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## 19. Russia and China: what is in the pipeline?

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### I. Introduction

One of the many historic developments of the past decade is the rapprochement of China and Russia, which may prove extremely important for the future of international relations. The initial changes in Russian policy towards China may be traced back to the period of Soviet President Mikhail Gorbachev in the late 1980s. With the withdrawal of troops from Afghanistan, troop reductions in the Russian far east and a more balanced approach to the settlement of the Cambodian crisis, the USSR largely responded to China's preconditions for a normalization of relations. Gorbachev's visit to Beijing in May 1989 put a formal end to the period of mutual distrust and alert.

Gorbachev's policy brought changes in attitudes to China among the Soviet conservative ruling elite and military. Cooperation between Soviet and Chinese defence bodies, including cooperation on the issue of arms, became one of the cornerstones of the new partnership. In the view of Gorbachev's conservative critics, the Chinese experience in economic reforms presented an attractive alternative to Gorbachev's domestic political reform and pro-Western orientation in foreign policy. This resulted in demands from a wide spectrum of Russian political forces, ranging from the leftists to the centrists, that the lessons to be learned from the Chinese experience be incorporated in the Russian reforms of the early 1990s.<sup>1</sup> Russian democrats, meanwhile, considered China a totalitarian communist state and avoided any contact with it, emphasizing instead the Western dimension of Soviet foreign policy.

Closer relations with China, a stress on Sino-Russian cooperation as a priority for Russia's Asia-Pacific policy and strategic cooperation with China have since emerged as characteristics of the conservative influence on Russian foreign policy. In turn, China was one of the countries to recognize the Emergency State Committee attempted *coup d'état* of August 1991 and was deeply cautious about Russian reform and the possible future effect of the demise of socialism. Russian efforts for integration into the world democratic community also coincided subsequently with a major campaign in the West to protect human rights in China after the Tiananmen Square incident of 1989, strengthening the Russian democrats' view of China as a communist totalitarian regime.

<sup>1</sup> Russian sinologists (most of whom advocate government interference and slow economic reforms) provided a theoretical explanation for this. See, e.g., Ostrovskiy, A. V., 'Otsenka vozmozhnostey ispolzovaniya opyta kitayskikh reform v Rossii' [Assessment of the possibilities of using China's experience of reform in Russia], in *Opyt Rynochnykh Preobrazovaniy v Kitae* [China's experience of market reforms] (Institute of Far Eastern Studies: Moscow, 1996), pp. 163–72.

The defeat of the 1991 coup, the Soviet Communist Party's loss of power and the victory of anti-communist pro-Western political forces temporarily froze the Sino-Russian rapprochement. An overwhelmingly pro-Western political orientation and the stress that the Russian authorities at first put on the issue of human rights in China did little to overcome this growing gap in mutual perceptions. Thus, in Russian international priorities China came after the United States, Western Europe, Japan and South Korea. It was not by chance that the Russian Foreign Ministry even asserted in 1992 that China was of secondary importance in Russia's foreign policy.<sup>2</sup>

In early 1992 there was a chance to develop a radically new Russian approach to North-East Asia which would place major emphasis on relations with Japan as a member of the Western community that might provide the voice of influence much needed by Russia. However, this met fierce domestic opposition. From the very beginning, foreign policy was targeted by opposition groups who insisted on a more versatile Asian dimension, as opposed to the line of the then Foreign Minister, Andrey Kozyrev, for cooperation with the West. The Asian partners favoured were China and India rather than Japan.

Since 1993 China has emerged as Russia's most natural cooperation partner. There were several reasons for this. First, Sino-Russian relations in the 1990s did not suffer significant setbacks, unlike the dialogue with Japan which was complicated by the dispute over the southern Kuril Islands or the efforts to integrate Russia in Asia-Pacific regional institutions. The ground had been prepared by Gorbachev. The concentration of both countries on domestic economic priorities and the parallel, although uneven, reduction of troops along the border,<sup>3</sup> the first agreement on the delimitation of the eastern part of the border signed in 1991<sup>4</sup> and the elimination of territorial claims<sup>5</sup> calmed the perceptions of persistent threat that had been felt from the 1960s to the 1980s and removed ideological competition from the agenda. President Boris Yeltsin's visit to Beijing in December 1992, his second in the Asia-Pacific region after Seoul, restored the atmosphere of normal relations.

The second key factor that contributed to improved relations was the expansion of Russian arms sales to China and increased military-technical cooperation between the two.<sup>6</sup> As a result of the Tiananmen Square incident sanctions had been imposed on China by the West which restricted the supply of modern arms and military technology<sup>7</sup> while the under-financed Russian military

<sup>2</sup> Goncharov, S., 'Osobyie interesi Rossii: v chem oni zaklyuchayetsya?' [Russia's special interests: what are they?], *Izvestiya*, 25 Feb. 1992, p. 5.

<sup>3</sup> Savenkov, Yu., 'Kitaytsy budut letat na Su-27' [Chinese to fly Su-27s], *Izvestiya*, 3 Mar. 1992, p. 4.

<sup>4</sup> See chapter 18 in this volume.

<sup>5</sup> Savenkov, Yu., 'Kak Ostrov Damanskiy stal kitayskim' [How Damanskiy Island became Chinese], *Izvestiya*, 23 Mar. 1992, p. 6.

<sup>6</sup> See, e.g., Sergounin, A. A. and Subbotin, S. V., 'Sino-Russian military-technical cooperation: a Russian view', ed. I. Anthony, SIPRI, *Russia and the Arms Trade* (Oxford University Press: Oxford, 1998), pp. 194-216.

