

China-Russia Relations:

Lubricate the Partnership, but with What?

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The third quarter turned out to be a period of mixed record for China-Russia relations: military relations moved ahead, high-level exchanges were busy as usual, while economics continued to cloud China's "pipeline dream." The 10 years of talk of an oil pipeline from Russia's Siberia to northeastern China came close to an end in this quarter as Russia was finalizing a multibillion-dollar deal with Japan, a latecomer to Russia's oil feast. Even an official visit to Russia by China's "gung-ho" Premier Wen Jiabao in late September failed to reverse the tide.

While Moscow and Beijing were trying to find a way out of this pipeline scramble, internal dynamics affected both nations, though in different ways. In Russia, terrorist attacks shocked the nation. In China, Russian-educated strongman Jiang Zemin finally released his hold of the 2.5-million person People's Liberation Army (PLA).

Wen's 42 hours in Russia

The ninth China-Russia Prime Ministerial Regular Meeting took place in Moscow on Sept. 23-25. Hailed by both sides as a visit when bilateral ties were the "best" in history, Wen's first official visit as China's premier accomplished a great deal, although it left some important issues unresolved. Regardless of the outcome, the annual prime ministerial meeting provided both sides with an opportunity to exchange views on important issues.

Wen met with Russian President Vladimir Putin, held talks with Russian counterpart Mikhail Fradkov, and conferred with Russian Federal Council (upper house) Chairman Sergei Mironov and State Duma (lower house) Chairman Boris Crzlov. Wen also found time to meet business group, educators/scientists, and youth groups in Moscow. Seven documents were signed, including a joint communiqué, minutes of the eighth regular prime minister meeting in 2003, an accord for China's assistance in constructing education systems in Chechnya, a memorandum for trade standardization, a document for assisting trade in machinery and electronics, a banking agreement for border trade, and an accord for Russian-Chinese banks to cooperate in trade. The bulk of the joint communiqué was about economics (Part II with 17 articles), while the rest of the document – humanitarian exchanges, law and order, foreign affairs, and the Shanghai

Cooperation Organization (SCO) – contains only 11 separate articles. Among the notable items in this lengthy document was the completion of the bilateral negotiation for Russia's accession to the World Trade Organization (WTO). After the "China hurdle" (new applicants for WTO membership are required to hold separate negotiations with all current WTO members), Russia is expected to have "easier" talks with other major market economies including the European Union, Japan, and the U.S. The completion of the WTO talks also led Russia and China to recognize each other's full market economy status, something that China has not received from the West.

The Wen-Fradkov meeting occurred at the time of a relatively fast increase in Russia-China trade: growth has averaged 20 percent annually in the past five years. Based on this projection, both sides were optimistic about the target of \$60 billion in trade by 2010 from \$20 billion in 2004. They nonetheless had different expectations. Russia clearly wants to have more opportunity to export its finished products to China, particularly machinery for mining, power generators, nuclear energy, and aerospace sectors. China, however, is more interested in obtaining raw materials such as oil, timber, and gas. China's premier stressed that China welcomes Russia's role/input in revitalizing China's northeastern provinces (Manchuria).

Despite these differences, Wen and Fradkov agreed to cooperate in the areas of trade, investment, nuclear energy, sciences and high technology, civil aviation, space exploration, banking, transportation, timber, and cargo inspection. In order to facilitate cooperation as well as minimizing trade disputes in these areas, Wen made a six-point proposal: 1) further improvement in the trade structures and standardizing of trade orders; 2) greater mutual investment efforts in infrastructural construction, energy resources, manufacturing and processing, and high-tech industries (Wen promised \$12 billion in investment in such areas by 2020); 3) more efforts to boost energy cooperation; 4) more cooperation in high-tech, nuclear energy, space, new materials, information, and some other industries; 5) promoting trade between border areas; 6) cooperation in education, culture, health care, sports, and tourism. Last, if not least, the two heads of the government set up "a direct, secure telephone line" for quick solution of problems.

It's still the oil, stupid!

Much of the publicity surrounding Wen's Russia visit was about oil. His talks in Moscow, however, produced only broad and long-term promises without specific commitments from Russian officials for an oil pipeline to China. Or, in the words of official Chinese media, the sides only reached "certain consensus" regarding the key issue of cooperation in the areas of oil and gas.

