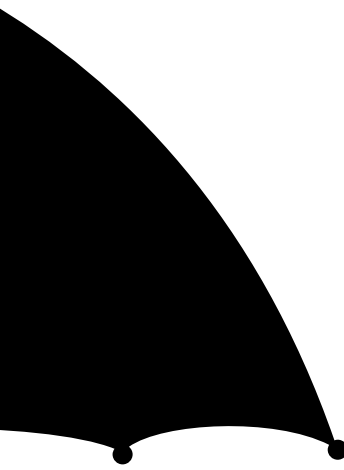




# China and Russia Hand in Hand: Will it Work?

By Richard Weitz

<sup>1</sup> Alexandra Gritskova, Konstantin Lantratov, and Gennady Sysoev, "Kitay slozhil rossiyskoe oruzhie" ["China Sets Aside Russian Arms"] *Kommersant*, May 7, 2007.



**Political and economic relations between Russia and China have grown warmer in recent years, with the two countries cooperating and supporting each other across a wide range of areas.**

**The Hudson Institute's Richard Weitz explores what it means, and whether the rest of the world should be worried.**

THE IMPROVED POLITICAL and economic relationship between Beijing and Moscow since the end of the Cold War has affected a range of Asian and global issues. The two countries have expanded their bilateral economic and security cooperation while pursuing distinct yet parallel policies regarding the United Nations as well as East and Central Asia. Yet, Chinese and Russian policies on a range of important issues are still largely uncoordinated and sometimes conflicting. Their economic ties remain minimal compared with those found between most friendly countries, let alone allies. Although a stronger Sino-Russian alliance could present greater challenges to other countries, several factors make this unlikely.

#### IMPROVED BILATERAL TIES

Since the disintegration of the Soviet Union in the early 1990s, China and Russia have strength-

ened their ties in many dimensions. During the 1990s, they largely resolved their boundary disputes and demilitarized their lengthy, 2,640-mile shared frontier. China has purchased billions of dollars worth of modern warplanes, advanced warship and other sophisticated weapons systems from Russia. For over a decade, Russian military exports to China have constituted the most important dimension of their security relationship. According to one estimate, between 1992 and 2006, China purchased approximately \$26 billion worth of defense items from Russia, more than it acquired from all other countries combined.<sup>1</sup>

Moscow's decision to sell advanced conventional weapons to China is the result primarily of economic rather than strategic considerations. Despite the recent rise in national defense spending, the Russian government continues to urge Russian defense enterprises to sell their products abroad to earn additional revenue for reinvestment and to keep skilled workers from moving into civilian employment. Several considerations make China a good customer. Although China's domestic arms industry has become more capable, along with the rest of its economy, Chinese defense enterprises still lag behind their leading international counterparts in key areas, such as advanced aviation and naval weapons. For its more sophisticated heavy fighters, the Chinese Air Force still relies on the Russian-designed Su-27 and Su-30. Russian firms became the dominant foreign suppliers of China's advanced weapons systems after the 1989 Tiananmen Square incident led Western governments to prohibit their own companies from selling China advanced military technologies.

Russia and China have also engaged in more direct forms of security cooperation. During the week of August 18-25, 2005, the two staged "Peace Mission 2005," an unprecedented bilat-

2 "Joint Statement Between the People's Republic of China and the Russian Federation," April 6, 2007, <http://www.fmprc.gov.cn/eng/zxxx/t309361>.

3 "Politika SShA provotsiruet novuyu gonku vooruzheniy, schitayut v Minoborony ["The Ministry of Defense Believes that US Policies Are Provoking a New Arms Race"], January 20, 2007, [http://www.rian.ru/world/foreign\\_russia/20070120/59422900.htm](http://www.rian.ru/world/foreign_russia/20070120/59422900.htm).

eral military exercise in the Russian Far East and China's Shandong Province. Although the nominal focus of the exercise was on combating terrorism and restoring peace among hypothetical local combatants, the exercise involved large-scale air, sea and ground operations combining Chinese submarines, Russian strategic bombers and 8,000 Chinese and 2,000 Russian troops. The maneuvers included neutralization of anti-aircraft defenses, enforcing a maritime blockade, amphibious and other maritime operations. Not even during the 1950s, when China belonged to the Soviet bloc and had a formal mutual defense treaty with Moscow, had the two countries carried out such a large joint exercise.

