's trade surplus is the sluggishness in its oil exports to China. In the Sino-Russian transportation subcommittee's Moscow meeting in May, Chinese Railroad Minister Liu Zhijun informed his Russian counterpart that China was ready to import up to 45 million tons of oil from Russia by railroad. President of Russian Railways Vladimir Yakunin indicated that Russia was ready to deliver only 15 million tons of oil per year.

The long-awaited oil pipeline from Russia's Siberia to China may be a matter of time as Russian company Transneft has built about 1,000-km of pipeline for the 4,130-km Taishet-Perevoznaya Bay (Nakhodka) project. Meanwhile, a 70-km branch line from Skovorodino to the Chinese border is being constructed with \$436 million financed by China. Thirteen years after former Russian President Yeltsin first proposed it, the Siberia-Daqing pipeline may eventually pump more Russian oil to China. Other high-profile energy contracts with China, however, were either being questioned or delayed. In late June, Alexander Ananikov, deputy CEO for Russia's gas monopoly Gazprom, hinted that the timeframe for the Altai gas pipeline project – signed during President Putin's

March 2006 visit to China – may be delayed a year if talks with China are not completed in 2007.

A week before his Altai statement, Ananenkov took aim at another China-bound gas export contract. This time, Gazprom wanted to block the 2004 preliminary agreement by ExxonMobil to supply China with 80 billion cubic meters of Sakhalin-1 gas. The same amount of gas should be diverted for Russian domestic needs, according to Ananenkov at a meeting of the government commission for the socio-economic development of the Far East and Trans-Baikal region. While Exxon has 30 percent of Sakhalin-1 shares, which is 10 percent larger than Russia's Rosneft, Ananenkov now calls for a governmental "directive" to be issued so that Sakhalin-1 gas can be sold to Gazprom in order to avoid a projected gas shortage in Russia's Far East regions.

The real reason for Gazprom's effort to block Exxon's contract is perhaps to eliminate any plans by Sakhalin-1 participants to independently sell gas to China, which, according to Gazprom Eastern Russia project coordinator Viktor Timoshilov, may be "complicating Gazprom's negotiations to supply gas to China." Gazprom's move, however, is not supported by Russia's gas exports law passed in 2006, which gives Gazprom the exclusive right to export gas but does not apply to contracts signed earlier or to production sharing agreements.

It remains to be seen how Gazprom will be able to monopolize Russia's gas exports. Cutting the gas supply to China, meanwhile, was also supported by Anatoly Chubais, head of Russia's Unified Energy System. On June 15, Russia's national grid chief passionately argued that projects to export gas from Russia to China at the expense of Russian consumers were "a strategic mistake," and "must be re-examined."

It seems that the fate of Russia's oil pipeline to China is being repeated by the gas line. If the Sino-Russian gas talks drag beyond 2008, will the new Russian president honor his predecessor's contract? There is no question that Russia should utilize its national resources for its own national interests. Russia's national credibility, too, should also be earned, preserved, and enhanced.

SCO on a fast track

Unlike the sluggishness, if not stalemate, in the Russian-Chinese gas talks, the Shanghai Cooperation Organization (SCO) moved at full speed during the quarter. This included:

- April 10-12: second chief justice conference in St Petersburg;
- May 25: third security councils meeting in Bishkek, Kyrgyzstan;
- May 30: *Issyk-Kul-Antiterror-2007* (joint command and staff exercise) was conducted in northern Kyrgyzstan; and
- June 26-27: fourth defense ministerial meeting was held in Bishkek.

Much of these SCO ministerial meetings were institutionalized and therefore routine before the scheduled summit. Several salient issues, however, preoccupied SCO members in the second quarter. One of them was drafting a treaty on long-term good neighborly relations, friendship, and cooperation between SCO member states. The document will also spell out the SCO's perception of regional and global issues including those for war, peace, stability, etc.