The sub-optimal result of Wen's Moscow visit may be intended: certain "breakthroughs" in bilateral relations, if any, would have to be reserved for the upcoming state visit by President Putin to China in mid-October. That possibility, however, appeared remote when Wen was in Moscow. It may be pure coincidence that the day (Sept. 24) Wen was meeting with Russian officials in Moscow, Russian envoy to Japan Aleksandr Losyukov told reporters that the Russian government had decided to build an oil pipeline from its

eastern Siberian oilfields to the Pacific Ocean – as preferred by Japan – rather than through China, adding that the decision would be announced officially in the coming months.

For Beijing, Russia's never-ending "feasibility" studies and "environmental" assessment of the pipeline is unpleasant. Russia's inconsistency is perhaps worse. When Russian Minister of Industry and Energy Viktor Khristenko visited Beijing in late August, he insisted that Russia-China cooperation in oil and gas "is strictly strategic and therefore it is absolutely essential to create a relevant legal framework." He nevertheless also claimed that, "As for the routing of the pipeline on the Russian territory, this is Russia's internal affair." Thus, the Russian official simply rejected any "input" from the Chinese regarding the oil pipeline.

Russia's "slippery" position (words used by Moscow's *Nezavisimaya Gazeta*, Aug. 26, 2004) apparently prompted the Chinese to take counter actions. In early August, China's top gas company PetroChina suddenly denied rights to a consortium of Russia's natural gas giant Gazprom, Shell, and ExxonMobil to construct a key pipeline running through the country to Shanghai. Beijing also did not indicate if Russia would continue its participation in construction of Chinese nuclear power plants.

Yukos' second shoe

If there is such a thing as "Murphy's Law" (anything that can go wrong will go wrong), China's bad luck with the Yukos oil company may be the proof.

On the eve of Wen's visit to Russia in late September, China's Vice Premier Wu Yi was quoted as saying that China "is disturbed" by Russia's decision (for Japan), and indecision (for China), regarding the oil pipeline to the Far East. China therefore "is determined" to work with the Russians to increase the import of Russian oil by rail. Wu made her comment enroute to Moscow to prepare the Wen-Fradkov meeting. But what if rail deliveries themselves would not be safe and reliable?

Throughout the third quarter (as well as at the Wen-Fradkov meeting), there was much talk about a planned sharp increase in Russia's oil deliveries to China: 5.5 million tons in 2004, 10 million tons in 2005, and 15 million tons in 2006. Just four days before Wen's trip, however, a spokesman of the Russian oil giant Yukos announced that as of Sept. 28, 2004, it would temporarily suspend a portion of its direct exports to China – about 1 million tons until the end of 2004. Yukos' blamed the delivery cut on lack of access to its accounts, which were frozen by the Russian Justice Ministry. As a result, the Russian oil giant was unable to pay the transport expenses and customs payments totaling \$150-\$170 per ton. Yukos indicated that it had no intention of reducing oil production, but would redirect part of crude originally meant for China to other markets.

The sole Russian oil exporter to China, Yukos is key to the fulfillment of the intergovernmental Russian-Chinese agreements on the delivery of energy resources. In the first six months of 2004, Russian oil shipments to China constituted almost 30 percent of the whole of Russian exports (by value). Yet “all those who work with Yukos help us, but the state does not,” complained Yukos’ Financial Director Bruce Misamore. Yukos’ move was widely interpreted as part of the company’s calculated strategy on the eve of the Chinese premier’s visit to put pressure on the Russian government, which had been waging a war against Yukos’ former CEO Mikhail Khodorkovsky for his “excessive” involvement in Russian politics. Whatever the reason, China became the victim of Russian domestic politics.

The China National Petroleum Corporation (CNPC), the recipient of Yukos’ oil, was reportedly “angered” by Russia’s behavior. In late August, agreements on the volume of Russian oil supply and other matters were reached during the meeting of the Chinese-Russian sub-commission on energy cooperation in Beijing. CNPC naturally hoped the Russian government would prevent a reduction in oil supplies by to China. China’s Foreign Ministry, too, urged Moscow to pressure Yukos to honor its commitments to provide China with oil.

Russian officials, however, already made clear in mid-August when Yukos’ financing difficulties became obvious that the government would not step in. When Minister of Industry and Energy Viktor Khristenko visited Beijing to prepare for the Chinese-Russian subcommission on energy in Beijing, he was quoted as saying that “Russia is not bound by any obligations on delivery of oil to China, and these obligations are contained in corporate contracts.” Sensing that the Russian government may not be willing to step in to rescue its political enemy, a Chinese oil company decided to pay in advance for the transportation of oil from Yukos to China by rail.