#### COORDINATION ON GLOBAL ISSUES

Chinese and Russian officials have issued numerous joint statements – most notably their 2001 Treaty of Good-Neighborly and Friendly Cooperation – affirming their commitment to enhanced bilateral cooperation. These declarations also typically call for a world order that respects the principles of “multilateralism and democracy in international relations.”<sup>2</sup> In such a framework, China and Russia would occupy key positions, along with Europe, the United States and perhaps Japan. Beijing and Moscow evidently hope that such a world order would be marked by a geopolitical balance that prevents one great power (for example, the US) from dominating the others.

In addition, the joint Chinese-Russian statements frequently express a desire to strengthen the security role of the UN. As permanent members of the UN Security Council, China and Russia are able to prevent the US and other countries from obtaining formal UN endorsement of any military operations they oppose through their veto power (or even the threat of a

veto, as was the case in March 2003 concerning the then-imminent led invasion of Iraq). US decisions to lead military interventions in Kosovo and Iraq without UN approval evoked dismay in both capitals. Chinese and Russian representatives also have worked together in the Security Council to block resolutions that would have authorized the use of force, or the imposition of severe sanctions, to curb the nuclear programs of Iran and North Korea. In January 2007, the two governments cast their first parallel vetoes in the Security Council, against a US-sponsored resolution censuring Myanmar's authoritarian government.

Chinese and Russian policymakers have refrained from criticizing each other's domestic policies, including those regarding Taiwan and Chechnya. The two governments affirm respect for the principles of sovereignty and non-interference in other countries' internal affairs. They have regularly expressed irritation with efforts by the administration of George W. Bush to establish Western-style liberal democracies throughout the world, and instead insist on the need to respect differences between nations.

The reluctance of the two governments to criticize one another was evident during the controversy surrounding China's January 12, 2007 test of an anti-satellite weapon. In contrast to the position taken by most world leaders, Russian officials refused to criticize China for conducting the first test of an anti-satellite weapon in space in over two decades, ending an informal global moratorium. A week later, an unnamed official from the Russian Ministry of Defense told the media that the Chinese test “was a consequence of extremely aggressive policies” that had undermined international law and led to “a new arms race in which Russia has no intention of taking part.”<sup>3</sup> The following month, the Chinese and Russian delega-

4 "Joint Statement Between the People's Republic of China and the Russian Federation," April 6, 2007, <http://www.fmprc.gov.cn/eng/zxxx/t309361>.

*Chinese and Russian leaders believe they can amplify their influence in world affairs by acting jointly or in parallel on international issues.*

tions resumed their joint effort to persuade the Conference on Disarmament in Geneva to adopt a treaty banning weapons in outer space, while condemning the US for single-handedly blocking progress on the measure.

The advantages to both parties of coordinating their public statements and other diplomatic initiatives are obvious. Chinese and Russian leaders believe they can amplify their influence in world affairs by acting jointly or in parallel on international issues. The joint communiqué the two governments issued at the end of the March 2007 summit between presidents Hu Jintao and Vladimir Putin states: "The shared position on major international political issues of principle and the common or similar positions on important international and regional issues between China and Russia enable them to take part in international cooperation more effectively and meet new challenges and threats. The two sides will continue coordination and deepen strategic coordination in diplomatic affairs to create an enabling international environment for the development of the two countries."<sup>4</sup>

**OVERLAPPING REGIONAL SECURITY INTERESTS: CENTRAL ASIA**

China and Russia share overlapping interests most clearly in Central Asia. For the most part, the newly independent states of Central Asia have not become objects of rivalry between Moscow and Beijing, as was once expected, but a major unifying element in Chinese-Russian relations.

