

## China-Russia Relations: Living With Normalcy

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By any standard, relations between Moscow and Beijing in the last months of 2003 were uneventful and unenthusiastic. This “normalcy” was in sharp contrast to the more memorable events in the first half of the year (Moscow summit, Shanghai Cooperative Organization gathering, and St. Petersburg’s celebration). The world, too, was relatively quiet without Saddam or SARS. Chinese Foreign Minister Li Zhaoxing mentioned Russia only in passing in his year-end review of China’s diplomacy, while relations with India and Pakistan were given more significant space. Even the Korean nuclear crisis became less alarming, as Washington was absorbed by the bloody peace in Iraq and the beginning of the presidential race at home.

Without eye-catching events, attention was given to secondary issues in social, economic, and cultural areas. Meanwhile, top leaders from both countries tried to find ways to inject new momentum into the otherwise normal relationship between the two “strategic partners.”

### **Managing the Trivial**

Beyond the strategic dimension of China-Russian relations, there were plenty of non-political issues and developments. The last quarter of the year was particularly full of law enforcement concerns.

In November, a group from the Shanghai Public Security Office visited St. Petersburg. A delegation of Moscow policemen traveled to Beijing for the fifth anniversary of the cooperation agreement between the two cities. At the national level, a delegation of the Russian Border Guard Service (RBGS) led by Col. Gen. Vladimir Pronichev, first deputy director of the Russian Federal Service of Security and director of the Russian Federal Border Service, traveled to China. The RBGS group was joined in Beijing by Col. Gen. Pavel Tarasenko, chief of the Russian Pacific Regional Border Department of the Federal Security Service, who was visiting China on a separate tour. An agreement was signed for cooperation in curbing international terrorism, illegal migration, and smuggling. While in Beijing, the Russian border guard group was received by Defense Minister Cao Gangchuan and met Gen. Qian Shugen, deputy chief of the PLA’s General Staff. Maj-Gen Boris Shtokolov, head of the International Cooperation Directorate of the Russian Interior Ministry, also held talks with Chinese officials from the Ministry of Public Security in Beijing. The two sides agreed to expand their cooperation, including the next

round of regular consultation in Harbin, according to an accord for 2004-2005. The “law-and-order” quarter ended with China’s National People’s Congress approving the “Treaty on the Transfer of Convicted Criminals between the People’s Republic of China and the Russian Federation,” and the seventh session on Russian-Chinese border regulations was held in Beijing. This expert-level session tried to redefine and expand the current accord, signed in 1994, into a more comprehensive one covering all changes and developments in the past decade.

### **Law and Disorder?**

Part of the reason for the higher level of cooperation in the legal area was the growing need to deal with more legal and criminal cases as interactions between the two societies broadened and deepened.

Accidents, too, highlighted the imperative nature of the issue. On Nov. 24, 11 Chinese students died, two went missing, and 41 were wounded in a huge fire in a dormitory in the Patrice Lumumba Peoples’ Friendship University in Moscow. The fire occurred at a time of rapid growth in the number of Chinese students in Russia: from 1,000 in 1993 to more than 10,000 in 2002. Most of these students paid their own tuition and outnumbered government-sent students by 30 to 1. Despite the size of the fire and damage, the rescue and its damage control were not seen as properly done.

The tragic fire occurred also at a time when crimes committed by foreigners in Russia and those against foreigners in Russia rose sharply in 2003, by 10 percent and 9 percent, respectively. In both categories, the Chinese topped the number of crimes as initiators and targets among non-Commonwealth of Independent States nationals. A group of Russian skinheads, who were under suspicion of setting the fire, even went to the same area on campus as the fire a few days later and beat up nine foreign students.

From the Chinese account, there were more than just crimes against Chinese nationals in Russia. Throughout 2003, there was a sharp rise of cases involving mistreatment of Chinese nationals, irresponsible behavior by Russian law enforcement officers, and even racially motivated actions against Chinese in Russia. (For details of these cases, see “The Russian-Chinese Oil Politik,” *Comparative Connections*, Vol. 5, No. 3, October 2003.) [[www.csis.org/pacfor/cc/0303Qchina-rus.html](http://www.csis.org/pacfor/cc/0303Qchina-rus.html)]

The Moscow fire seemed to have caused sufficient alarm among top Chinese leaders regarding growing “disorganized” violence against Chinese nationals in Russia. It also provided an opportunity for China to address the issue in a more serious manner with Russia. On Nov. 29, Beijing dispatched to Moscow a joint working group of officials from the foreign and education ministries. In their meetings with Russian officials, members of the working group urged their counterparts to try their utmost to save the lives of the wounded, to help survivors in their daily life and studies, and to assist family members of the Chinese students during their stay in Moscow. The Chinese side also raised the issue of compensating victims. Russia was not forthcoming.