Soft-landing, from high-latitude

On the eve of Wen’s visit to Russia, it was not clear that if overall Chinese-Russian bilateral ties are strong enough to survive in the absence of a pipeline to China. By the time he was in Moscow, however, Wen was determined to address the issue. In the Kremlin, Wen expressed concern regarding the changing Russian energy policy toward China, and hoped that Chinese-Russian cooperation in this area would be further developed.

Putin replied that Russia hopes to broaden bilateral cooperation in energy areas and there has been no change in Russia’s decision to cooperate with China to develop energy resources. Putin, however, was also concerned about Russia becoming a supplier of raw materials to China. He therefore insisted on improving the trade structure, meaning more manufacturing products should go from Russia to China.

The two prime ministers, however, were able to handle the thorny and difficult issue: Russia agreed and offered four broad “consensus” to China in the long term. First, Putin said Russia will “unswervingly” strengthen its cooperation with China in the area of oil

and natural gas. Second, the Russian side agreed that it will determine the direction of the far eastern pipeline after conducting feasibility studies. No matter what plan is adopted, the Russian side will actively consider building a pipeline to China. Third, both sides agreed to increase overland oil trade. Russia's oil exports to China will reach an annual total of 10 million tons by 2005 and strive to reach 15 million tons by 2006. Fourth, both sides have decided to formulate a plan for cooperative development of natural gas as soon as possible. For these general assurances, China reciprocated with a promise of a \$12 billion long-term investment in Russia. Though lacking specifics, a "considerable part" of this sum would be investments in Russia's oil and gas sectors.

Military cooperation: a greener pasture?

Contrary to the rather cloudy prospects in the economic arena, military-to-military ties are refreshing. Several military exchanges took place in early July, marking joint efforts to deepen existing ties in both strategic and technical areas. On July 1, the seventh round of Russian-Chinese consultations on "strategic stability" was held in Beijing. While Russian Deputy Foreign Minister Sergei Kislyak and Chinese counterpart Deputy Foreign Minister Zhang Yesui dealt with "routine" issues of counterterrorism, nonproliferation, and regional security, the first deputy chief of the Russian General Staff Yuriy Baluyevskiy also joined the consultations. The real purpose of Baluyevskiy's working visit to China, however, was to engage in parallel talks with the PLA's general staff as part of the preparation for the upcoming visit to Russia by Col.-Gen. Guo Boxiong, vice chairman of China's Central Military Commission (CMC).

Guo's official visit to Russia was accompanied by senior officers from all branches of the PLA: Beijing Military Region Commander Gen. Zhu Qi, Second Artillery Corps (China's strategic missile forces) Political Commissar Lt. Gen. Peng Xiaofeng, Navy Deputy Commander Vice Adm. Wang Yucheng, Air Force Deputy Commander Lt. Gen. Wang Chaoqun, and CMC General Office Deputy Director Maj. Gen. Wang Guanzhong.

Discussions during Guo's five-day stay in Russia covered a wide area of issues concerning bilateral military relations: opening talks with Russian Minister of Defense Sergei Ivanov, a working session with Russian Army Chief-of-Staff Anatoly Kvashnin for details of military cooperation, and talks with Prime Minister Fradkov on manufacturing and financing issues. Besides these official talks, Guo also visited the Military Academy of the General Staff, the Russian Space Force Headquarters, Russian Airborne Troops-Tula Division 106, and defense enterprises. In military-technical area, the two sides discussed the implementation of the earlier signed projects worth over \$2 billion, and "the possibility of launching new programs." Regional security and the Shanghai Cooperative Organization's future "update" were also on the agenda.

A memorandum was signed at the end of the Guo-Ivanov talks for "major" or "higher scale" joint exercises between the Russian and Chinese armed forces in 2005. The document did not disclose the exact location, date, or scale of the exercise. It is believed to be held at the eastern section of the border, which means areas covered by China's Shenyang Military Region and Russia's Far East Military District and Siberian Military

District. This will be the first military exercise conducted by the two countries since a joint naval exercise in 1999. According to Chinese sources, the Soviet Union, China, and the DPRK held a multilateral exercise in the Soviet coastal region in 1958, but China has not held a joint exercise since then.