Even after the disintegration of the Soviet Union, Moscow has retained extensive political, economic, and security ties with Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Although Beijing's influence in Central Asia was minimal during the Soviet period, the emergence of five independent countries in the region after 1991 has created new opportunities for Chinese diplomats and business people. Besides exploiting Central Asia's energy supplies, China and Russia share a desire to manage instability in their neighboring region. Both governments fear ethnic separatism in their border territories, emanating in part from Islamic fundamentalist movements. Russian authorities dread the prospect of continued instability in the northern Caucasus, especially Chechnya and neighboring Dagestan. China's leaders worry about separatist agitation in the Xinjiang Uighur Autonomous Region, where deadly uprisings have occurred sporadically since the 1980s.

Since June 2001, shared Chinese and Russian interests in Central Asia have manifested themselves most visibly in the Shanghai Cooperation Organization (SCO). The title of the "Shanghai Convention on Combating Terrorism, Separatism and Extremism" – signed at the organization's founding summit in June 2001 – aptly highlights the SCO's priorities. Cooperation against "terrorism" (broadly defined to include the two other "evil forces" of "ethno-separatism" and political "extremism") resulted in the creation of the Regional Anti-terrorism Structure (RATS) in

5 Erica Marat, "Preparations for SCO Summit Affect Kyrgyzstan's Relations with the US.," Eurasia Daily Monitor, June 4, 2007. [http://www.jamestown.org/edm/article.php?article\\_id=2372205](http://www.jamestown.org/edm/article.php?article_id=2372205).

6 "Russia Announces Large Joint Military Exercise with China, Shanghai Six," RIA Novosti, June 1, 2007, <http://en.rian.ru/russia/20070601/66538592.html>.

7 Cited in Ann Scott Tyson, "Russia and China Bullying Central Asia, U.S. Says," *Washington Post*, July 15, 2005.

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Tashkent. Since 2003, the SCO has organized a number of "anti-terrorist exercises" that have involved paramilitary as well as intelligence and law enforcement personnel. The latest occurred this past May in Kyrgyzstan.<sup>5</sup> SCO members held another exercise this August, "Peace Mission 2007," on Russian territory involving approximately 2,000 Russian and 1,600 Chinese troops.<sup>6</sup>

The SCO gained notoriety in the West in July 2005, when the governments of Russia, China, and most Central Asian countries unexpectedly called on the US and its allies to set a timetable for ending their continued military presence in the region. That prompted General Richard Myers, then-chairman of the US Joint Chiefs of Staff, to accuse Moscow and Beijing of "trying to bully" its smaller neighbors into weakening their security ties with Washington.<sup>7</sup> Yet, the resurgence of the Taliban in Afghanistan has dampened Sino-Russian interest in precipitating a rapid Western military withdrawal. At present, NATO and SCO governments are exploring various cooperative initiatives to counter regional terrorist and narcotics threats.

#### SHARED ANXIETIES REGARDING KOREA

China and Russia share a common concern with

the evolving political, military, and economic situation on the Korean Peninsula, which borders both countries. The two governments have thus far pursued largely independent but parallel policies toward both North and South Korea.

China and Russia have both opposed North Korea's acquisition of nuclear weapons while simultaneously resisting international initiatives that they believe could create chaos on the Korean Peninsula. Both Beijing and Moscow desire a change in Pyongyang's behavior but not a change in its regime. They remain more concerned about the potential immediate collapse of the North Korean state than about its government's position on the nuclear question. Despite their differences with North Korean leader Kim Jong-il, Chinese and Russian leaders fear that North Korea's disintegration could lead to widespread economic disruption in East Asia, generate large refugee flows across their borders, weaken Chinese and Russian influence on the Korean Peninsula by ending their unique status as interlocutors with Pyongyang and potentially remove a buffer separating their borders from American ground forces (especially if the US Army were to redeploy into northern Korea). At worst, North Korea's *Gotterdammerung* could

precipitate a military conflict on the peninsula that could spill across their borders. Policymakers in both countries appear to have resigned themselves to dealing with Kim for now, while hoping a more accommodating leadership eventually emerges in Pyongyang.

