

Russia, China must now create an economic strategic relationship

by Mary Burdman

At the opening session of the Russian-Chinese Committee for Friendship, Peace, and Development meeting in Moscow on Jan. 26-27, Russian Prime Minister Yevgeni Primakov announced that Russia is ready to sell "the most advanced technologies" to China, and said that the basis for developing mutual economic relations, is large-scale infrastructure projects. During this same time period, another high-level delegation from China was also in Moscow, to discuss promotion of energy projects by the two countries. These meetings were the most important between Russia and China since the visit of Chinese President Jiang Zemin to Moscow and Novosibirsk in November; in the latter city, Jiang gave an historic speech on scientific cooperation between the two nations (see *EIR*, Dec. 4, 1998, pp. 52-57). The meetings were also in preparation for the visit of Chinese Prime Minister Zhu Rongji to Russia on Feb. 25-28 for his fourth meeting with his Russian counterpart, part of the regular series of meetings between the top-level Russian and Chinese leaders.

As both the Russian and Chinese sides stressed during the recent meetings, economic relations lag far behind their political ties, and the situation demands a big effort to change. Better economic relations are essential for both nations. Russia has some of the world's most advanced technologies, which China urgently needs to develop its vast economy. Russia, ravaged by years of International Monetary Fund-dictated "shock therapy," was laid even lower by the ever-spreading world financial crisis last summer. China, despite its unique real economic growth, and protected currency and financial system, is being more and more affected as the world crisis worsens. Chinese exports, whose market was primarily East and Southeast Asia, are falling sharply, and foreign investment is getting stung. While China's problems are minor in comparison with such debacles as that striking Brazil, developing productive economic relations with Russia, to obtain energy and advanced technology, is now all the more urgent for China.

As Russian Foreign Ministry press spokesman Vladimir Rakhmanin announced on Jan. 21, the subcommission had decided to "step up Russian-Chinese cooperation" in several large-scale projects. "The implementation of these projects is intended to span several decades," he said, "and this will allow them to become the material basis of Russian-Chinese strategic interaction in the next century."

An important year

The year 1999 is an important one for China, as the 50th anniversary of the founding of the People's Republic on Oct. 1, 1949. The Soviet Union almost immediately became the first foreign nation to recognize the new government. Russian President Boris Yeltsin has called on Prime Minister Primakov and Foreign Minister Igor Ivanov to make proposals for celebrating both anniversaries, which Yeltsin wants to reflect the strategic importance of Russian-Chinese ties. Already, a large delegation of Russian journalists arrived in Beijing on Jan. 26, at the invitation of the Chinese Foreign Ministry. The delegation was received by China's Prime Minister Zhu Rongji.

Such thinking was also reflected in the statements of Chinese Vice Foreign Minister Zhang Deguang, in an interview with Xinhua news agency on Jan. 27 from Moscow, where he was attending the Committee for Friendship meeting. Zhang is the Chinese secretary-general of the committee.

Just before he left Beijing, Zhang not only announced Zhu Rongji's upcoming visit, but indicated that the two heads of state also "might meet" within the year.

In Moscow, Zhang Deguang told Xinhua that "the temporary difficulty encountered by Russia at present will not produce any negative impact on Sino-Russian relations. China has full confidence in the development of relations between the two countries in the next century." He emphasized that now, "more and more people with breadth of vision have come to understand the great significance of strengthening people-to-people contacts between the two countries and enhancing friendship between the people of the two countries."

Zhang said that underdeveloped Sino-Russian economic relations are now the biggest problem. Bilateral trade had dropped an estimated 10%, to \$5.5 billion in 1998 from \$6.12 billion in 1997, due to the crash of the ruble and its effect on the Russian economy. This situation failed "to match the potential which exists for cooperation between the large neighboring countries," he said. It is especially important for the two sides to strengthen economic and trade cooperation at regional levels, create a favorable legal environment, and enhance ways to complement each other's strengths.

Zhang Deguang emphasized that China does not think Russia's development will constitute a threat, and that China's development will not constitute a threat to Russia;



Russia and China have begun to focus efforts on upgrading their economic relations, crucial for both nations. Here, China's President Jiang (left at table) with Russian scientists in Akademgorodok, Novosibirsk in November 1998, where he gave an historic speech on scientific cooperation.

rather, the development of the two sides will open up broader prospects for cooperation between the two countries.

Friendship and infrastructure

Deng Rong, one of the daughters of China's great reformer Deng Xiaoping, and deputy head of the Chinese People's Society for Friendship with Foreign Countries, announced on Jan. 21 that the Friendship Committee's second meeting was to take place in Moscow. It first met in Beijing in November 1997, during the visit of Russian President Yeltsin. Deng Rong said that the agenda would include discussion of development of an economic border zone between the two countries, and of contacts between regions and public organizations. The Friendship Committee includes political, scientific, business, and citizens groups, and is intended to promote cultural as well as economic cooperation.

In his speech to the committee session on Jan. 26, Prime Minister Primakov made the important statement that "Russia is ready to supply to China the most advanced technologies according to the price level as it is in the world market. . . . The Russian government relates prospects of the development of trade and economic contacts with the [People's Republic of China] to realistic projects, gas pipelines, oil pipelines, that will nourish the growing Chinese economy with electric energy and energy-carriers [fuels]."

Primakov said that the lag in the development of economic relations between Russia and China may have been caused by the economic crisis and Russian partners' mistakes. Russia "counts on a discussion about overcoming the lagging of our economic relations behind political ones," which, he said, Russia sees as an anomaly. He added that, while mistakes

have been made on the Russian side, Russia also has "the right to count on the same frankness and interest on the part of our Chinese friends."