Guo's visit to the Russian Space Force Headquarters was given special attention by both nations. Lt. Gen. Vladimir Popovkin, Russian Space Force Commander, offered his Chinese guests a quite elaborate "show and tell" regarding the force's missions: early warning on launches of ballistic missiles; operation of the Russia's defense satellites groups; distance control and monitoring of Russia's ground launching sites. Russian hospitality was reciprocated as the Chinese Defense Ministry notified the Russian Defense Ministry, when Guo was in Moscow, that the Chinese Second Artillery (China's strategic missile units) planned to test-fire three ballistic missiles in July 2004: a *Dongfeng-31 (DF-31)* inter-continental ballistic missile with an increased range and multiple warheads, a *Dongfeng-21 (DF-21)* medium-range missile and a *Julang-2* submarine-launched ballistic missile. Guo's visit was his first official foreign trip in his capacity as CMC vice chairman. It signals a somewhat more upbeat mood in military relations. Russian Defense Minister Sergei Ivanov said that military cooperation "have been vigorously developing lately," and his talks with the Chinese would possibly "lay a foundation for our relations for the next few years, and even decades." Prime Minister Fradkov described his talks with Guo as "the beginnings of active work on a number of arms trade programs."

There was plenty of evidence for the general optimism in bilateral military relations. Guo's visit was part of a more "active period" for high-level military exchanges. Among the senior officers visiting each other country were PRC CMC Vice Chairman and Minister of National Defense Cao Gangchuan (December 2003), CMC member and PLA Chief of Staff Liang Guanglie (May 2004), First Deputy Chief of Staff Col. Gen. Baluyevskiy (March and June/July 2004), and Defense Minister Sergei Ivanov (April 2004). The Russian armed forces chief of staff and air force commander will also visit China before the end of 2004.

Aside from the formalities of these exchanges, Russian military sources revealed that those generals were said to call each other "comrades," the most sacred word in the Russian military tradition and something reminiscent of the Chinese-Soviet honeymoon. The Chinese, in turn, referred to the military relations with Russia as the "seven most": *Longest* and *most frequent* mutual exchanges, with the *most notable* results in their strategic consultation, *richest* and *broadest* military technology cooperation, *largest* number of Chinese military students to Russia, and *deepest* mutual trust.

The upbeat mood was reinforced during the third quarter, particularly by the transfer of Russian arms to China. More Russian armaments were either shipped to China or were assembled with "satisfactory" progress. In early August, the Russia Almaz Raspletin Research and Production Center delivered to China the last shipment in a contract of four divisions of *S-300PMU1* anti-aircraft missile systems. In late July, Russia's Severnaya Verf Ship Plant launched the second of the two *956-EM* destroyers (a contract of \$1.4

billion was signed in January 2002) built for the Chinese Navy. The first destroyer for the Chinese Navy was floated in late April. Meanwhile, Russia's Komsomolsk-on-Amur aircraft production association (KnAAPO) began mass production of several dozen *BE-103* amphibious aircraft (for six people) for foreign customers, including China. In mid-August, the Russian state shipbuilding company Admiralteiskiye Verfi launched two of the five diesel-electric submarines it contracted to build for the Chinese Navy. This was part of a \$1.5-billion contract signed in 2002 for eight submarines for China within five years. Arms transfers aside, the Russians and Chinese are also planning collaborative work in space flight and moon exploration, as well as building a floating nuclear power station based on Russian technology. The issues of China's participation in the R&D of Russia's fifth generation of jet-fighters was also getting more serious over the quarter.

Beneath the warming appearance, Russian and Chinese defense officials seemed to have different ideas regarding the scope of their cooperation. Gen. Guo, for example, saw that developing a China-Russia strategic partnership "has important significance for international politics, world peace, global security, and stability." Commenting on the joint military exercises, the official *People's Daily* (July 9) did not hesitate to point out the U.S. "backdrop" for the China-Russia exercise. "Since the mid-1990's the United States has not only held annual joint exercises with its allies such as the Republic of Korea and Japan, but has even sent troops to Mongolia and Central Asia, on the periphery of both China and Russia, to hold joint exercises. In contrast, cooperation in training between the Chinese and Russian armed forces has never been able to get going. People of foresight realize that this state of affairs does not meet the demand of developing the bilateral strategic cooperative partnership." Russian officials, however, stressed that China-Russia military cooperation be "within the framework of the Shanghai Cooperation Organization..." and to safeguard "Central Asia's security and stability." The same stance was reiterated by Russian Armed Forces Chief of General Staff Anatoliy Kvashnin when he met Guo shortly after Guo-Ivanov meeting. Given the heightened tension across the Taiwan Strait during the summer, the Russians clearly had second thoughts about bilateral military cooperation.