<sup>7</sup> Immediately before Yeltsin's 1992 visit to China, the Japanese Kyodo news agency revealed secret instructions of the Chinese Communist Party Central Committee to develop military collaboration with Russia with the aim of obtaining an end to the embargo of the West on the export of military technology to China.

industry, experiencing a decline in domestic sales, benefited from the increase in demand from China. China soon became its largest customer and one that, unusually, was eager to expand its purchases.<sup>8</sup>

A third factor was the growing gap of perceptions and alienation from the West. Throughout the 1990s China has encountered challenges from the West on questions of human rights, its stance on Taiwan, its military programmes and especially activities around the Taiwan Strait and the South China Sea islands. Russia's concerns lay elsewhere, namely, in the general trend towards a more assertive foreign policy, periodically diverting attention to the situation in the Baltic countries, Iran, Iraq, Libya and the former Yugoslavia, and in the intensifying dispute over NATO expansion—issues which remained remote from China. Even so, a general trend towards distancing themselves from the West and rejecting the model of a US-led international community, an insistence on the need for a multipolar post-cold war international system, and the clear lack of direct conflicts between them all opened the way for China and Russia to give each other at least verbal support and to prepare the ground for strategic partnership aimed at bringing about a multipolar world.

The gradual discovery of China as Russia's most suitable partner in Asia did not stem from any calculated strategy. It emerged as a result of Russia's rather unsuccessful attempts to formulate guidelines for a new Asia-Pacific policy. It was a last attempt to improve cooperation with its Asian neighbours and to escape from the limits imposed on it by the cautious vision and lack of political will of every other possible partner. The intensive development of Sino-Russian cooperation after 1993 mirrored the trend in Russian foreign policy away from the 'romanticism' of Atlantic cooperation and towards a new assertiveness. This enabled Russia to find another important critic of the US-led world and yet one that was outside the club of 'pariah nations'.

However, the Sino-Russian 'strategic partnership' does not of itself enable Russia to find a new Asia-Pacific or North-East Asian strategy. The stake on priority engagement with China did not simplify Russia's aim to determine and pursue its goals in Asia-Pacific. The dialogue with China did not touch on cooperation on issues vital for Russia's Asian policy, for example, its role on the Korean Peninsula and the resolution of Korean problems, arms control, the establishment of confidence-building measures (CBMs) in Asia-Pacific (except directly where border arrangements were concerned), Russia's integration into regional structures and so on. It does not settle Russian problems in Asia-Pacific or remove the need for further search for accommodation with other regional powers. The revival of Russian-Japanese dialogue in 1996-97 reflects this last need.<sup>9</sup> It is oriented not so much for mutual practical assistance in international or regional issues as for a parallel global response to the United States' and its allies' attempts to impose their views on China and Russia

<sup>8</sup> Anthony, I., 'Trends in post-cold war international arms transfers', ed. Anthony (note 6), p. 30, citing the SIPRI arms transfers database.

<sup>9</sup> See chapters 20 and 21 in this volume.

through mutual support on issues where their interests do not overlap. Sino-Russian relations seem to be a trump card in Russia's relations with the West.

China recognized the new Russia as early as December 1991 and in early 1992 adopted a decision to stimulate contacts with Russian business circles. To revive bilateral cooperation, China used existing channels in Russia, primarily with military industrial cooperation and with trade and economic relations which might provide a new basis for bilateral ties.

During 1992 China and Russia managed to overcome their ideologically determined mutual distrust and alienation. The prospect of practical gains from cooperation, primarily in the military industrial sphere, on the basis of agreements reached in the late Gorbachev period finally prevailed. Various contacts on different levels were made. By the time of Yeltsin's December 1992 visit to Beijing the ground for the intensive development of economic cooperation was thoroughly prepared. The Joint Statement on the Foundation of Mutual Relations between the Russian Federation and China was signed.<sup>10</sup> Each made a commitment not to join alliances directed against the other and not to allow any third party to use its territory to endanger the security of the other.

The view that the principal object of this declaration was to secure the Sino-Russian border in order to concentrate efforts on economic transformation is commonly accepted but not quite correct. In the 1980s both countries gave top priority to economic development and gradually left ideological stereotypes behind them. Even in the era of greatest hostility, neither of them considered an armed conflict on a strategic scale as realistic,<sup>11</sup> although both spent large amounts on a military build-up on the border.<sup>12</sup> The reduction of ideological confrontation resulting from the reforms in both countries and the consequent improvement of bilateral ties therefore easily opened the way for a radical and rapid reduction of military confrontation in the Far East.

## II. Strategic relations

For at least three decades relations between China and Russia had been based on the triangular interdependent logic of the balance of power between the USSR, the United States and China. The level of confrontation between the participants and their power potential largely determined the functions of the triangle. The logic assumed that the two weaker and/or more passive sides would cooperate to meet the challenge of the strongest and/or most active. In the 1970s, despite supposed *détente*, Russia was the most offensive, but in the late 1980s the United States gradually took a more active stance. Under these

<sup>10</sup> Kononenko, V. and Skosyrev, V., 'S velikoy Kitayskoy steny B. Yeltsin prizval k sblizheniyu Rossii s Kitayem' [From the Great Wall of China Boris Yeltsin calls for Sino-Russian rapprochement], *Izvestiya*, 18 Dec. 1992, p. 1.

<sup>11</sup> Brezhnev, A. A., 'Kitay: ternisty put k dobrososedstvu' [China: the thorny path to good neighbourliness], *Mezhdunarodnye Otnosheniya*, 1998, pp. 177–78.

<sup>12</sup> Russian sources estimate military expenditures related to the 'Chinese threat' at \$100 billion in pre-reform prices over 20 years before the normalization of relations. Brezhnev (note 11), p. 8.

conditions and within the logic of triangular relations China put the accent on enhancement of relations with the 'weaker' side—the USSR.

With the collapse of the USSR the triangle seemed to vanish, too. However, tensions between Russia and the West, confusion over relations among the countries of the Commonwealth of Independent States (CIS) and Russia's weak position in the Asian–Pacific region (aggravated by the unsettled territorial dispute with Japan) subsequently led the Russian leadership to return to a triangular logic in its foreign policy.

