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in common boat’ – an overview of Sino-Russian
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The Dragon and the Bear ‘facing a storm in common boat’ – an overview of Sino-Russian relationship

This paper will provide an overview of People's Republic of China's and Russian Federation's (Sino-Russian) relationship. Since the dawn of normalization in Sino-Russian, at the time still Soviet Union, relations in 1989 the development have been fast, but not always smooth. The movement from mutual distrust toward friendly relationships and eventually to the proclaimed strategic partnership in less than two decades has raised alarm and interest among some Western observers. This development can also be seen a realization of a commonly used Chinese expression “facing a storm in common boat”. The expression describes a historical situation in traditional China where rivaling Wu and Yue Kingdoms hated and distrusted each other, but due to hostile circumstances had to forget their rivalry and join forces.

In this respect Russia and China relations remind of Wu and Yue Kingdoms. China and Russia, the two biggest countries, of the Euro-Asian continent have shared a fluctuating history, uneasy neighboring relations, just like Wu and Yue. China and Russia, a growing regional power with high ambitions and a previous superpower who wanted to regain its position, found in early 1990's themselves in a common boat and on rocky and increasingly turbulent international waters. In a very fast manner they solved historical obstacles and forgot mutual problems, made big statements about friendship and mutual strategic partnership, and consolidated policies of resisting the US hegemonism. But, like Wu and Yue, they felt a bit uneasy about each other, and therefore their relationship is also full of ritual-like gestures and increasing bilateral trade. In this paper I *will provide an overview of the bilateral political and economic relations and the challenges in these relations*. This will be followed by a discussion of the testing ground of Sino-Russian strategic relationship – “the New Big Game” – taking place in Central Asia.

The uneasy historical Sino-Russian relations

China and Russia share a long history that can be characterized as velocity of enmity and varying degree of friendship. The last ten years they have experienced a ‘strategic partnership’ relations based on “equality, mutual confidence and mutual co-ordination”. However, due to historical and contemporary reasons the relationship is not as smooth as Beijing and Moscow would like it to be or are claiming.

Imperial Russia and China

The Czarist Russia was the first country that signed modern diplomatic ties with the Imperial China. This took place in Nerchinsk in 1689. This treaty has two important aspects that have influenced the relations even in 21st century. Firstly, it was the first diplomatic agreement in which the Imperial Chinese government signed a treaty with foreign state based on equal sovereignty. This was a major departure from the traditional practice where the Chinese treated all foreign relations, like with Japan, Vietnam, Holland, Spain or Portugal, through a tributary practice. In the tributary practice China expected all foreign kingdoms or countries to admit the superiority of the Middle Kingdom by paying respect to the Chinese Emperor. All these relations were handled by the Ministry of Rituals. The Czarist Russia got a different treatment as the relations with Russia were handled in a special bureau, Li Fayuan. This bureau dealt specially with diplomatic issues with the potentially strong and dangerous Mongols. This special treatment, as a matter of fact, reflects that the Chinese understood that the long land frontier in north needed different kind of treatment than the sea-born relations with Westerners in the southeast. This shows Chinese historical pragmatic approach to its northern neighbor. (Li 2007, Fairbank 1992)

The Nerchinsk treaty has also had another longstanding affect on modern and contemporary history of China. The treaty nailed the border line of the two countries roughly at the same place where it is today. The treaty also gave Russians special rights to send diplomatic caravans once a year to China. Eventually, the Russians along other Western powers took advantage of the declining Qing-dynasty and forced China to series of unequal treaties. Russia also cut of roughly 1.5 million square kilometers of Chinese territories. (Li 2007, Fairbank 1992)

Sino-Soviet relation 1949-1989

The establishment of Soviet State was a great source of inspiration for the Chinese Communists, despite their Russian counterpart under Stalin was betting on two horses in China – namely they provided help for both fighting parties, the Nationalists and Communists, in China. After the establishment of the People's Republic of China the Beijing government received considerable help from their Russian comrades. All in all 166 Soviet aided projects were build in China. Roughly 12 000 Soviet and Eastern European specialist were helping the Chinese to build industrial infrastructure. It was fashionable to “be soviet and modern”. However, the “eternal, unbreakable and invincible” Moscow-Beijing Axis began to deteriorate in late 1950's. It began with

ideological disputes and culminated in border clashes. Eventually, all Russian specialists left the country. This ideological hostility and tension at the border lasted until Gorbatshev came to power. (Fairbank 1992)