## **Economics: Promising and Problematic**

Economic issues also attracted more attention, for better or worse. Bilateral trade reached about \$15 billion, up from \$12 billion in 2002. The volume, though much smaller than China's trade with some of its largest trade partners, was actually larger than Russian-U.S. trade (less than \$10 billion for 2003) and ranked number two among China's European trading partners (after Germany and ahead of the UK).

Financial transactions between the two countries also showed signs of closer cooperation. In early October, Chinese and Russian currencies became partially convertible in border areas without first being converted to U.S. dollars. In late November, the second China-Russian Financial Forum, sponsored by the Chinese Monetary Society and the Association of Russian Banks, was held in Beijing with more than 200 specialists and government officials attending. Participants urged more cooperation and exchanges of information. They examined the possibility of jointly granting loans to Russian enterprises that make exports to China. The two sides already had taken measures to standardize funds settlement in an effort to facilitate border trade. Russian and Chinese insurance firms, Ingosstrakh and the People's Insurance Company of China (PICC), also signed an accord to expand participation in each other's reinsurance programs.

Slow but steady progress was made in nuclear power. The first unit of the Russian-built nuclear power plant in Tianwan, eastern China, started testing and will be launched and reach its rated capacity in 2004. Meanwhile, China intends to obtain technologies for the production and assembly of reactor equipment in its next round of construction of nuclear power plants. The Russian side tentatively agreed to provide the technologies if it would be contracted to build another four units in Tianwan in the future. In early November, the Russian and Chinese Nuclear Societies signed a cooperation agreement in Beijing. By 2003, a uranium-enriching facility yielding 500 tons of nuclear fuel annually had been built in China in cooperation with Russia. An experimental fast-neutron reactor was also being built. China was also showing considerable interest in Russian nuclear power plants for spacecraft.

Despite this progress in bilateral economic relations, the oil pipeline to China (Angarsk-Daqing) remained uncertain, and the "decision" deadline continued to be extended, now to sometime in 2004. In the last quarter of the year, the Russian side sent more nuanced, if not necessarily positive, signals. President Vladimir Putin's economic adviser Andrei Illarionov said in Beijing that the detention of Russian oil tycoon Mikhail Khodorkovsky on fraud charges on Oct. 25 would not affect Russia's cooperation with China in the sphere of energy supplies. In an effort to lessen China's anxiety, Illarionov insisted that Russia was "guided by economic expediency ... rather than by geopolitical considerations" in making final decisions regarding the route of Russia's oil pipeline. He went as far as to say that Russia was willing to construct oil pipelines to both China and Japan, and even a third line to South Korea, "if economic necessity and expediency arise."

While Illarionov's words may aim at comforting Beijing without any specific commitment to the Angarsk-Daqing pipeline initiated by Russia 10 years ago, Russian Prime Minister Mikhail Kasyanov's trip to Japan at the year-end shed some light on Russia's energy diplomacy. For the first time, the joint statement contained a reference about a pipeline project, though it did not specify its beginning and end. Meanwhile, Kasyanov tried to untangle the two oil pipeline projects. "The construction of an oil pipeline from Angarsk to Nakhodka is a strategic one, while its Chinese branch to Daqing is a tactical project," said Kasyanov. In the Japan case, Russia would like to have a "broader" and "comprehensive" energy project, which covers not only the construction of a pipeline but also exploration and development of oil deposits in eastern Siberia. "Transporting oil from Western Siberia to the Pacific coast is not economically expedient," said Kasyanov. Meanwhile, the tactical project to China would pump existing oil from Russia's western Siberia to Daqing. In a press conference following the last Cabinet meeting on Dec. 25, Kasyanov reiterated the "dual-track" approach and that "the crude oil to fill the pipeline to Daqing is already available. For the time being it is exported to China by train," while the Angarsk-Nakhodka pipeline project "[w]ill require the development of oil reserves in East Siberia."

The "Kasyanov doctrine," however, has yet to be finalized and may have to wait until the Russian presidential election in March 2004. Meanwhile, various interest groups in Russia continue to compete for their own projects.

As early as October, the Japanese side was said to agree to an investment of \$15 billion for pipe-laying and construction of an oil terminal as well as prospecting for oil deposits in East Siberia. It is not clear how Japan would operationalize Russia's grand strategy with a massive influx of Japanese capital for both the pipeline and oil fields, when the two sides are technically still at war, or without a peace treaty after World War II. Moscow will continue to be torn between the competing projects, but intends to milk them for as much foreign input as possible.