Thus, by the mid-1990s the 'triangular' political motivation re-surfaced as dominant in Sino-Russian relations. During his visit to Beijing in January 1994, Russian Foreign Minister Andrey Kozyrev proposed to raise bilateral cooperation to the level of strategic partnership, an idea accepted by China after a period of hesitation.<sup>13</sup> The Joint Declaration signed during the visit to Moscow of President Jiang Zemin in September 1994 characterized Sino-Russian ties as 'new relations of cooperative partnership'.<sup>14</sup>

Russia's rapprochement with China was smoothed by the fact that the two countries can easily and with minimal effort support each other in two issues that are vital for them, the expansion of NATO and the problem of Taiwan. The Joint Declaration signed in Beijing on 26 April 1996, formulating 'partnership relations of equality and confidence oriented to strategic interaction in the 21st century',<sup>15</sup> was a new step forward. China has stated that it understands the Russian position against NATO expansion eastwards and supports Russian actions to preserve the federation, treating the Chechnya issue as an internal matter. Russia in its turn has reiterated that the Chinese Government is the only legal administration to represent all of China and that Taiwan is an integral part of Chinese territory. Russia will therefore not establish official relations or have official contacts with Taiwan. Russia also recognized Tibet as an integral part of China.

In general in 1991–96 Sino-Russian relations furthered the debate on 'partnership relations of equality and confidence oriented on strategic interaction in the 21st century' as a major issue. The year 1996 was also marked by the visit to Moscow of the Chinese Prime Minister, Li Peng, an agreement to intensify top-level contacts (not less than once a year), and the starting of a business cooperation structure similar to the Gore–Chernomyrdin Commission.<sup>16</sup> In June 1997 the two governments signed a 10-year agreement to establish a mechan-

<sup>13</sup> Skosyrev, V. and Eggert, K., 'Ministry inostrannykh del Rossii i Kitaya navodyat poryadok na granitse' [The Russian and Chinese foreign ministers put the border into order], *Izvestiya*, 29 Jan. 1994, p. 4.

<sup>14</sup> Savenkov, Yu., 'Risuyesh derevo, pochuvstvy, kak ono rastet' [Before painting the tree, sense how it grows], *Izvestiya*, 2 Sep. 1994, p. 3.

<sup>15</sup> Platovskiy, A., 'Politicheskii duet v Pekine zvuchal na redkost slazhenno' [The political duet in Peking sounded uncommonly harmonious], *Izvestiya*, 26 Apr. 1996, p. 3.

<sup>16</sup> The US–Russian Joint Commission on Economic and Technological Cooperation, set up in 1993 as a joint initiative of then Russian Prime Minister Viktor Chernomyrdin and US Vice-President Al Gore to promote cooperation on a wide range of issues related to energy, the environment, science and technology, space exploration and defence conversion.

ism of regular meetings between their two heads.<sup>17</sup> This is aimed at developing bilateral cooperation in trade and economic matters, military exchange, scientific cooperation, energy and nuclear energy production, and transport. Within the framework of this mechanism relevant commissions were established.

The April 1997 summit meeting highlighted the desire to demonstrate to the international community (primarily the United States) the correlation between the geopolitical postures of the two nations, as represented in the Joint Declaration on a Multipolar World and the Emerging New International Order of 23 April 1997.<sup>18</sup> The document is unique for post-Soviet Russia: nothing of the kind has been agreed with any other country. Both sides praised the declaration as 'a result of serious analysis of international relations in the post-confrontation period' showing common views on and approaches to the post-cold war international situation.<sup>19</sup>

The Sino-Russian rapprochement is basically a reaction to the changing balance of power in world politics, enabling the two countries to act in parallel rather than as allies. Their efforts to develop a strategic partnership seek to counter the US line of preserving a unipolar international system and seek the establishment of multipolarity with both countries playing the most independent roles possible. The objectives of joint action by China and Russia are concurrent self-determination, independent influence and separate bargaining positions rather than a close military and political alliance. It is symbolic that the search for terms to define the stages of their bilateral cooperation has been mostly a search for labels to attract the attention of third parties (the United States and Japan). At the same time it is constantly stressed that it is not an alliance relationship.

China and Russia have successfully used the triangular relationship of China, Russia and the USA for their own interests. The verbal support Russia received from China on the question of NATO expansion made it easier for Russia to bargain with the West, to receive compensation in the form of participation in the Group of Seven leading industrial nations (G7), to be admitted to the Paris Club of Industrial Country Creditors<sup>20</sup> and to restructure debt with the London Club of private lenders.<sup>21</sup>

The Krasnoyarsk meeting between Yeltsin and Japanese Prime Minister Ryutaro Hashimoto in November 1997 was the result of Russian efforts to gain an alternative partner in Asia and avoid being oriented exclusively towards China. As is well known, one of Japan's main concerns was to balance stable relations with Russia against China's growing power.

<sup>17</sup> *Problemy Dalnego Vostoka*, no. 4 (1997), pp. 95–96.

<sup>18</sup> Savenkov, Yu., 'Moskva i Pekin prizyvayut zhit družno' [Moscow and Peking call for friendship], *Izvestiya*, 24 Apr. 1997, p. 3.

<sup>19</sup> Karasin, G., 'Rossiya i Kitay na poroge tysyacheletiya' [Russia and China on the threshold of the new millennium], *Mezhdunarodnaya Zhizn*, no. 6 (1997), pp. 13–18; and Zhan Deguang, 'Strategic partnership oriented towards the 21st century', *Mezhdunarodnaya Zhizn*, no. 6 (1997), pp. 19–22.

<sup>20</sup> Russia became a full member in Sep. 1997.

<sup>21</sup> Kovalenko, Yu., 'Chubais prevratil Parizhskiy Klub v agenta Kremlya' [Chubais turns the Paris Club into an agent of the Kremlin], *Izvestiya*, 19 Sep. 1997, p. 3.

China seems to have a clearer idea than Russia what to do with the possibilities that are open to it. In its turn, it was given the opportunity for constructive dialogue with the United States. As Li Fenglin, China's ambassador to Russia, put it, 'the Chinese–Russian strategic partnership . . . does not rule out relations of partnership between other countries. Moreover, if the world's major powers establish relations of partnership, this would benefit global peace and stability'.<sup>22</sup> Practically, China seeks to balance its relations with Russia by promoting ties with the USA. The formula of strategic partnership that was to characterize the Sino-Russian relationship in 1996–97 was discussed by China and the USA as well.<sup>23</sup> A small but significant detail is that in 1996 China and Russia agreed to establish a 'hot line' between the two presidents, but actual implementation was postponed until 1998 when a similar agreement between China and the USA came into force. Li Fenglin cited the following opinion on the ties between the three parties: that between China and the USA there is cooperation without sentimentality and between China and Russia sentimentality without cooperation.<sup>24</sup> This seems to be correct.