Another major upcoming event is the *Peace Mission-2007* military exercise to take place in Russia's Chelyabinsk region. A total of 5,000 servicemen will be engaged (2,000 from Russia, 1,600 from China, and 90 from Tajikistan); 500 pieces of Russia and China-made military hardware will be involved. *Peace Mission-2007*, however, needs more coordination because it will overlap with the SCO summit. In each month of the quarter, talks were held to discuss and prepare the exercise. The final round of consultation was held during the SCO's annual defense ministerial meeting June 27 in Bishkek.

The quarter also showed signs that the regional security group was getting into a more efficient mode. On May 25, the organization's Regional Anti-Terrorist Structure (RATS) produced, for the first time, a list of 39 terrorist, separatist, and extremist organizations operating in the SCO countries. The list includes al-Qaeda, the Taliban, the Islamic Movement of Uzbekistan, Hizb ut-Tahrir, the East Turkestan Islamic Movement, and others, as well as 944 persons who were put on the international most-wanted list by SCO law enforcement bodies.

RATS' initial functioning obviously pleased the Russians. "We transfer from the signing of documents to specific measures to carry out joint antiterrorist drills and operations to intercept drug-trafficking channels," commented Secretary of Russia's Security Council Igor Ivanov during the SCO annual conference of security chiefs on May 25. "We've noticeably stepped up counteraction against challenges and threats encountered by our countries," Ivanov stressed.

China, too, seemed more willing to entrust SCO with more responsibilities. During the May session of security chiefs, China proposed two additional items for the agenda: security during the upcoming SCO summit in Bishkek and cooperation between the SCO-members to ensure security during the Olympic Games in Beijing in 2008. Kyrgyzstan, which played host for several ministerial meetings, appeared more than eager and capable of providing security for the upcoming summit. An anti-terror drill, *Issyk-Kul Antiterror-2007* command and staff exercise, was held in late May in the Issyk-Kul region in the north of Kyrgyzstan. Up to 1,000 Kyrgyz servicemen, together with officers of special services from other SCO member states, took part in the hostage-release exercise.

While Kyrgyzstan was saturated with SCO activities, this "weakest link" of the SCO – thanks to the "tulip revolution" in 2005 – is confronted, politically and psychologically, with the sensitive issue of a U.S. base on its soil. For almost two years since July 2005 when the SCO first called for a timetable for the U.S. to close its bases in central Asia, the U.S.-rented (\$150 million for 2006 in the format of aid and rent) Manas Air Base in Kyrgyzstan has been a "silent" item in SCO's agenda. The "don't-ask-don't-tell"

situation regarding the Manas base may face another round of “questioning” by SCO member states as several high-profile “accidents” in and around the base have occurred in the past two years. These included damage to Kyrgyzstan’s only *Tu-154* passenger airliner – which doubled as the president’s personal jet – in a collision with a taxiing U.S. military tanker; the killing of a Kyrgyz driver at the base by a U.S. serviceman who was not allowed to be prosecuted by Kyrgyz authorities; the disappearance and reappearance of a U.S. Air Force officer, etc.

For these reasons, among others, the Kyrgyz Parliament in the second quarter urged the government to evict the U.S. from Manas base. In reaction to the rising complaints from the locals, U.S. Assistant Secretary of State for Central and South Asian Affairs Richard Boucher indicated on June 11 in Bishkek that the question of the U.S. air base in Kyrgyzstan should be decided only between the Kyrgyz and U.S. governments, and that the SCO should not discuss this issue. Boucher’s remarks apparently triggered a rather strong reaction from both China and Russia. A week later, China’s official media went as far as to call for the U.S. withdrawal from the base, something that China had refrained from doing publicly. Russia’s semi-official periodical *Nezavisimaya Gazeta* indicated that the upcoming SCO summit would examine the base issue.