From the perspective of Beijing and Moscow, an ancillary benefit of their present approach to North Korea is that it nicely coincides with that of the current South Korean government. Beijing, Moscow and Seoul all oppose North Korea's acquiring nuclear weapons but also hope to coax the regime out of its self-destructive isolation without undue coercion. All three governments fear the chaos that might ensue from a rapid collapse of the regime in Pyongyang and, more or less openly, fear that rash American actions might precipitate a war in their neighborhood. In hopes of avoiding such an outcome, they all advocate pursuing strategies that reassure North Korean leaders about their security. They also want to promote economic reform in North Korea while integrating the country into broader East Asian economic processes. Through these means, they hope to stabilize North Korea in the short term while moderating its foreign policies over the long term.

Although Japanese and American officials appear more worried about North Korea's nuclear aspirations, they have worked closely with China, Russia and South Korea within the Six-Party framework to achieve a peaceful resolution of the issue. All five governments have shown interest in extending this cooperation into other areas relating to Asian and global security.

#### **IMPEDIMENTS TO DEEPER COOPERATION**

Several considerations, however, make it probable that the level of cooperation between China and Russia will not greatly increase, at least not in the near term. Differences over weapons

sales, economic relations and civilian energy supplies appear especially significant.

#### **WEAPONS WORRIES**

The bilateral arms trade between Beijing and Moscow has reached a tipping point. Although the Russian government and its defense enterprises would like to perpetuate existing commercial arrangements, the increasing sophistication of China's defense industry is enabling Chinese manufacturers to produce advanced weapons systems under license instead of purchasing finished systems directly from Russian manufacturers. In January 2007, the Chinese military unveiled the J-10, a locally built fighter-bomber that uses Chinese engines and Chinese missiles.

The ongoing improvement in the quality of China's defense production confronts Russian officials with a difficult choice. Until now, the Russian government has refused to sell its most advanced weapons systems – such as long-range strategic bombers or ballistic missiles – to China for fear that such weapons could disrupt the balance of power in East Asia. This policy has meant that Moscow's arms sales to Beijing have not been sufficient by themselves to enable China to defeat the more technologically advanced militaries of Taiwan or Japan. In recent years, however, Chinese firms have been able to substitute their own technologies for many of the expensive defense items that the PLA acquired from Russian suppliers in the past. Whereas over half of Russian arms exports went to China in the late 1990s and China has still purchased some 40 percent in recent years, Russian analysts estimate that this figure could fall to around 20 percent in 2007.