China's current assessment of the structure of international relations is based on the premise that international forces are dispersing. Currently the USA is the only superpower in the world, but China believes that the ability of the USA to influence international affairs will gradually diminish in the near future. Thus, the world is becoming a multipolar structure, in which various powers are balanced and large-scale military conflicts are unlikely.

In the new international situation China is to continue its policy of maintaining independence and keeping the initiative in its own hands. That means that it intends to determine its position in the world arena independently, refuses to participate in any alliance or arms race, and is developing cooperation with all the nations of the world on the basis of the Five Principles of Peaceful Coexistence.<sup>25</sup> Essentially, China tries to be pragmatic and does not want any ideological affinity or dispute to determine its international relations. It has mostly removed ideological constraints on its foreign policy in order to avoid letting ideological and geopolitical factors prevail over economic expediency.

On the whole, the emergence of a military and political Sino-Russian alliance seems inconceivable as their geopolitical and strategic national interests do not coincide. China would rather avoid the prospect of becoming a party to a conflict in remote Europe in the event of threats to relations between NATO and

<sup>22</sup> Li Fenglin, 'Chinese–Russian relations after the fifth summit in Beijing', *Problemy Dalnego Vostoka*, no. 1 (1998), p. 4 (in English).

<sup>23</sup> A joint statement released following the US–China summit meeting in Oct. 1997 stated that 'the two Presidents are determined to build toward a constructive strategic partnership between the United States and China through increasing cooperation to meet international challenges and promote peace and development in the world'. United States Information Agency, 'The United States and China', 27 June 1998, URL <<http://www.usia.gov/regional/ea/uschina/joint29.htm>>.

<sup>24</sup> Li Fenglin (note 22), p. 6.

<sup>25</sup> On the Five Principles of Peaceful Coexistence, see chapter 18, note 2, in this volume. In his report to the 15th Congress of the Chinese Communist Party, Jiang Zemin again stressed the 5 basic principles of China's foreign policy: 'We shall not yield to any outside pressure or enter into alliance with any big power or group of countries, nor shall we establish any military bloc, join in the arms race or seek conduct military expansion'. *Renmin Ribao* [People's daily], 22 Sep. 1997, p. 6.

Russia. Russia would not endanger its relations with the United States, Japan and other Asia–Pacific nations in the event of a conflict in the Taiwan Strait or serious confrontation over territorial claims to islands in the South China and East China seas. At the same time both countries are ready to develop military–technical cooperation, one of the major driving forces for their current ties.

CBMs along the border have an important symbolic value in bilateral relations. By signing two agreements on border delimitation in 1991 and 1995,<sup>26</sup> Russia and China settled their territorial dispute to ease cooperation on CBMs. In 1992 they signed a memorandum which provided for radical cuts in armaments along the border.<sup>27</sup> In 1994 they adopted a declaration on not targeting strategic nuclear missiles on each other and reinforced their commitments not to use nuclear weapons against each other as a first strike.<sup>28</sup> In 1996 China and four CIS countries (Russia, Kazakhstan, Kyrgyzstan and Tajikistan) signed the agreement on border CBMs, supplemented in April 1997 by the agreement on mutual reductions in their armed forces along their border.<sup>29</sup> Important as they are, however, these agreements do nothing more than stabilize the current balance of forces along the Sino-Russian border and have basically only the symbolic value of supporting broader political declarations. It was more significant that in late 1997 Russia and China completed six years of work on the demarcation of their common border.<sup>30</sup> The final demarcation has a profound influence on relations between the two countries. It removes a great irritant for both sides and eliminates possible territorial claims, above all Chinese claims to the Primorye (Maritime) region of Russia.<sup>31</sup>

### III. Economic relations

Economic interaction in civil areas is not yet important enough to determine the extent of political cooperation. Sino-Russian economic relations are developing very slowly and chaotically in comparison to their political relations. However, the leaderships of both countries understand the importance of a stable economic basis for an effective political relationship and are encouraging economic ties. In other words, the political motivation in Sino-Russian relations heavily outweighs economic reasons, unlike Chinese cooperation with the United States and Japan where economic interests help to soften political contradictions.

<sup>26</sup> See chapter 18 in this volume.

<sup>27</sup> Kononenko, V. and Skosyrev, V., ‘Menshe voisk na granitse, bolshe tovarov cherez granitsu: tsel vizita Yeltsina v Kitai’ [Fewer troops on the border, more goods across the border: this is the goal of Yeltsin’s visit to China], *Izvestiya*, 17 Dec. 1992, p. 1.

<sup>28</sup> Xinhua, ‘China, Russia Joint Declaration, Sept. 3, 1994: to stop targeting each other with missiles’, 3 Sep. 1994.

<sup>29</sup> Lachowski, Z., ‘Conventional arms control’, *SIPRI Yearbook 1998: Armaments, Disarmament and International Relations* (Oxford University Press: Oxford, 1998), pp. 526–27.

<sup>30</sup> See also chapter 18, section II, in this volume.

<sup>31</sup> Observers note that in the first half of the 1990s the Chinese local television channels broadcast many programmes discussing the Sino-Russian treaties of the tsarist period and showing scenes of massacres of Chinese by Cossacks.



Today Russia has to acknowledge that it cannot cultivate the Chinese market on the basis of 'special relations' with the Chinese Government arising from the 'strategic partnership', but such illusions persist. For example, Russian energy equipment manufacturers expected that they would be given favourable terms in China. However, in 1997 they received a shock when they did not win the tender for supply of equipment to the Three Gorges Dam project.<sup>32</sup> It also came as an unpleasant surprise when the USA removed its ban on US companies supplying nuclear reactors to China. Now the Russian nuclear energy export company Atomenergoexport expects to encounter stiff competition in a market that it practically considered to be its inherited estate.<sup>33</sup> These events show that Russian enterprises have an inaccurate idea about the Chinese market. They see it as an alternative to competition on the world market.