Finally, the SCO appeared in the mood and ready for outreach and possibly another round of enlargement. Throughout the quarter, several SCO member states toyed with the idea of Turkmenistan’s involvement with, if not formal admission to, the regional group. “Turkmenistan is a part of Central Asia, a part of our region. And, I believe that the position of all six countries (SCO member states) is to somehow involve the country in the integration and regional processes,” said SCO Secretary General Bolat Nurgaliyev, adding: “We really do not want a situation to remain where a component part of the Asian region is isolated.” It was not clear how Turkmen officials would receive the offer from SCO. Regardless, SCO’s secretary general had issued an invitation for the Turkmen president to join the upcoming SCO summit in Bishkek, together with an invitation to the new UN chief Ban Ki-moon.

Triangular petro-politik in Central Asia

The SCO offer was against a backdrop of a new round of petro-politik centered on Turkmenistan. In early June, U.S. Principal Deputy Assistant Secretary of State for South and Central Asian Affairs Steven Mann paid a visit to Turkmenistan and expressed interest in developing a U.S.-backed network of “alternative” gas pipelines, originally proposed by the U.S. in 1999-2000, for the entire Caspian area in general and the Trans-Caspian gas pipeline project in particular. Former Turkmen President Saparmyrat Nyязow dropped the U.S. plan. Now with President Berdimuhammedow in office, the U.S. seized the moment to advance its interests.

The renewed U.S. interest in the energy-rich central Asian state was not the only great power geopolitics in the format of petrol-politik. Indeed, Washington may well be late in this round of the energy game in the region. Twenty days before Mann's Turkmen stopover, Russian President Putin spent three days (May 10-12) with his Kazakh and Turkmen counterparts, which put a damper on an energy summit (May 11-12) attended by Poland, Azerbaijan, Georgia, Ukraine, Lithuania, and Kazakhstan. However, at the last minute, Kazakhstan's president pulled out of the gathering to meet Putin and sent a representative in his stead. The Russia-Kazakhstan-Turkmenistan talks yielded agreements to upgrade existing Soviet-era infrastructure so that more central Asian gas and oil would be pumped to Russian pipelines. Already four-fifth of Kazakh's 52.3 million tons of oil to other countries in 2006 transits Russian territory. From Turkmenistan, Russia's Gazprom pays \$100 per 1,000 cubic meters of gas that it buys, well below the \$250 it charges its European customers.

Putin's successful effort to control more energy resources of the two former Soviet states was not only a blow to U.S. and European attempts to get Central Asian gas and oil off Russian hands, but may also be an effective move to compete with China for control of regional energy resources. On April 3, 2006, China and Turkmenistan signed a 30-year contract to sell 30 billion cubic meters of gas to China annually starting in 2009. Beijing sweetened the gas contract with a 3 percent, 20-year loan of \$300 million. The loan was to reconstruct the Maryazot industrial plant and to build a glass plant. This is the first long-term foreign loan that Turkmenistan has received in recent years. During the second quarter, China redoubled efforts to realize energy deals. On June 1, China's National Development and Reform Commission (NDRC) Vice Chairman Chen Deming visited Ashgabat for the sole purpose of implementing the 2006 gas agreement. Turkmen gas to China — through a pipeline through Uzbekistan and Kazakhstan to Ruche, which is being constructed by China National Petroleum Corporation (CNPC) — would be at least two years ahead of the contracted delivery of Russian gas to China, now will be delayed at least for one year.

An EU/German model for SCO?

To be fair, much Sino-Russian interaction in the second quarter, including Russia's Year of China and the SCO's surge of activities, was out of the spotlight for at least two reasons, and both are related to Russia. One was the ending of the standoff between the U.S. and North Korea regarding the transfer of the latter's \$25 million assets to Dalkombank, a bank in the Far Eastern city of Khabarovs. The Russian bank later transferred the fund to North Korea. Pyongyang then took a series of steps to implement the Feb. 13 agreement of the Six-Party Talks in Beijing. In this regard, Russia acted as a useful, active, and effective mediator between Washington and Pyongyang.