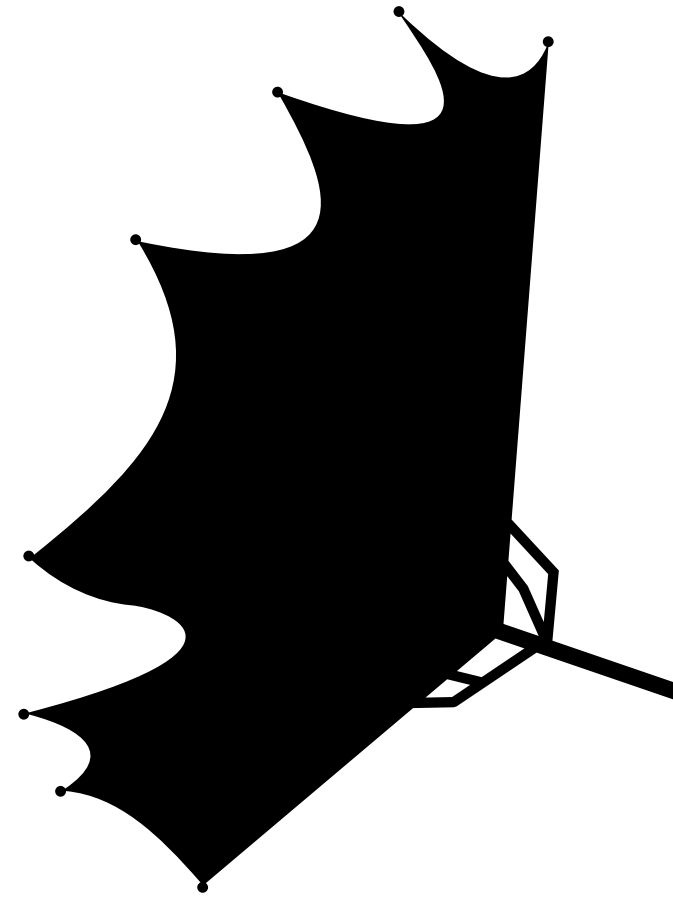
In order to retain Russia's share of China's defense market, Moscow might decide to sell still more advanced weapons systems to Beijing,

8 Chzhan Ikhun, "Russko-Kitayskogo trgovlya po oruzhiya razvivaetsya" [The Russian-Chinese Arms Trade is Developing], *Vremya Novostei*, May 27, 2003.

but such a move could provoke sharp protests from other governments. In addition, Chinese engineers might learn enough from the technology supplied to further improve the quality of their domestic production. Russian analysts cite past instances when Chinese technicians copied Russian weapons systems and, after making slight adjustments in their parameters (e.g., changing the caliber of an anti-missile system from 100 to 105 millimeters), sold them for export.<sup>8</sup> Russian defense firms already have confronted increasingly unwelcome Chinese competition in third-country arms markets, such as Egypt and Burma. In some developing countries, Russian firms have yielded much of the market to lower-cost Chinese suppliers. China's recent development of the J-10 multi-purpose fighter plane indicates that Beijing could become an even more formidable competitor in third-party markets.

An even more worrisome possibility would be the PLA's use of Russian defense technology in a future war with Taiwan, India, the US or even Russia itself. Some Russians fear that China's peaceful reunification with, or military conquest of, Taiwan would allow Beijing to redirect any expansionist ambitions against Russia's Central Asian allies or the under-populated Russian Far East. Although the possibility of a Sino-Russian military conflict presently seems remote, the fact that some of the weapons systems China is acquiring from Russia could remain operational for decades leads some Russians to fear the possibility of having their own weapons turned against them.

Despite their overlapping interests in countering US military activities in space, Russia has been very circumspect about cooperating with China's space program. On December 26, 2006, the head of the Russian Space Agency, Anatoly Perminov, acknowledged that the



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<sup>9</sup> Cited in Associated Press, "Russia-China Space Pact Won't Include Key Technology," December 26, 2006, <http://www.cnn.com/2006/TECH/space/12/26/russia.china.space.ap/index.html>.

<sup>10</sup> "Russia Speaks for Broader Space Cooperation with US-Lavrov," RIA Novosti, February 3, 2007, <http://en.rian.ru/world/20070203/60160879.html>.

Russian Federation had an established policy of not sharing advanced space technologies with China for fear of creating a formidable future competitor. According to Perminov, though the Chinese space program may lag decades behind that of Russia and the US, and still employs Soviet-era technologies, the Chinese were "quickly catching up." He said Russia would cooperate on joint projects, such as exploring the moon or supporting the International

Furthermore, Russian leaders presumably do not want to jeopardize their country's extensive collaboration with the US in civilian space activities, as well as potential opportunities for cooperating with NATO countries on certain space defense issues. Russian officials are undoubtedly aware that the recent Chinese anti-satellite test has generated efforts, especially within the US Congress, to tighten international restrictions on transfers of sensitive aerospace technologies to China. When Russian Foreign Minister Sergei Lavrov returned from a February 2007 visit to Washington, he stressed Moscow's continued interest in cooperating with the US in space exploration, including implementing some bilateral agreements that "could be linked with plans on military use of space."<sup>10</sup> At present, neither Russia nor the US appears eager to act on Chinese desires to join the consortium developing the International Space Station.