In 1994 China experienced something similar. There was a sharp rise in Sino-Russian trade between 1991 and 1993, when it seemed to the Chinese that they could buy Russian products at excessively low prices and that the Russian market would absorb consumer goods of any quality. Later the Russian market was saturated with consumer goods and Chinese sales fell sharply. Bilateral economic ties were highly dependent on small businesses, including individuals (called *chelnoki*—shuttles) noted for their short-termism and for using the economic crisis in Russia for their own benefit. The decrease in small companies' activities was the main reason for the dramatic reduction in trade in 1994, after the 1993 record of \$7.6 billion. Only in 1996 did turnover reach \$6.8 billion.<sup>34</sup>

There have appeared in Russia industrial lobbies trying to push the government into creating favourable conditions for economic collaboration. Russian suppliers of energy equipment, energy resources and armaments have staked a great deal on China. For them, mastering the Chinese market is not only a chance to earn profits but also a form of survival. These industries still have a high level of government regulation but need government support to ensure large-scale exports of their products. Thus the 1997 increase of government activity in the field of Sino-Russian economic cooperation was not merely a campaign initiated from the top in order to strengthen the basis of political

<sup>32</sup> In Aug. 1997 China signed contracts for the delivery of power equipment with a total output of 14 700 MW for the first machinery section of the Three Gorges Dam. The winning consortium consisted of the Anglo-French group GEC Alsthom and ABB was given a contract for the delivery of 8 power units worth \$420 million. A consortium formed by German companies Siemens and Vought and Canadian General Electric won another contract for the delivery of 6 power units for \$320 million. The Chinese counterparts in the contracts are Harbin Power Equipment and Dongfang Electrical Machinery. *Byulleten Inostrannoy Kommercheskoy Informatsii*, 16 Dec. 1997, p. 13.

<sup>33</sup> Under the agreement between the Government of the Russian Federation and the Government of the People's Republic of China on the construction of a nuclear power plant on Chinese territory and the Russian government loan to China, Russia would construct a nuclear power plant in the Chinese province of Liaoning. China decided to move the construction site to the province of Jiangsu and asked to increase the plant's capacity to 4 blocks each of 1000 MW. Myasnikov, V. S., 'Shestaya model otnoshenii Rossii s Kitayem' [The sixth model of Sino-Russian relations], *Biznes i Politika* (Moscow), no. 12 (1997), pp. 12–13.

<sup>34</sup> Figures are in current prices. Portanskiy, A., 'Kitay manit Rossiyu perspektivnymi mnogo-milliardnymi kontraktami v energetike' [China attracts Russia with multi-billion energy contracts], *Finansovye Izvestiya*, no. 46 (26 June 1997), p. 1.

partnership; it also mirrored the real interest of Russia's large business groups in developing cooperation with China.

However, the current trade turnover is far from the target of \$20 billion set by the two governments in 1997. In 1996 China took fifth place among Russia's foreign trade partners, after Ukraine, Germany, the USA and Belarus, with only 4.5 per cent of total Russian foreign trade. For China, Russia was its eighth most important partner. Bilateral trade grew to \$6.8 billion in 1996, an increase of 25 per cent on 1995, but in 1997 fell by 11.7 per cent (to *c.* \$6 billion).<sup>35</sup>

Russian exports to China are very vulnerable to market changes because of their primitive structure. For example, in 1993 ferrous metals contributed 40 per cent of Russia's total revenue from exports to China and in 1994 50 per cent.<sup>36</sup> This caused protests by Chinese steel producers who felt that the low prices offered by CIS (mainly Russian) companies put them at a disadvantage, even though they were able to produce nearly the full range of steel products. Following these protests, in 1995 China reduced its purchases by 40 per cent. Subsequently, in late 1996 the Chinese Ministry of Metallurgy brought in anti-dumping measures against CIS producers. Inevitably, all this affected bilateral trade.

Russia's major exports to China include aircraft, cars and trucks, agricultural machines, mining and oil processing equipment, textile equipment, chemical products, construction materials, steel, timber, cement and so on. Fertilizers and ferrous metals continue to be leading export goods and are worth over 50 per cent of total deliveries. In 1996 Russia exported to China machines and equipment to a total value of \$930 million. China supplies Russia with consumer goods (\$893 million in 1996) and food products (\$427 million in 1996).<sup>37</sup>

#### IV. Arms transfers

Today arms sales seem to be the only stable sector of Sino-Russian trade. There is some reason for concern that Sino-Russian economic ties will be reduced to trade in armaments.<sup>38</sup> Stephen J. Blank argues that the Russian Government has lost control over its arms sales programme but dares not react negatively, despite the military implications of such transfers for its own security.<sup>39</sup> The problem is that, although the government is still capable of controlling arms exports,<sup>40</sup> it not only gives a free hand to arms producers but helps to promote

<sup>35</sup> See chapter 18, section IV, in this volume.

<sup>36</sup> Sprogis, Ye., 'O nekotorykh problemakh razvitiya dvustoronnikh torgovo-ekonomicheskikh svyazey' [On some problems in the development of bilateral trade and economic ties], *Biznes i Politika* (Moscow), no. 12 (1997), p. 18.

<sup>37</sup> Portanskiy (note 34). All figures are in current prices.

<sup>38</sup> Russia has earned at least \$1 billion a year for the past 3 years from arms sales to the People's Liberation Army of China. 'PLA preparing to buy 20 fighter planes from Russia, says magazine report', *South China Morning Post*, 20 Aug. 1998.

<sup>39</sup> Blank, S. J., 'The dynamics of Russian weapon sales to China', 4 Mar. 1997, Internet edition, p. 2, URL <<http://carlisle-www.army.mil/usassi/ssipubs/pubs97/ruswep/ruswep.htm>>.