Russia's contribution to resolving outstanding and dangerous international disputes, however, was easily ignored. For most of the second quarter, Russia was portrayed in the West as a deceptive, bullying, and missile-waving giant powered by dirty oil dollars. Naturally, it was Russia's difficulties with the West particularly with the U.S. — not its good and normal working relations with China — that captured the headlines.

Beijing is known for its critical view of U.S. unilateralism and missile defense policy. Yet it has so far refrained from openly siding with Moscow in the current heated rhetoric between the two. Most Chinese analyses tend to see the disputes as unlikely to lead to a new cold war. They may also need to wait and see how Putin works things out with Bush in their July 1 meeting in Kennebunkport, Maine.

The current world geopolitical wrestling between Russia, the U.S., and more recently a fast rising China, may be deceptive. Much of Russia's predicament with the West and the U.S. regards Europe, be it missile defense, NATO expansion, Kosovo, energy strategy, Russian domestic politics, etc. In this regard, European Union with a firmly embedded Germany, is highly relevant for Russia and China, as well as their collaborative project, the SCO.

To what extent Germany, which was the rotating chairman of the EU, can resolve or alleviate the current tension between Russia and the U.S. remains a question. Germany's influence on some world issues, however, is steadily growing. In the second quarter and on various multilateral occasions, Germany/EU simultaneously took on all three geopolitical giants, as well as some salient issues: climate change with the U.S.; growth and responsibility (Africa related) with China; and human rights, Kosovo, and energy supply issues with Russia. Germany also hosted in May a 5+1 conference on the Iran nuclear issue (UN Security Council permanent members plus Germany).

Despite its "honest insult" approaches to major players, Germany, together with EU, was perceived as the most friendly nation(s) for Russia and China. And by the end of the second quarter, Germany, holding the rotating presidency of both the EU and G-8, was able to keep everybody on board: a compromise with the U.S. on climate change; a \$60 billion package for Africa (including a \$30 billion U.S. pledge) to fight AIDS and other diseases; a pledge for diplomatic resolution of the Iranian nuclear standoff; engaging African and "emerging economies" (China, India, and Brazil) in G-8 outreach sessions; an interface for Russia to reduce tension, at least temporarily, with the U.S. over missile defense issues, etc. Shortly after the G-8, German Chancellor Angela Merkel managed to get the revised EU Charter passed, thus avoiding a major crisis for the EU. The impact of Germany, which is firmly embedded in EU, is set to grow in the coming years not only within the EU as a result of changing of the guard in the UK and France, but also on the world stage as both Russia and the U.S. enter presidential elections.

No EU/German "shoes" would exactly fit the SCO "feet" due to a multitude of political, social, historical, and cultural differences. Yet as a large multilateral regional forum, the SCO may well benefit from EU/German experiences. This is particularly true in the case of managing relations with Washington given its growing difficulties in Iraq and elsewhere. Indeed, it is both easy and perhaps even fashionable, to say no to Washington as anti-Americanism is rising around the world. It is more difficult and challenging in the upcoming SCO summit, however, not to move the SCO toward a more confrontational posture with the world's most powerful nation. The SCO's own interests would be better served if the regional group preserves its security and interests without making any

obvious and declared enemy. An unhappy, insecure, and somewhat isolated superpower is not in anyone's interest.

While the SCO's future is wide open, history did come to an end in the second quarter when Russia's former President Boris Yeltsin passed away April 23. Putin's constitutional era will end in a year, though it remains to be seen if he would become "Putin the Great" by taking a third term or "Putin the Ghost" by working behind the scenes. Whatever the case, a more economically powerful Russia will be the case, together with a steadily rising China, a more influential EU with Germany as its anchor and driving force, and a post-Bush America searching for its proper place in the world.

Chronology of China-Russia Relations

April-June 2007

April 2, 2007: Shanghai Cooperation Organization (SCO) Secretary General Bolat Nurgaliyev in an *Itar-Tass* interview says that the SCO is keen on seeing Turkmenistan more active in regional capacity building. Turkmenistan is not a member of the SCO.

