

Russia, China Relations in 'Best Period Ever'

by Mary Burdman

The prime ministers of strategic partners China and Russia held their fifth annual meeting on Nov. 3-4, when Russian Prime Minister Mikhail Kasyanov visited Beijing. There, he met his Chinese counterpart, Zhu Rongji, as well as Chinese President Jiang Zemin and Li Peng, chairman of the Standing Committee of the National People's Congress.

Kasyanov's trip emphasized increased economic cooperation between the two nations, which is the critical element to consolidating their already well-established political-strategic partnership. After his first meetings with Kasyanov on Nov. 3, Zhu Rongji said that, following the visit by Russian President Vladimir Putin in July, "our ties have entered a new level, and presently I believe Sino-Russian relations are enjoying their best period ever."

That characterization would include the international situation, as well as bilateral relations. Kasyanov, as he left Moscow on Nov. 3, emphasized the potential of the "strategic Eurasian triangle" of Russia-China-India. In December 1998, Russian former Prime Minister Yevgeni Primakov had proposed a cooperative relationship among the three greatest Eurasian powers, during a visit to New Delhi. This year, at the end of October, Primakov, now chairman of the Fatherland-All Russia Bloc of the Russian State Duma (lower house of parliament), had visited China for talks with Li Peng, and also met Jiang Zemin to discuss strategic cooperative relations between Russia and China.

Kasyanov told the press that Russia is prepared to back the creation of a strategic Moscow-Beijing-Delhi axis, "should China and India express the desire for one. We have a very clear vision of the question, put like this: If China and India are ready for such cooperation, Russia will support such relations, such coordination, such an axis. China and India are traditionally our good neighbors with whom we maintain good relations." Russia would welcome the strategic triangle, "if such a necessity was stressed by our partners. In this event we would be ready for it."

When Jiang Zemin met Kasyanov on Nov. 3, he called for deepening the Sino-Russian strategic partnership. In the face of the "complex" international situation, Jiang said, the two neighboring powers, with similar historical and cultural origins, and similar views on many major international issues, need to further their coordination and cooperation, to create a just new international political and economic order.

The Real Economy

On Nov. 3, Zhu Rongji and Kasyanov signed a joint communiqué emphasizing cooperation and improving the economic basis of their strategic relationship. Lagging Sino-Russian economic relations has been a primary issue in the two nations' joint discussions since Russia was devastated by financial collapse in August 1998. During Jiang Zemin's visit to Russia in November 1998, he had called for economic collaboration, using Russia's great achievements in science and technology, in his speech at the Russian science center at Novosibirsk; in February 1999, when Zhu Rongji was in Moscow for the fourth prime ministers' meeting, specific economic projects led the agenda.

In his discussion with Kasyanov in Beijing, Jiang Zemin again emphasized that Russia is well known for its strength in science and technology, as well as its natural resources. Jiang said that China hopes Russia will realize its economic prosperity at an early date, and play an even bigger role in international affairs.

Since Russia's economy has been brought low by more than a decade of "Washington Consensus" policies, such as the International Monetary Fund's "shock therapy," the former superpower has fallen into wholesale exporting of its vast mineral and other resources, to finance its international debt. China's proposal to Russia, that it utilize its existing scientific capabilities—which in some areas far surpassed those of the United States—in cooperation with other, less-developed Eurasian nations, is Russia's best route to reverse its economic downfall, and meet the needs of densely populated Asia.

Emphasis on Machine Building

Russia already has helped China design, build, and run 12 facilities, including nuclear and thermal power plants and the Jingan iron and steel plant. The two nations have also been discussing, for the past several years, building the Kovyktinskoye natural gas project, to supply 20 billion cubic meters of gas to China annually for 30 years, and to supply another 10 billion cubic meters a year to South Korea, via China.

Oil pipelines, a shipbuilding project, and a medium-term project to build a transmission line to send electricity to China from Russia's Irkutsk region, are also planned.