<sup>40</sup> On Russian mechanisms for the control of arms exports, see Sergounin, A. A. and Subbotin, S. V., *Russian Arms Transfers to East Asia in the 1990s*, SIPRI Research Report no. 15 (Oxford University Press Oxford, 1999), chapter 3.

their sales. In 1998 visits of Russian high-ranking military to Beijing showed that Russia was determined to promote this cooperation.

Russian arms suppliers are expanding sales to China despite objections from certain military circles. Former Russian Minister of Defence Igor Rodionov, for example, called China a potential opponent.<sup>41</sup> The giant military production complex created in Soviet times has lost orders from the government, as Russia is not able and does not need to support such enormous amounts of military production.<sup>42</sup> China's attempts to increase its regional role by modernizing its army are manna from heaven for the ailing Russian defence industry, which simply cannot turn its back on the potential Chinese market.

One of the main reasons for Russia's government support of arms sales to China is a privatization of state policy (and the whole of the state apparatus) which has taken place under Yeltsin.<sup>43</sup> The government represents and protects the interests of certain industrial lobbies, arms producers among them. Logically, given that China is a strategic partner, arms sales to it provided a good substitute for vanished government subsidies to the industry.

Chinese interest in expanding contacts with Russia is to be explained by a number of factors, including ideological, political and strategic considerations, such as the prevention of a further expansion of 'bourgeois ideology', the 'peaceful evolution' of the socialist nations to capitalism, counteracting Western pressures, and overcoming China's isolation after the Tiananmen Square incident. Sino-Russian contacts were also significantly boosted by China's adoption of plans to modernize the People's Liberation Army.

As Michael D. Swaine put it, today China is the most critical and the least understandable variable for the future Asian security structure, as current trends suggest that it will emerge as the dominant military and economic power in Asia, capable of projecting its air, ground and naval forces far beyond its boundaries.<sup>44</sup> Precisely that determines most of the suspicions about Sino-Russian military cooperation.

Modern Russian arms have provided China with a unique opportunity to close the technological gap between it and the military superpowers. Russia has supplied and plans to supply the most advanced weapons. They include Su-27 fighter aircraft, S-300PMU-1 (NATO designation SA-10) air defence missile complexes, Kilo Class submarines, Sovremenny Class destroyers (the ship has eight of the most modern Moskit (NATO designation Sunburn) anti-ship rocket launchers and two Stihl air-defence guided-missile launchers), T-80U tanks and the Tor-M1 (SA-15) air defence missile complex.<sup>45</sup> Russian Il-76 aircraft may

<sup>41</sup> Korotchenko, I., 'Igor Rodionov vystupil za sozdaniye oboronogo soyuza stran SNG' [Igor Rodionov speaks in support of defence alliance of the CIS countries], *Nezavisimaya Gazeta*, 26 Dec. 1996, p. 1.

<sup>42</sup> On the background to the promotion of arms sales to China, see Denezhkina, E., 'Russian defence firms and the external market', ed. Anthony (note 6), pp. 124-45.

<sup>43</sup> Blank (note 39), p. 2.

<sup>44</sup> *Strategic Appraisal 1996* (RAND: Santa Monica, Calif., 1996), pp. 186-87.

<sup>45</sup> 'Kitayskiye shirpotrebnosti Rossiyskikh vooruzhennykh' [Russian arms producers' demand for Chinese goods], *Profil* (Moscow), no. 17 (May 1997), p. 14; and Litovkin, V., 'Kitayskaya armiya

become the basis for installing the Falcon early-warning system, the delivery of which China successfully negotiated with Israel in July 1996.<sup>46</sup>

China also, or even in the first instance, intends to buy Russian arms technology. In 1996 it bought from Sukhoi a licence for producing 200 Su-27 fighter aircraft in Shenyang.<sup>47</sup> Deliveries of finished weapon systems from Russia greatly outweigh the technology transfers. China wishes to reverse these proportions.<sup>48</sup>

Russian arms supplies are especially important for China not only because of the Western embargo but also because China built its technological base on Soviet technology transfers and with the help of Soviet experts. Modern Russian armaments help to raise the level of Chinese professionals and to educate military personnel (including training in Russian military colleges) to use modern methods of warfare. This can be to the advantage of China's own military research and development (R&D).

## V. Energy supply

Recently energy supply has emerged as a very promising area for economic cooperation between China and Russia. In June 1997 during a visit by the then Prime Minister, Viktor Chernomyrdin, and Deputy Prime Minister, Boris Nemtsov, to China, the Russian Ministry of Fuel and Energy and China's National Oil and Gas Corporation signed an agreement on cooperation in crude oil and natural gas production. Under the agreement the two parties will cooperate in exploration for the Irkutsk project, which should run a 3360-km gas supply main from the Kovykta gas deposit in the Irkutsk district of Russia through Mongolia to a Chinese port—probably Rizhao on the Yellow Sea.<sup>49</sup> Later in 1997 the Russian joint-stock company Gazprom and China's National Oil and Gas Corporation signed another agreement on cooperation in the natural gas industry.

The two parties are also studying the feasibility of a Western project to run a gas main from Russia through the western border of China to China's south-east. At the same time the Russian Ministry of Fuel and Energy and China's National Oil and Gas Corporation will cooperate in crude oil transport from East Siberia to China, and they will study projects for crude oil transport from Kazakhstan and Sakhalin to China. Gazprom and the National Oil and Gas Corporation intend to cooperate in tapping gas and oil fields in China.<sup>50</sup>

Energy seems to be the only field where Russia now expects no competition from other countries in exporting to China. According to Nemtsov, the Russian

krephayet Rossiyskim oruzheniem' [Chinese Army gaining power through Russian arms], *Izvestiya*, 25 Apr. 1997, p. 3.

<sup>46</sup> 'Kitay poluchit Rossiysko-Izrail'skuyu sistemu rannego opoveshcheniya' [China to get Russian-Israeli early-warning system], *Finansovye Izvestiya*, no. 37 (22 May 1997), p. 1.

<sup>47</sup> Litovkin (note 45).

<sup>48</sup> Litovkin (note 45).