Space Station, but would not sell or otherwise transfer space-related technologies to China.<sup>9</sup> Besides concerns about preserving Russia's leading position as a provider of commercial space services, the Russian position recognizes that many aerospace technologies have a direct military application. For example, China could use imported space technologies to develop improved military reconnaissance satellites or long-range ballistic missiles. The authorities have not hesitated to punish Russian scientists (most notoriously, physicist Valentin Danilov) who have violated Moscow's export controls on space technology.

As with space weapons, Beijing and Moscow have largely failed to coordinate their mutual opposition to the US deployment of missile defense systems in North America, Europe and Asia. Both China and Russia oppose the Bush administration's efforts to construct national and regional ballistic missile defense (BMD) systems. Although the two countries explored a coordinated response to the Bush administration's initial missile defense plans, the Putin government eventually decided in 2001 to acquiesce to the US decision to withdraw from the Anti-Ballistic Missile Treaty. From 2001 to 2006, Chinese and especially Russian officials became increasingly uncomfortable with US BMD plans, but they expressed their opposition largely independently of each other. Russia sought to work with NATO on establishing a compatible European BMD architecture, but by 2006 Moscow had focused its efforts on preventing the US from deploying its BMD systems in Eastern and Central Europe.

11 “China, Russia Sign 8 Co-op Agreements,” Xinhua, November 9, 2006, [http://news.xinhuanet.com/english/2006-11/09/content\\_5311453.htm](http://news.xinhuanet.com/english/2006-11/09/content_5311453.htm).

12 “Joint Statement Between the People’s Republic of China and the Russian Federation,” April 6, 2007, <http://www.fmprc.gov.cn/eng/zxxx/t309361>.

13 “Written Interview Given by President Vladimir Putin to Chinese News Agency Xinhua,” March 20, 2006, <http://www.cdi.org/russia/johnson/2006-69-29.cfm>.

In contrast, Chinese officials concentrated their attention on the expanding US-Japanese BMD research and development program. A particular Chinese concern is that the system might eventually cover Taiwan, a development that could embolden Taiwanese separatist aspirations if it appeared to neutralize the threat of China’s growing fleet of medium-range missiles.

dwarfed by Russia’s much larger trade with the EU, which accounts for over half of Russia’s foreign trade. From China’s perspective, bilateral commerce with Russia still amounts to only some 2 percent of China’s total trade volume. In comparison, China’s annual trade with the US currently runs at \$300 billion, while its bilateral trade with EU countries amounts to

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#### TRADE TENSIONS

Between 2000 and 2005, bilateral trade between China and Russia increased by more than 30 percent annually. China is now Russia’s fourth largest trading partner after the European Union, while Russia is China’s eighth largest trade partner. In November 2006, the two governments predicted that bilateral commerce would grow to \$60 billion by 2010.<sup>11</sup>

Despite this increase, Sino-Russian commerce is uneven and surprisingly sparse. China may have become Russia’s second-largest trade partner, but its share of Russia’s foreign commerce is under 10 percent. This figure is

around \$200 billion a year. The joint statement issued at the end of the March 2007 Hu-Putin summit acknowledged that “the two sides need to continue to take coordinated and targeted measures to enhance and upgrade their economic and trade cooperation.”<sup>12</sup>

Putin and other Russian officials complain about their bilateral trade imbalance with China.<sup>13</sup> Although Russian exports to China regularly exceed Chinese exports to Russia (the figures for 2005 were \$15.9 billion and \$13.2 billion, respectively), Russia still exports primarily natural resources to China, with the exception of its military sales. These natural

14 Sergei Blagov, "Russia and China Eye Booming Bilateral Trade and Investment Ties," *Eurasia Daily Monitor*, June 20, 2006.