### **Moscow's Concern for its Strategic Partner**

Russia's indecision on the oil pipeline issue reflected its mixed perception of China, and is rooted in a muted but serious concern with regard to a rising China. Although the Russian economy has stabilized and grown well above the world average in the past three years, it continues to be dwarfed by the galloping Chinese economy. Many in Russia think that an oil pipeline to China would further fuel China's almost unstoppable rise.

The "China threat" perception is particularly strong in Russia's Far East, where the Russian population in the past decade declined 1 million, or 13 percent, to 6.7 million. Meanwhile, booming China has 100 million people in the three provinces of Manchuria alone. This led to a rather exaggerated fear about the influx of Chinese into Russia, particularly to Siberia. While the actual numbers of Chinese in Siberia were about

200,000, according to Russian official account, the Russian public feared that the figure may well be above 1 million.

Russian President Vladimir Putin may not share this concern. His envoy to the Far East Federal District Konstantin Pulikovskiy was in Beijing in early October, actively soliciting China's economic input, both labor and capital, into his vast region. Pulikovskiy, however, may represent the minority, and less alarming, view regarding the Chinese presence in Russia's Far East. Local officials seem overwhelmingly "anti-China." Top officials even prefer to take immigrants from North Korea over those from China. Although in Beijing he repeatedly dismissed fears about Chinese migration into Russia, Pulikovskiy at home strongly favors the Japan route for the oil pipeline and lobbies hard for it. In the past few years, Russia's Khabarovsk region repeatedly turned down a \$250 million Chinese investment for a paper pulp mill, citing various excuses.

Russia's attitude toward China reflected a dual reality in Russia's Far East. On the one hand, the region is closely related to China economically: 80 percent of the consumer products in Russia's Far East comes from China and 10 percent of regional economic growth was linked to the region's trade with China, now constituting 50 percent of Russia's total exports to China. On the other hand, the shadow of territorial disputes remains long and heavy, contributing to distrust and biases against Chinese.

Concerns about a rising and threatening China may come from those sectors of the Russian society that have had close relations with the Chinese. The Russian military, which has supplied China with billions of dollars of weaponry every year in the past decade, was said to mount the strongest opposition to an oil pipeline to China. The Russian General Staff reportedly vetoed the Angarsk-Daqing line because it would give China access to Russia's strategic fuel. Indeed, the aim was not to build another pipeline "but to prevent a pipeline to China from being built," according to a Russian source.

While Beijing was eager to figure out the political and strategic motivations behind the arrest of Russian oil tycoon Khodorkovsky and its implications for the Russian-Chinese pipeline deal, Putin seems to have a broader strategic blueprint in mind. He wants to use energy as strategic leverage in Russia's relations with the Asia-Pacific region. During the annual Asia Pacific Economic Cooperation (APEC) meeting in Bangkok, Putin outlined the role of Russia as "a connecting link between East and West." "This is predetermined by its very geographical location as a bridge between different civilizations, cultures, and religions." In his speech to 19 other heads of state, Putin described how Russia would become, in the near future, "one of the most dynamic strategic resources in the Asia-Pacific region's development" in three areas: energy, transport, and fundamental science. He then listed various energy projects, real and considered, with China, Japan, and South Korea as part of the long-term plan to assist Asia-Pacific development. In his mind, China is only part of this grand strategy that establishes Russia as the linchpin for regional development.

## **Making a Good Thing Better: Mission Impossible?**

Unless one is a perfectionist or needs a strategic overdose from time to time, much of the China-Russian elbowing in the quarter is quite normal among major powers. To be more precise, there was nothing particularly wrong between Moscow and Beijing. The two sides cooperated in various international fora and over key issues such as Iraq and Korea. The Shanghai Cooperative Organization (SCO) worked out its last organizational details and is ready to be fully operational in January 2004. Chinese Defense Minister Cao Gangcuan's year-end visit to Russia led to another major development in China-Russian military relations. In the words of Russian ambassador to China Igor Rogachev, 2003 had been a year of "very good, warm personal relations" with frequent high-level exchanges. Their foreign ministers met 12 times and held 10 telephone talks; 70 Russian and 40 Chinese delegations of deputy minister level or above visited each other's country. In the last few days of the year, physicist Valentin Danilov, former head of the Center for Thermal Physics in Krasnoyarsk, was acquitted of spying for China. When China's new ambassador Liu Guchang arrived in Moscow in November, he described Chinese-Russian relations as "at the highest level in the history of bilateral relations." And he was afraid to say how he would be able to further promote an already excellent relationship.