April 4, 2007: The Year of the Russian Language in China opens at Beijing University of Foreign Languages. This includes a composition competition, photo exhibition, filmed works of Russian classical literature, roundtable discussion, scientific conference, and concert. It is sponsored by the Chinese Association of Teachers of the Russian Language and Literature, Institute of the Russian Language at Beijing University of Foreign Languages, and the Russian-Chinese Friendship Society.

April 10-12, 2007: SCO holds its second chief justice conference in St. Petersburg. SCO top judges pledge to strengthen cooperation in cracking down on extremist and drug-related crimes. A declaration on judicial cooperation is signed.

April 12-14, 2007: SCO military experts conduct the third-round of talks for the August anti-terrorism military exercise *Peace Mission-2007* to be held in Chelyabinsk. Consensus is reached on issues concerning logistics and scheme. Chief of the Russian General Staff Gen. Yury Baluyevsky and Deputy Chief of the General Staff of the Chinese military Zhang Qinsheng attend.

April 23, 2007: Russia's first President Boris Yeltsin passes away.

April 24, 2007: President Hu Jintao sends condolences to President Putin over the death of former Russian President Boris Yeltsin on April 23 at the age of 76.

April 27, 2007: Yang Jiechi is named China's new foreign minister.

May 4, 2007: China's FM Yang Jiechi meets Russian FM Sergei Lavrov at Sharm El-sheikh on the sidelines of an international meeting on Iraq's security. The two discuss bilateral relations including the Year of China in Russia, the SCO, and other major international issues.

May 10-12, 2007: Putin visits Kazakhstan and Turkmenistan. Russia-Kazakhstan-Turkmenistan talks are held on May 12 to discuss upgrades to existing Soviet-era energy infrastructures.

May 11-12, 2007: Energy summit is held in Warsaw, Poland to reduce Azerbaijani, Georgian, Ukrainian, Lithuanian, and Kazakh dependence on Russian energy. Kazakhstan president pulls out of the meeting to meet Putin and sends a representative in his stead.

May 14-16, 2007: Russian State Duma (the lower house of Parliament) Chairman Boris Gryzlov visits China for the second meeting of the Russian-Chinese parliamentary commission. Gryzlov meets Chairman of the Standing Committee of the National People's Congress Wu Bangguo, President Hu Jintao, and Chairman of the National Committee of the Chinese People's Political Consultative Conference Jia Qinglin.

May 15, 2007: The Sino-Russian transportation subcommittee under the Chinese-Russian Prime Ministers' regular meeting commission meets in Moscow.

May 15-18, 2007: The fourth round of consultations of SCO military experts on organizing the *Peace Mission-2007* drill is held in the Chinese city of Urumchi. China's Deputy Chief of the General Staff Zhang Qinsheng hosts; Russian delegation is headed by Deputy Commander-in-Chief of Land Forces Col. Gen. Vladimir Moltenskoi.

May 17, 2007: First unit at Russian-built Tianwan nuclear power plant is commissioned for commercial operation. The second unit had a test run May 1 and is expected to be online at year's end.

May 25, 2007: Third conference for SCO member states' security councils is held in Bishkek. Russia's Security Council Secretary Igor Ivanov and deputy Security Council Secretary and deputy public security minister Meng Hongwei join.

May 25, 2007: SCO's Regional Anti-Terrorist Structure group produces a list of 39 terrorist, separatist, and extremist organizations operating in SCO countries.

May 25, 2007: Fifth Russian-Chinese working group on media cooperation meets in Beijing. A protocol calls on the two countries' media outlets "to take active part" in the events of China Year in Russia in 2007 and guarantee "full and impartial coverage."