While the two countries' military cooperation is generally played up, discussion of civil-economic relations predominated during this visit. It was agreed that Russia will repay former Soviet debt to China—some \$1.2 billion—before 2002, with Russian weaponry.

In a speech to more than 100 Chinese and Russian entrepreneurs on Nov. 4, Kasyanov said that the Russia-China relationship is "developing in an all-round way." The resources, production potential, and rich historical heritage of the two Eurasian neighbors, make cooperation in all sectors essential, he said.



Russia's then-Prime Minister Yevgeni Primakov (left) during Chinese Prime Minister Zhu Rongji's visit to Russia on Feb. 24-28, 1999. Primakov first floated the idea of a strategic triangle among Russia, China, and India.

Their cooperation is already strategic. "Russian and Chinese leaders have a convergence of opinion on many issues," he said. "Our two countries have established a good political dialogue. Scientific and cultural exchanges are developing. The time has come for business circles in both countries to consolidate a friendship between two peoples that covers many fields."

Kasyanov said that Russia-China trade and economic cooperation is entering a new phase, and he called for the two countries to strengthen cooperation in machinery manufacturing, energy, aviation and space technologies, and petroleum. "Emphasis should be put on trade with high technological products, on production cooperation, and joint projects, not only in the extractive industries, but also in machine-building," he said.

"Today, Russia can export large quantities of its machine-building goods to China. We have things to offer in areas like power engineering, aviation, space, the machine-tool, chemical, and oil industries," Kasyanov stressed. He said that the Russian government intended to support Russian exports to China in several ways, including granting state credits to exporters. Already, the "engineering industry is the most efficient field of Russian-Chinese cooperation."

Kasyanov was accompanied by, among others, Yuri Koptev, head of the Russian Aerospace Agency, who met with leaders of China's Commission on Science and Technology.

Rising Trade

One important indication of improving economic relations, is the rise of bilateral Sino-Russian trade this year. In 1998, because of the crash of the ruble, bilateral trade dropped an estimated 10% from the year before, to just \$5.5 billion. Now, this trade is recovering, although it remains much lower than other Chinese trade relations. For the first nine months of 2000, Sino-Russian trade was up 42.6%, to

\$5.8 billion, and is expected to reach \$7 billion by year-end, a ten-year high.

Trade matters were discussed by Russian Deputy Prime Minister Ilya Klebanov and Chinese State Councilor Wu Yi on Nov. 1, when Klebanov flew to Beijing to prepare Kasyanov's visit. Wu and Klebanov are co-chairs of the Joint Commission for the Regular Meetings of Heads of Government of Russia and China. Wu Yi stressed to Klebanov, that "effective economic cooperation will cement the material foundation for the strategic cooperative partnership."

Zhu Rongji and Kasyanov signed 14 important agreements, in order to "fully exploit" their economic potential, including for cooperation in trade, investment, science, technology, energy, power, mechanical manufacturing, aerospace, civil aviation manufacturing, communications, and military technology. Specific measures included an agreement to open a confidential hot-line; a cooperation agreement between the State Development Bank of China and the Bank for Foreign Economic Affairs of Russia; an agreement between Nuclear Power Co. Ltd. of Jiangsu Province, China, and the Russian Ministry of Finance, to follow up the December 1992 agreement for Russian government loans to construct a nuclear power station in China; and an agreement on a feasibility study on the construction of infrastructure in gas fields in Russia, and multilateral cooperation among China, Russia, and the Republic of Korea in gas field projects.

The two sides also agreed to explore bilateral cooperation in energy, power, the environment, and other infrastructure construction projects in western China—the focus of China's overall economic development planning.

Zhu Rongji and Kasyanov pointed to the importance of the upcoming heads of government summit of the "Shanghai Five" nations—China, Russia, Kazakhstan, Kyrgyzstan, and Tajikistan—to be held in Shanghai soon. They also agreed that their sixth regular meeting will be held in Moscow in 2001.