In non-political areas, Russian-China interactions are far more extensive than at any other time in recent history. Russian educational institutions, despite their substandard facilities, attract far more Chinese students than at the peak of the China-Soviet honeymoon in the 1950s. Russian language centers in Beijing, Shanghai, and Harbin routinely organize language contests and attract more and more students.

Other "ordinary" developments included the opening of the Russian Literature Hall in the Shanghai State Library in late October; Russia's renowned Igor Moiseyev Folk Dance Company and jazz orchestra under conductor Georgiy Garanian toured China; and a Russian translation of a biography of Mao written by his daughter Li Min was published. Li was educated in the former Soviet Union during the 1950s. Even Putin's daughters are interested in China: one is currently learning the Chinese language and the other *Wushu* (marshal arts).

With these "normal" developments, the question was how to resolve those "normal" problems discussed earlier. Both sides seemed eager to do something. In their first meeting after the May Moscow summit at the annual APEC meeting in October, President Hu expressed his concerns about the general orientation of China's relations with Russia. "Experiences from many years of cooperation between our two countries have shown that so long as we proceed from the overall situation of the China-Russian strategic partnership of cooperation and from the fundamental interests of both sides, so long as the principles of mutual benefit, reciprocity, and good faith are followed, and the concerns of the other side are accommodated and taken into consideration, any new scenarios and new problems emerging in bilateral cooperation can be addressed properly." Putin agreed with Hu's views, saying that the 2001 friendship treaty laid a legal foundation for their strategic partnership. "There are no irresolvable issues or

obstacles in Russia-China relations,” Putin added.

As soon as he returned home from the APEC summit, Putin ordered an increase in Russia’s oil deliveries to China. “In any case, we will develop relations with our traditional partners ... Whatever route we choose, we will increase delivery of crude oil to China. This may be done either by laying a direct pipeline to Daqing, or by adding a side branch to the pipeline that goes to Nakhodka, or by increasing the delivery by railway,” said Putin.

Putin’s statement also appeared to be part of an advanced and calculated move to minimize the impact of the arrest of Khodorkovsky a week later, whose Yukos oil company is responsible for half the oil deliveries to China. In retrospect, the arrest was to prevent a forthcoming sale of a major share of Yukos to ExxonMobil, and to keep Russian tycoons out of election politics.

In the last months of the year, Putin and his advisors seemed to have worked out a “dual-track” or “strategic-plus-tactical” plan for pipelines to Japan and China, respectively. In broader terms, the separation of the two pipelines makes more sense in that the last thing Putin wants is for his energy-politik to turn China into an enemy again. If Soviet power and current U.S. power cannot stop the rise of China, the most meaningful strategy is to keep China as a friendly nation. A compromise solution remains the most attractive goal for Putin.

To drive home his positive message to China, Putin called President Hu on Dec. 19, a day after China’s defense minister’s visit to the Kremlin, to inform him of his “concept for next year’s high level exchange,” while praising the results of the Russia-China Joint Committee on Cooperation in Military Technology that concluded on Dec. 18 in Moscow. By any standard, Putin’s initiative was quite unusual.

How much Putin’s approach to bilateral relations will impact these normal yet difficult issues in the coming year remains to be seen. One thing seems certain: Putin’s hand, which is already strong, will be further enhanced if he wins a second term as Russian president in early 2004. There will also be plenty of issues for the two sides to discuss when presidential elections will be held in both the U.S. and Taiwan.

### **Chronology of China-Russia Relations October-December 2003**

**Oct. 8-10, 2003:** Konstantin Pulikovskiy, presidential envoy to the Far East Federal District, visits China. He meets with Deputy FM Dai Bingguo, Vice Premier Wu Yi, and Li Guixian, vice chairman of the National Committee of the Chinese People’s Political Consultative Conference in Beijing to discuss economic cooperation, investment, border trade, and immigration.

**Oct. 11, 2003:** FM Li Zhaoxing exchanges views with Russian counterpart Igor Ivanov over the phone on bilateral ties, the Korean nuclear issue, and Iraq.

**Oct. 12, 2003:** Vice FM Wang Yi holds consultations in Moscow with Russian counterpart Alexander Losyukov on Asian issues, including the Korean nuclear issue.

**Oct. 14, 2003:** Deputy FM Yuri Fedotov and his Chinese counterpart Shen Guofang discussed by telephone how to cooperate in the UN on Iraq.

**Oct. 14, 2003:** Putin meets with departing Chinese Ambassador Zhang Deguang, describing Zhang as “a perfect specialist and a friend to our country.” Zhang will become the SCO executive secretary.