Russian scholars were more blunt in expressing concerns about a perceived threat, or potential threat, from China. Anatoliy Tsyganok, director of the Center for Military Forecasting of the Political and Military Analysis Institute, candidate of military sciences, and professor of the Academy of Military Sciences—pointed to China's "creeping expansion," potential border claims, immigration to Russia's Far East, China's nuclear weapons, and even the possible "collapse" of China's political system. All were perceived as "threats" to Russia. "But despite such complicated relations with China," said Kvashnin, "our defense industrial complex is working for this country, supplying the latest models of arms and military equipment, which the Russian Army does not have (and it is not known when it will have)."

Putin goes to China: withered or weathered?

It is against this backdrop – an asymmetrical “strategic partnership” of frustrating economic irregularity and growing geostrategic collaboration – that President Putin will travel to China for his third official visit as Russian president (first in July 2001 and then December 2002). It will also be an anniversary: 55 years of Chinese-Russian (Soviet) diplomatic ties. Most of that period (1949-89) had been torn between honeymoon and hostility. Putin has a mission to prolong the current normal relationship.

His Chinese counterparts essentially want two things: oil and arms. Putin has both. As oil prices rise and the situation across the Taiwan Strait grows increasingly tense, Putin is in a stronger position to eat his cake (advancing Russian interests) and still have it (preserving the China-Russia strategic partnership). Putin’s Russia – or more precisely, the mood in Russia – however, has changed much in the third quarter. A series of terrorist attacks convulsed Russia: two Russian passenger planes hijacked and crashed on Aug. 24, killing all 90 people on board; a week later, a female suicide bomber blew herself up outside a subway station in Moscow, killing at least 9 others; within 24 hours, the Beslan school hostage-taking occurred, which left close to 400 dead in early September.

While Russia is grieving, terrorism is also taking a toll on Putin, whose capability and credibility are being questioned just six months after a huge wave of popularity swept him into a second term as president. As usual, Putin took drastic measures, including tightening security, ending the popular election of regional governors and voting in parliamentary districts in favor of slates selected by national party leaders, creating, or recreating, the state security agency, etc. These measures, among others, have been widely viewed as a retreat from democracy and have been criticized in the West. But even in early July, Putin warned a “planned campaign of discreditation is being conducted against Russia.” Speaking at a conference of Russian ambassadors at the Russian Foreign Ministry, Putin called on Russian embassies to “resist” such campaigns focusing on Putin’s handling of the Yukos affair, Chechnya, and the media, including the murder of the journalist Paul Klebnikov. Now Putin has to fight for both his presidency and Russia’s position in the world.

Putin will not hear these criticisms during his third official trip to China. Instead, the Russian president will be overwhelmed by sympathy, support, and encouragement from Chinese counterparts as well as ordinary Chinese. Unlike his last official visit to China two years ago when he was seen as a charismatic Russian president as well as a perfect man, Putin this time will be greeted as a hero, a weathered but not withered statesman, albeit a tragic one. But in Russian history, the strong leader has always emerged from tragedy, war, and crisis. And the Chinese believe that.

Chronology of China-Russia Relations July-September 2004

June 30-July 3, 2004: First deputy chief of the General Staff of the Russian Armed Forces, Col. Gen. Yuriy Baluyevskiy, working visit to Beijing, preparing for visit by Vice Chairman of the Central Military Commission (CMC), Col. Gen. Guo Boxiong in early July.

July 1, 2004: Seventh Round of Russian-Chinese consultations on strategic stability held in Beijing, addressing issues of counter-terrorism and nonproliferation. Russian Deputy Foreign Minister Sergei Kislyak and Chinese counterpart Deputy Foreign Minister Zhang Yesui chair the meeting. Baluyevskiy also joins.

July 1, 2004: Russian FM Sergei Lavrov meets Chinese counterpart Li Zhaoxing at the ASEAN Regional Forum in Jakarta.

July 5-9, 2004: Chinese military delegation, led by CMC Vice Chairman Col. Gen. Guo Boxiong, visits Russia. He meets with Russian Defense Minister Sergei Ivanov, chief-of-staff Anatoly Kvashnin, and Prime Minister Mikhail Fradkov.