<sup>49</sup> *Problema Dalnego Vostoka*, no. 4 (1997), pp. 97–99.

<sup>50</sup> *Problema Dalnego Vostoka* (note 49).

Government would give implicit support to Russian energy exporters trying to develop the Chinese market.<sup>51</sup> Successful cooperation in this sphere could have two effects. Internally it would help Russia in developing its rare competitive industries and in raising funds to support eastern Siberia and the Russian far east which have been the areas hardest hit by the economic crisis of 1997–98. Externally it would offer the basis for Russian integration into the North-East Asian regional economy, which Russia particularly needs since joining the Asia–Pacific Economic Co-operation forum (APEC).<sup>52</sup> Chinese energy shortages are well known. Currently they constitute a bottleneck in the development of the Chinese economy. Russia’s expectations thus seem to have a good chance of being realized.

At the same time, cooperation in the supply of energy may have profound consequences. It will change the participants and the entire structure of their bilateral ties as large companies enjoying government support will dominate those ties. The character of cooperation on the provincial level will also change. However, the growing economic interdependence between the two economies may give rise to controversy and could turn into a ‘zero-sum game’, and if normal cooperation ties fail to develop this may strain political relations.

## VI. The Mongolian dimension

Internal changes in Russia, as well as the changes in its foreign policy in which rapprochement with China has a very important part, brought on dramatic changes in the smaller triangle Russia–China–Mongolia. Mongolia used to be a hostage of Sino-Soviet relations. It took the USSR’s side and its relations with China were nearly frozen. As former Prime Minister Dyushiin Bambasuren put it, 95 per cent of the outside world did not exist for Mongolia because its foreign policy was entirely under Moscow’s command.<sup>53</sup>

In the early 1990s the Mongolian People’s Revolutionary Party (MPRP), which had ruled the country for 70 years, abandoned its traditional Leninist ideology, adopted a new constitution (in February 1992) and proclaimed democratic reforms. In the autumn of 1990 the MPRP allowed a multi-party cabinet, the first in Mongolian history, to be formed. Eventually the MPRP stepped aside and allowed a democratic coalition to come to power. Changes in domestic politics and a new vision of foreign affairs were introduced.

The new foreign policy is oriented to finding a balance between Mongolia’s two powerful neighbours—China and Russia. The historical legacy complicates this task. Russia controlled Mongolia for seven decades and China, itself once under Mongol rule, in its turn conquered Mongolia in the 17th century. Inevitably, Mongolia has to take the ambitions of its two neighbours into considera-

<sup>51</sup> *Izvestiya*, 25 Nov. 1997.

<sup>52</sup> For the membership of APEC, see appendix 1 in this volume.

<sup>53</sup> Gan, M., ‘Mongoliya ne namerena byt bednym rodstvennikom’ [Mongolia does not intend to be a poor relation], *Izvestiya*, 14 Mar. 1992, p. 5.

tion, but it is also trying to gain an outer counterbalance through strengthening ties with the West, first of all with the USA.

The collapse of the USSR and Russia's domestic economic difficulties eventually brought the Mongolian economy to the brink of catastrophe. The ending of external financial aid and the implementation of world prices in foreign trade broke the traditional economic ties of decades. In the late 1980s Soviet subsidies had totalled 30 per cent of Mongolia's gross national product (GNP), while Soviet experts were an organizing elite at the top of every organization.<sup>54</sup> Enterprises built up with Soviet aid accounted for more than 50 per cent of Mongolia's exports and up to 100 per cent of electricity production, copper and molybdenum concentrates, coal, fluorspar and more.<sup>55</sup>

The situation was aggravated by a certain hostility on the part of the new Mongolian leadership, which was trying to secure the country's independence, and by Russia's undervaluing of Asia in its foreign policy. However, in January 1993, when Mongolian President Punsalmaagiyn Ochirbat visited Moscow, Russia and Mongolia signed a new Treaty of Friendship and Cooperation.<sup>56</sup> It stipulated that neither country would join political or military alliances aimed against the other or sign agreements or treaties which violated the sovereignty and interests of the other. That, together with the fact that in 1992 Russia withdrew its 100 000 troops from Mongolia, normalized relations between the two countries.

Over the six-year period 1992–97 the volume of bilateral trade fell by half, mainly because of a fall in Mongolian exports to Russia. Nevertheless, Russia is still Mongolia's major trade partner. In 1997, 10.1 per cent of Mongolian exports went to Russia (putting Russia in third place after Switzerland and China), while Russia was the primary source of its imports (34.7 per cent).<sup>57</sup> Despite the fact that Russia no longer invests much in the Mongolian economy, it accounts for 30 per cent of total foreign investment in Mongolia. There are more than 150 Russian–Mongolian joint ventures.<sup>58</sup>

Mongolia has achieved similar political arrangements with China. In May 1992 Prime Minister Bambasuren visited Beijing, the first official visit in three decades, but historical issues still overshadow Sino-Mongolian relations. The Chinese authorities had reportedly stepped up persecution of ethnic Mongolians who support the idea of independence for Inner Mongolia (an autonomous region of China) and organized demonstrations in support.<sup>59</sup> The nationalistic opposition in Ulaanbaatar in turn launched a campaign for the reunification of Outer and Inner Mongolia. This is impossible for purely demographic reasons:

<sup>54</sup> *SBS World Guide* (Hardie Grant Publishing: Melbourne, Victoria, 1998), p. 512.

<sup>55</sup> Vinogradov, B., 'Rossiya i Mongolia oboznachili ramki vzaimnykh interesov' (Russia and Mongolia define the framework of mutual interests), *Izvestiya*, 21 Jan. 1993, p. 5.

<sup>56</sup> Vinogradov (note 55).

<sup>57</sup> Shinkarev, L., 'Strana kochevnikov idet k rynku' [The country of nomads goes to market], *Izvestiya*, 9 Sep. 1997, p. 3.

<sup>58</sup> Charodeyev, G., 'Mongoly chtut pamyat Chingiskhana' [Mongols honour Genghis Khan's memory], *Izvestiya*, 20 Jan. 1998, p. 3.