**Oct. 16, 2003:** FM Li telephones Russian and French foreign ministers to exchange views on the UN Security Council’s new draft resolution on Iraq.

**Oct. 19, 2003:** Putin holds talks with Hu Jintao during the annual APEC meeting in Bangkok.

**Oct. 27-29, 2003:** SCO’s Council of National Coordinators meets in Tashken. Agreement reached on the distribution of posts in the SCO Secretariat and Regional Antiterrorist Structure (RAS) according to contributions to the SCO budget. SCO Secretariat in Beijing and the RAS in Tashkent are to be fully functional Jan. 1, 2004.

**Oct. 27-28, 2003:** Russia and China hold in Beijing the third meeting of the bilateral working group on scientific and technical cooperation in electronic-information industry. They discuss cooperation in radar techniques, earth satellite navigation systems, laser, medical equipment, communications systems household electrical appliances, and software.

**Nov. 3, 2003:** Russian and Chinese Nuclear Societies sign agreement to expand cooperation in nuclear energy and research, including the construction of nuclear power plants.

**Nov. 3, 2003:** Chinese Vice Premier Zeng Peiyan meets with Russian presidential economic advisor Andrey Illarionov in Beijing.

**Nov. 5, 2003:** 100 young Russian scientists join the “Forum of Young Chinese and Russian Scholars” in Beijing.

**Nov. 5-6, 2003:** Andrei Illarionov participates in a two-day conference of the World Economic Forum in Beijing.

**Nov. 12, 2003:** Kung Xianming, head of Shanghai Public Security Office, visits St. Petersburg with a group of public security specialists. Talks focus on illegal migration, drug and weapons contraband, as well as economic and tax crimes.



**Nov. 14, 2003:** China's new ambassador to Russia, Liu Guchang, arrives in Moscow.

**Nov. 15–17, 2003:** Delegation of Moscow policemen, led by deputy head of Moscow Main Interior Directorate Aleksandr Ivanov, visits Beijing.

**Nov. 16, 2003:** A three-country consortium (Russian, Chinese, and South Korean) concludes three-year feasibility study on the \$11 billion project for transporting gas from eastern Siberia to the Korean Peninsula through China and the Yellow Sea. A final decision is expected in 2004.

**Nov. 17, 2003:** Director of Russian Foreign Ministry's 1<sup>st</sup> Asia department Yevgeniy Afanasyev holds talks with counterpart Fu Jing in Beijing to prepare for second round of six-party talks on the North Korean nuclear problem. The two sides were said to have positions that "virtually coincide or are very close both on strategic and tactical objectives."

**Nov. 18-24, 2003:** Col. Gen. Vladimir Pronichev, the first deputy director of the Russian Federal Security Service and chief of the Border Service, visits China for talks with Chinese officials of the Public Security Ministry and the Chinese Border Service. He meets Chinese Defense Minister Cao Gangchuan and representatives of the General Staff of the PLA.

**Nov. 24, 2003:** Eleven Chinese students killed, 40 wounded and two missing in a fire in a dormitory of the Patrice Lumumba Peoples' Friendship University in Moscow.

**Nov. 27, 2003:** Maj. Gen. Boris Shtokolov, head of the International Cooperation Directorate of the Russian Interior Ministry, visits Beijing and signs a cooperation protocol with China's Ministry of Public Security for 2004-2005.

**Nov. 27-8, 2003:** The Chinese Monetary Society and the Association for Banks in Russia sponsor second meeting of the China-Russia financial cooperation forum in Beijing. More than 200 people attend. Agreement is signed to further bilateral cooperation in banking.

**Dec. 15-22, 2003:** Minister of Defense Cao travels to Russia to attend Russian-Chinese intergovernmental commission on the military-technical cooperation. A working protocol was signed on bilateral military-technical cooperation for 2004 with a total sales value of more than \$2 billion. Putin and Prime Minister Kasyanov meet Cao Dec. 18.

**Dec. 19, 2003:** Presidents Putin and Hu talk on the phone. They stress that military-technical cooperation "is an important component of strategic partnership between Russia and China." They also discuss Iraq and Korea.

**Dec. 26, 2003:** Russia and China held in Beijing the seventh round of talks about the

Russian-Chinese agreement on border regulations.

**Dec. 27, 2003:** China's Parliament approves "Treaty on the Transfer of Convicted Criminals between the People's Republic of China and the Russian Federation."

**Dec. 29, 2003:** The Krasnoyarsk regional court in Russia acquits scientist and former chief of the Krasnoyarsk Thermal Physics Center Valentin Danilov, accused of spying for China.