May 25-26, 2007: A political forum is held in Moscow at the initiative of the United Russia Party and the Chinese Communist Party. Part of the Year of China in Russia, the forum addresses the two countries' relations from a global and regional perspective. Wang Lequan, member of the CPC Central Committee Political Bureau and Secretary of the Communist Party of China of the Xinjiang Uyghur Autonomous Region, leads the Chinese group. His Russian host is United Russia leader Boris Gryzlov.

May 30, 2007: SCO conducts *Issyk-Kul-Antiterror-2007* exercise at the Edelweis training ground near Balykchy in Kyrgyzstan.

May 30, 2007: The Sino-Russian Committee of Friendship, Peace, and Development opens its seventh plenary meeting in Moscow. It adopts the 2007 plan for more than 60 activities of humanism, business, local cooperation, exchanges, etc.

June 1, 2007: China's National Development and Reform Commission Vice Chairman Chen Deming visits Ashgabat, Turkmenistan to implement the China-Turkmenistan gas contract signed April 3, 2006.

June 4, 2007: Russian and Chinese FMs Lavrov and Yang meet on the sidelines of the third Ministerial Meeting of the Asia Cooperation Dialogue in Seoul and discuss the planned deployment by the U.S. of missile defense elements in Eastern Europe, in addition to other bilateral, regional and international issues.

June 8, 2007: Presidents Putin and Hu Jintao meet during the G-8 summit in Heiligendamm, Germany. They discussed bilateral cooperation in SCO's framework.

June 8-10, 2007: Eleventh St. Petersburg International Economic Forum is held in Russia.

June 8-12, 2007: Vice Premier Wu Yi pays an official visit to Russia at the invitation of Russian First Deputy Prime Minister Dmitriy Medvedev. She attends the 11th St. Petersburg International Economic Forum and activities related to the Year of China, including St. Petersburg's "Shanghai Week" (June 9-16).

June 9, 2007: St. Petersburg "Shanghai Week" begins in Russia as part of "China Year" festivities.

June 9-10, 2007: World Economic Forum Russia CEO Roundtable is held in St. Petersburg. Putin and top Russian economic officials meet over 100 chief executives of foreign businesses doing business in Russia.

June 11, 2007: Assistant Secretary of State for Central and South Asian Affairs Richard Boucher during his visit to Kyrgyzstan states that the Manas air base was a bilateral issue between the U.S. and Kyrgyzstan and that the SCO should not discuss this issue..

June 12, 2007: President Hu Jintao sends a congratulatory message to Vladimir Putin for Russia's national day.

June 13, 2007: The Russian-Chinese Youth Games opens in Moscow as part of the Year of China. Some 88 Chinese athletes compete in basketball, handball, springboard diving, synchronized swimming, martial arts, and other sport.

June 15, 2007: The Sino-Russian Sub-commission for sports cooperation held its seventh meeting in Moscow. A protocol is signed and China agrees to provide support and convenience for the Russian Olympic team for the 2008 Beijing Olympic Games.

June 15, 2007: Anatoly Chubais, head of Unified Energy System of Russia, argues that Russia-to-China gas exports at the expense of Russian consumers are “a strategic mistake” and “must be re-examined.”

June 15-19, 2007: The 18th International Trade and Economic Fair held in Harbin, China.

June 19, 2007: *BBC News* reports that Gazprom has asked the Kremlin to cancel an agreement to pipe 80 billion cubic meters of gas a year from ExxonMobil's Sakhalin-1 project.

June 23, 2007: Russian Finance Ministry confirms transfer of funds from the Delta Banco Asia to North Korea was completed via Dalkombank.

June 26, 2007: Gazprom deputy chief executive Alexander Ananenko tells reports that if talks with China are not completed, the start of the Altai pipeline project could be delayed a year.

June 26-27, 2007: SCO's fourth defense ministerial meeting held in Bishkek. A Joint Communiqué is issued and the ministers sign an agreement for the joint military exercise in Russia in August.

July 1-2, 2007: Presidents George W. Bush and Putin hold U.S.-Russia summit in Kennebunkport, Maine.