July 7, 2004: China notifies Russia of plans to test fire three ballistic missiles: a *Dongfeng-31* inter-continental ballistic missile with an increased range and multiple warhead, a *Dongfeng-21* medium-range missile, and a *Julang-2* submarine-launched ballistic missile.

July 13-14, 2004: Delegation of the United Russia Party (the pro-Kremlin party), visits China at the invitation of the Central Committee of the CCP.

July 15, 2004: Russia and China sign contract to construct a communication cable from China through Russia to Europe with a planned capacity of 2.5 gigabits per second with the possibility of expansion to 300 gbps.

July 22-31, 2004: Shanghai Cooperation Organization (SCO) holds first Defense Security Seminar in Beijing; 16 military officers from China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and Uzbekistan attend.

Aug. 4, 2004: Chinese Commerce Minister Bo Xilai visits Moscow for meetings with Russian Deputy PM Alexander Zhukov and Economic Trade and Development Minister German Gref.

Aug. 12, 2004: Eighth meeting of the Russian-Chinese subcommission for nuclear issues held in Beijing. It focuses on Russia-assisted Tianwan nuclear power plant in its final stage, construction of a fast neutron reactor, a floating nuclear power plant, and cooperation in using nuclear power in space research.

Aug. 25, 2004: The Chinese-Russian subcommission on energy held in Beijing. The two sides agreed to fulfill the earlier contracts on oil deliveries from Russia to China, including 6.5 million tons of oil by rail to China in 2004, 10 million tons by 2005, and to 15 million tons by 2006.

Aug. 26, 2004: Chinese President Hu Jintao sends a message of condolence over the crashes of two Russian passenger planes as a result of terrorist hijacking.

Aug. 27-Sept. 1, 2004: Russian presidential envoy in Siberia Leonid Vadimovich Drachevskiy visits China. He joined a meeting of the Russian-Chinese Friendship, Peace and Development Committee, meets Chinese Vice-Premier Wu Yi; Li Gui-xian, co-chairmen of the China-Russia Friendship Committee for Peace and Development and vice chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), and Ma Kai, Chairman of the State Committee for Affairs of Development and Reforms.

Sept. 2, 2004: Chinese President Hu Jintao sends a message of condolence to Putin over the deaths of civilians in the subway explosion and hostage crisis in the country. FMs Li Zhaoxing and Sergei Lavrov also talk over the phone about the terrorist attacks in Russia, Middle East issues, and upcoming meetings between the two prime ministers and two heads of state.

Sept. 5-13, 2004: A 42-member Taiwan business mission, led by Wu Rong-i, president of the Taiwan Institute of Economic Research and vice chairman of the Taiwan-Russia Association, visit Russia to bolster Taiwan-Russian economic ties. The Taiwan group signs an agreement with the Russian Ministry of Health and Social Development on Taiwan's donation of \$200,000 for the purchase of convertible X-ray inspection equipment.

Sept. 8, 2004: China provides \$1.3 million worth of medical equipment and drugs for victims of the school siege in a secondary school in Beslan, northern Russia.

Sept. 14, 2004: SCO conference of foreign trade at the deputy ministerial level in Moscow.

Sept. 18-25, 2004: A 100-member delegation of Chinese youth visits Russia. A similarly sized Russian youth group will visit China in mid-October.

Sept. 22, 2004: Russian Ambassador to China Igor Rogachev suggests that SCO form a rapid reaction force in the near future.

Sept. 23, 2004: SCO's Premiers' Council meet in Bishkek, Kyrgyzstan. Among the signed papers were a joint communiqué and documents regarding economic cooperation, SCO's budget for 2005, Regulations for SCO Budgetary Classification and Financial Rules, a Development Fund and a Business Council. SCO also launches website: www.sco-ec.gov.cn.

Sept. 20-25, 2004: Chinese Vice Premier Wu Yi visits Russia to co-chair the eighth meeting of the committee for the regular meeting of the prime ministers of China and Russia.

Sept. 23-25, 2004: Wen Jiabao pays first official visit to Russia as China's premier. He met with President Putin and PM Fradko.

Sept. 29, 2004: Chinese Ambassador to Russia Liu Guchang gives reception for 800 guests to celebrate the 55th anniversary of establishment of the PRC and the 55th anniversary of establishment of diplomatic relations with Russia. He emphasizes that China-Russia relations at present are in the best period in history.