15 German Gref, "Russian-Chinese Relations: On Right Track," September 11, 2006, <http://en.rian.ru/analysis/20060911/53751975.html>.

16 German Gref, "Russian-Chinese Relations: On Right Track," September 11, 2006, <http://en.rian.ru/analysis/20060911/53751975.html>.

17 Yu Bin, "China's Year of Russia and the Gathering Nuclear Storm," *Comparative Connections*, vol. 8, no. 1 (April 2006), pp. 150-151.

18 "Russia to Export More Oil and Gas to China," *Xinhua*, September 22, 2006, <http://www.uofaweb.ualberta.ca/chinainstitute/nav03.cfm?nav03=50821&nav02=43661&nav01=43092>.

resource exports consist primarily of petroleum products, unprocessed wood, and other items with disturbingly volatile market prices. In turn, Russians import consumer electronics and durables, inexpensive clothing (especially shoes), and an increasing share of machinery and other equipment.<sup>14</sup> Russians widely fear becoming primarily a raw material appendage to the Chinese economic machine.

German Gref, Russia's Minister for Economic Development and Trade, echoed Putin when he called on "our Chinese friends" to "take active joint efforts" to promote more purchases of Russian machines and equipment, especially in the areas of mining, nuclear power and conventional energy production.<sup>15</sup> Gref also warned "that the increasing share of commodities in our exports to China is a potential threat to stability in our trade relations." The share of commodities and primary processed products (especially crude oil, fish and seafood, iron ore, petrochemicals and potassium fertilizers) in such exports has been approximately 85-90 percent in recent years (84.2 percent in 2004, 88.7 percent in 2005, and probably around 90 percent in 2006).<sup>16</sup> Although Putin and other Russian leaders have urged the Chinese government to adopt policies to reverse this trend, their Chinese counterparts have indicated that Russian firms need to take their own measures to make their goods more competitive.<sup>17</sup>

The fundamental problem, besides the consideration that China possesses few raw materials that Russians desire to purchase, is that the Chinese want to develop their indigenous production of machinery and other equipment rather than remain dependent on Russian and foreign suppliers. When they do buy abroad, Chinese importers have preferred to acquire their advanced civilian technologies from the West.

## ENERGY PROBLEMS

Lack of progress in the energy sector is the greatest disappointment in Chinese-Russian commerce. China's rapid economic growth during the past two decades has turned the country into one of the world's largest net importers of oil and gas. While China's ongoing industrialization is reducing the country's need to purchase Russian military technology, it is also increasing China's interest in buying Russia energy supplies – including from Russia directly (as the world's second largest oil exporter) and from Central Asian countries whose energy sectors (especially natural gas) are dominated by Russian energy firms.

Due to their proximity compared with energy supplies in the Middle East, Africa and other regions – which are vulnerable to interruption – Russian and Central Asian energy supplies have attracted considerable Chinese interest. Nevertheless, these sources currently account for only a small share of Chinese energy imports. For example, crude oil exports from Russia to China amounted to less than 13 million tons in 2005, or only 3 percent of China's total oil imports. One reason for the small volume is the lack of sufficient delivery infrastructure. The majority of crude oil (about 80 percent) exported to China from Russia is transported by railway. This method has limited capacity and is very expensive. The construction of large-diameter long-distance pipelines would provide a much more efficient way to transport oil and gas from Russia to China. For example, the percentage of Russian oil going to Asia could increase from 3 percent today to at least 30 percent by 2020. Similarly, Russian government officials expect that natural gas pipelines could allow the share of Russian natural gas shipments flowing to East Asian countries to rise from 5 percent at present to 25 percent by 2020.<sup>18</sup>

18 "Russia to Export More Oil and Gas to China," Xinhua, September 22, 2006, <http://www.uofaweb.ualberta.ca/chinainstitute/nav03.cfm?nav03=50821&nav02=43661&nav01=43092>.