<sup>59</sup> AP, quoted in 'Mongoly v Kitae podvergayutsya presledovaniyam' [Mongols in China suffering persecution], *Izvestiya*, 26 Mar. 1992, p. 5.

in Inner Mongolia Chinese settlers now outnumber indigenous Mongols by five to one.

According to Reuters, in March 1992 China issued a secret Communist Party document to confirm that Buryatia and Mongolia historically belong to China.<sup>60</sup> However, China recognized Mongolian independence in 1960 and shows no intention of changing the current status of Mongolia. The party document was therefore mainly aimed against the separatists of Inner Mongolia, not to advance territorial claims.

On the whole, the principle that Mongolia is a dependant in Sino-Russian relations did not change. Russia's and China's political and economic reforms as well as their foreign relations determine Mongolia's domestic situation and its foreign policy. This is not necessarily a bad thing. For example, if projects for Sino-Russian energy cooperation under discussion since 1994 are implemented, Mongolia will benefit greatly.

## VII. Conclusions

Russia does not have a consolidated vision of the prospects for its relationship with China. It is clear that reforms are promoting the status of China from that of regional power to that of global superpower. Currently both countries are using each other to counterbalance Japanese or US regional dominance. Yet the emergence of China as a global superpower may conflict with Russian strategic interests, particularly if it succeeds in becoming an active and important partner with the Asia-Pacific countries, which is also China's ultimate regional goal.<sup>61</sup> China would then be competing with Japan and the United States for the leading role on the Pacific rim.

On the other hand, there are different evaluations of China's social development and divergent assessments of the problems confronting it and of the ability of its leadership to cope with them. One pessimistic vision stresses the probability of isolationism, regionalization, and fluctuations and hesitations in political options. There are, however, also forecasts that China will become completely integrated into the world economy without posing any military or political threats to neighbouring countries. Judging by purely economic factors, the 'catastrophic' scenario seems improbable for the coming two decades.

However, the social and economic transformation of China is creating the basis for a profound crisis of its society, contradictions between central government and the provinces as well as between provinces, growing social tensions, an increasing discrepancy between the archaic political system and a booming economy, and deepening ethnic problems. Hence any prognosis of the future of the post-Deng Xiaoping regime is difficult to evaluate.

Pessimists assess China as a potential threat to Russia either as an authoritarian state with growing military might or as a nation doomed to repeat the fate

<sup>60</sup> Reuters, quoted in Portanskiy, A., 'U Kitaya net territorialnykh pretenzii k Mongolii' [China does not have territorial claims on Mongolia], *Izvestiya*, 30 Apr. 1992, p. 1.

<sup>61</sup> Myasnikov (note 33), p. 6.

of the USSR with consequences that are difficult to foresee. They therefore counsel the avoidance of measures that would strengthen China, especially arms and weapon technology transfers. Optimists believe that the Chinese leadership is able to manage the nation, which is in Russia's interests, and assess the Chinese military build-up as the modernization of a backward army that does not involve threats to the region, except possibly Taiwan, but this is seen as China's domestic affair. An optimistic vision now prevails among the Russian leadership.

The future of Sino-Russian relations in fact largely depends on: (a) US foreign policy, that is, the results of the policy of engagement with China; and (b) the level of trust in Russian-US cooperation. Obviously ideological considerations complicate the improvement of US-Chinese relations. The US allergy to any kind of totalitarianism and its periodic emotional campaigns on human rights in China preserve mutual distrust. Joseph Nye, noting that both the liberal *New Republic* and the conservative *Weekly Standard* call China totalitarian, although today's market communism is a far cry from the real totalitarianism of Mao Zedong, assessed US policy towards China as 'a strange alliance of left and right against the center'.<sup>62</sup> Unless the USA plays down these tendencies in its approach to China, China will always have a strong motivation for closer ties with Russia. On the other hand, the increasing Russian feeling of being duped, isolated and neglected by the West is leading it to find its most suitable partner in China.

The following features characterize the present Sino-Russian strategic partnership:

1. Rapprochement is motivated by the external logic of the 'triangular' strategic relationship and the main value of their cooperation is determined by a shared need to meet real or perceived challenges from the West.
2. The strategic partnership offers both countries the opportunity to overcome possible isolation in international affairs and helps them to assert their specific national interests vis-à-vis uncooperative Western nations.
3. The absence of overlap or conflict between national priorities allows the two to give each other verbal support without essential expenditures or sacrifices.
4. The slogans and declarations are vague and the partners' practical understanding of the essence of partnership is inadequate.
5. The level of political coordination on Asia-Pacific regional issues is low.
6. Military industrial and military-technical cooperation is of great mutual value, helping China to modernize the army and opening the market for the Russian defence industry.
7. The two countries have persistent perceptions of possible shared threats of a geopolitical nature and rather cautious evaluations of scenarios for the future.

<sup>62</sup> Nye, J., 'As China rises, must others bow?', *The Economist*, 27 June-3 July 1998.



8. There is no real economic basis for political cooperation. However, Russia's energy supply may close the gap.

On the whole, the strategic partnership seems to lack adequate internal motivation and to be to a great extent determined by the international environment. Narrow isolationism and increasing tension with the West do not correspond to the optimal preferences of either China or Russia and both would prefer to diversify their international connections. In that sense any suspected quasi-alliance is nothing but an unavoidable tactic for dealing with the worst-case scenario imposed from the outside.

John W. Garver, comparing patterns of international relations after World War I and the cold war when there emerged dominant coalitions of the victorious powers and countervailing non-dominant coalitions of pariah powers, called the Sino-Russian strategic partnership a Far Eastern Rapallo.<sup>63</sup> However, today nobody can imagine China or Russia, overloaded as they are with their domestic problems, aspiring to world hegemony. It seems that in the future domestic factors will influence the bilateral relationship more than the international environment.

<sup>63</sup> Garver, J. W., 'A Far Eastern Rapallo: the post-cold war Russian-Chinese strategic partnership', *Problem Dalnego Vostoka*, no. 1 (1998), pp. 53–62 (in English).