Just days earlier, the Russian-Chinese Subcommissions on Nuclear Energy and Energy Cooperation also met in Moscow. The Chinese delegation was led by Zeng Peiyan, Chairman of the State Development Planning Commission, who co-heads the subcommission for cooperation in the field of energy with Russian Minister of Fuels and Energy S.V. Generalov; and Liu Jibin, Chairman of the State Commission of Science, Technology, and Industry for National Defense, who co-heads the nuclear cooperation subcommission with Minister of the Russian Federation for Atomic Energy Y.O. Adamov.

Zeng Peiyan and Liu Jibin were received on Jan. 21 by First Deputy Chairman of the government of the Russian Federation Y.D. Maslyukov, responsible for Russian trade and economic cooperation with China.

The focus of Sino-Russian energy cooperation, Foreign Ministry spokesman Rakhmanin said on Jan. 21, is on two projects that have been under way at least since early 1997, for the export of natural gas and oil from eastern Siberia to China. He said that construction of a special oil pipeline, to ensure long-term oil delivery, is a future possibility, and that third countries are expected to participate in the natural gas export project. Mongolia, Japan, and South Korea are likely to be involved in the gas project.

Rakhmanin said that other energy cooperation projects were discussed, including plans to transmit electricity to China from the Irkutsk region in Siberia, the participation of Russian companies in developing gas deposits and in creating

a gas-distribution network in China, and cooperation in engineering for the energy industry.

The nuclear energy subcommission approved the ongoing Russian-Chinese cooperation in building the atomic power station near Lianyungang, the Chinese east coast port which is also famous as the eastern terminal of the Eurasian Land-Bridge. "We believe that the successful implementation of this very big project, which is valued at \$3 billion, will prove that Russia is capable of competing as an equal with the biggest world manufacturers of power equipment and will allow us to substantially increase supplies of Russian energy equipment to the Chinese market," Rakhmanin said.

Rakhmanin also took care to state that "Russian-Chinese interaction in the field of nuclear energy is of an exclusively peaceful nature and does not have any military aspects." Liu Jibin's participation "is explained by the fact that his sphere of responsibility includes also the peaceful nuclear energy enterprises of China."

Economic relations are developing on other fronts as well. The official *China Daily* reported on Jan. 27 that China is trying to increase border trade with Russia, especially in an effort to counter the effects of the "persistent Asian financial crisis." Wang Zhenchuan, Deputy Governor of Heilongjiang province, which borders Russia, said that "we will allow more domestic companies to register for trade with Russia this year." The decision is in response to a rush of Chinese firms, affected by shrinking trade within Southeast Asia, investing in Heilongjiang, he said. "Many big-name companies from southeast China are landing in Heilongjiang in a flurry, either to tap our natural resources or to find a springboard for trade with Russia."

Russia, like other members of the Commonwealth of Independent States, can make a major contribution to the growth of China's industries, especially Heilongjiang's automobile, chemical, and electronics sectors, Wang said.

Heilongjiang will host the 10th Harbin Economic and Trade Fair on June 15-21. Approximately 4,000 delegates from Russia and eastern European countries will join 40,000 Chinese merchants at the exhibition. "We expect our border trade with Russia to exceed the 1998 level of \$1.3 billion, as more local companies acquire foreign trade rights," Wang said.

Military trade is also likely to grow. India and China are the largest importers of the Russian Sukhoi military aircraft, from the Sukhoi military-industrial complex based in Irkutsk, Komsomolsk-on-Amur, and Novosibirsk, Interfax quoted general director Mikhail Pogosian on Jan. 27. India has signed a contract for the purchase of 50 Sukhoi-30M fighters and is negotiating the purchase of a license to produce them, and China has bought a license for manufacturing Sukhoi-27KS fighters, and flew the first two planes built in China late last year. China is considering importing additional planes, Pogosian said.

Growing social unrest in Romania, Russia, Ukraine

by Konstantin George

The beginning of 1999 has seen a wave of labor unrest sweep the looted nations of eastern Europe and the former Soviet Union, hitting hardest in Romania, Russia, and Ukraine. In Romania, a mass march by coal miners in the week of Jan. 17-22 even threatened for a time to topple the "reform" government of Prime Minister Radu Vasilyev. In Russia and Ukraine, similar eruptions on the part of coal miners were barely avoided at the end of January, and remain — always — just below the surface. Other sections of labor are erupting, or could do so at any time; in Russia, for example, as of Jan. 27, what had been a weeks-long pattern of regional teachers' strikes became a nationwide phenomenon, with up to 300,000 teachers on strike on any given day, going into February. The explosive situation reflects the toll taken, in constantly declining living standards, by the cumulative effect of years of vicious International Monetary Fund (IMF)-dictated austerity policies.

Nor are Russia, Ukraine, and Romania "just any" countries. They are, respectively, first, second, and fourth largest in population among the nations of the former East bloc. Under continued IMF policies, the economic-financial crises in these countries are programmed to worsen drastically during 1999, ensuring bitter social upheaval, with incalculable political consequences. Strategically, manipulated labor unrest could be used — with catastrophic results — to destabilize Russia's Primakov government, which has been resisting the IMF.

Romania: desperation and manipulation

The case of Romania illustrates what's in store not only for Romania, but for other countries in the region. The miners' dramatic "March on Bucharest" came after IMF-World Bank policies pursued by the government had cost 100,000 miners their jobs in the past two years, with 100,000 more miners slated to be dumped over the next two years. The very existence of miners living in a region of southwest Romania was threatened. The shock was all the more harsh, as the miners were earning the equivalent of less than \$250 a month (about twice the national average wage). Such "high" wages to those miners who are still working, stem from the World Bank policy of trying to keep social peace. Through layoffs, the overall wage bill for the coal-mining sector can still be drastically lessened, and another category of IMF budget conditions is met.