19 "Russia-China Trade to Reach \$35 bln in 2007—PM Fradkov," RIA Novosti, July 11, 2007, <http://en.rian.ru/russia/20070711/68781108.html>. For a more optimistic assessment of Sino-Russian commercial ties see Nodari Simonia, "Russian East Siberia and the Far East: A Basis for Co-Operation with Northeast Asia," *Global Asia*, vol. 1, no. 1, pp. 70-79.

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*For the foreseeable future, the relationship between Beijing and Moscow will continue to be characterized by a complex mix of cooperation and competition. The two governments may pursue parallel policies in many areas, but they will continue to act independently rather than jointly.*

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Thus far, however, various conflicts and suspicions have kept Russian energy exports to China at surprisingly small levels. Most important, Russia's consistent delays in shipments, foot-dragging on the issue of pipeline construction and attempts to play the Chinese, Asian, and European markets against each other have kept China from viewing Russia as a stable long-term supplier. Moreover, Russia's unexploited oil and gas deposits are located in remote areas with challenging geophysical characteristics (for example, offshore or under frozen tundra). Russia needs considerable foreign capital and technologies to exploit these fields and upgrade its aging energy pipelines and other energy transportation infrastructure. Beijing wants Moscow to devote resources to constructing an immovable pipeline to China as proof of Russia's commitment to a long-term supply relationship. Russians appreciate, however, that their ability to attract Western capital could decline considerably if they actually build pipelines committing them to supply primarily the Chinese export market. Although Russians have been discussing constructing an oil pipeline to China for over a decade, they continue to entice Japan, Europe and even the US with offers of future energy deliveries. The Russian govern-

ment has also frequently blocked Chinese efforts to gain majority control of energy assets in Russia and Central Asia.

Russian suppliers have been more forthcoming on nuclear power. China plans to increase substantially its use of nuclear power, and could represent the largest national market for nuclear technology during the next few decades. In this area, however, Chinese officials have the extremely negative experience of Russia's construction of the Tianwan nuclear power plant in eastern China. The project has experienced considerable cost overruns and work delays. Chinese interest in purchasing additional Russian nuclear reactors has also been diminished by Moscow's reluctance to transfer extensive nuclear technology to China, whose own energy firms want to sell nuclear reactors in developing countries. As a result, American and French firms have won China's most recent tenders for the construction of nuclear reactors.

All these problems are now weighing heavily on Chinese-Russian commercial relations. On July 11, 2007, Russian Prime Minister Mikhail Fradkov estimated that aggregate bilateral trade would only expand from \$33 billion in 2006 to about \$35 billion in 2007, a much slower growth rate than in previous years.<sup>19</sup>

### COOPERATION AND COMPETITION

Chinese-Russian relations improved in several important ways during the 1990s, but how one assesses the extent and significance of these changes depends on what metric and starting point one uses. Ties between Moscow and Beijing might be said to have simply experienced a “regression toward the mean” from their excessively poor state during the 1960s, 1970s, and early 1980s.

Today, ties between Russia and China have come to resemble those one would expect between two neighboring countries sharing important interests and concerns, but differing on many other issues. Indeed, despite recent improvements, relations between China and Russia remain less harmonious than those existing between Germany and France, the US and Mexico, or Russia and India. For the foreseeable future, the relationship between Beijing and Moscow will continue to be characterized by a complex mix of cooperation and competition. The two governments may pursue parallel policies in many areas, but they will continue to act independently.

Thus far, the limited Sino-Russian reconciliation has not threatened other Asian governments. For example, Central Asian states enjoy more room to maneuver now that China shares influence with Russia in the region. Russian arms sales to China have weakened Taiwan’s security somewhat, but the Taiwanese may have hurt their own defensive position by unilaterally curbing their defense spending. Although several Asian (and European) countries seek Russian energy supplies, thus far Moscow has not privileged Chinese consumers in this competition.

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