Noramization of the ties (1989-1992)

Mikhail Gorbatshev visited Beijing in May 1989. His visit opened a new page in Sino-Russian relations. In his speech, Gorbatshev, referred to spring as a season of hope and renewal and his open approach to sensitive issues, like taking up the unsolved border issues with China was received positively by the Chinese leaders. For the Chinese the unsolved border disputes was a major obstacle in Sino-Russian relations. The Chinese had managed through resolute negotiations in early 1980's to solve the Hong Kong question with the Great Britain that belonged to rivaling ideological camp. The agreement on the hand over of Hong Kong was signed in 1984 in Beijing. Consequently, the open approach of Gorbatshev on the border issue was received very favorably by the Chinese leaders. At the end of the visit China and Russia signed an 18 point common announcement that demanded for more open, direct and active discussion between the leaders of two countries. It also contained a number of common security concerns of the two countries. (*Renmin ribao*, 16/5/1989, Li 2007)

During Gorbatshev's visit students were already demonstrating in Beijing. The streets of Beijing were echoing Gorbatshev's 'glasnost' and 'perestroika'. The students were openly demanding the Chinese leaders to begin similar reform in China. For them the visit of Gorbatshev was very encouraging. Eventually, the hope was soon suffocated as the spring turned into early summer in China. (Spence 1990)

After 1989 visit the economic, political, science, cultural and educational relationship between these two countries began to revival. The autumn witnessed a number of official delegations visiting each others countries. Likewise, both countries did send their ruling communist party members to visit each other. (Li 2007)

During the Li Peng's visit to Soviet Union in 1990, his first visit back to his *alma matter* country in 26 years China and Soviet signed a number of important agreements, such as "Sino-Soviet agreement on peaceful utilization and research co-operation of space technology", which provided an essential stepping stone for China to develop further its own space industry, which culminated in the first Taikonaut flight to space in October 2003. (Qian 2004)

The revival honeymoon between Soviet Union and China was short. Only roughly three months after president Jiang Zemin's visit in May 1991 to Moscow Gorbatshev was set aside and Yeltsin came to power. In 29th of December China and Russia decided to continue their relationships based on international laws and the Sino-Soviet agreements. From China's point of view this was extremely important; especially that Russia did not provide any support for Taiwan. (Li 2007, Qian 2004)

As soon as Yeltsin came to power his short honeymoon with West began and he visited several Western powers in spring 1992. At the time he did not have any time to spend with China. However, in July 1992 Yeltsin was ready to "resolutely march toward Orient" to establish closer relationships with its Eastern neighbors. In November Yeltsin said to Qian Qishen, the head of Chinese Foreign Ministry, that Russia had gained a lot of new ideas on international relations and is ready to admit that China is a great nation that Russia should study. This was a clear signal for China – the honeymoon between Russia and West was losing momentum. (Qian 2004)

Apparently as the geo-strategic chess-board in Eastern part of Europe was becoming increasingly unfavorable for Russia as most of its previous satellite states and even the Baltic states expressed their interest to join the Western community, even NATO, and to distance themselves from Russia. As the NATO and EU expanded to the Russian Western border it became important for Russia to stabilize and develop the relations with the biggest neighbor of Russia - China. This geo-strategic shift in the Western parts of Russia was the biggest external push encouraging Russia to solve the historical unstabilizing factors with China. (Cheng 2006)

Yeltsin made his first visit to China in December 1992. During this first visit Moscow and China found out that they had parallel problems – the USA was gaining momentum in international affairs both in Europe and in Asia as well. However, at this stage China and Russia were still too far away from each other and had too many historical and practical problems hindering a closer partnership. They made a joint declaration, stating that all countries may have their own paths of development and that the bilateral relations should not be hampered by ideology. Both countries were determined to reach agreement over a number of practical issues ranging from regulating regional trade, governing cross border truck-traffic, scientific co-operation, space technology, and strengthening the Moscow-Beijing sister cities activities. The agreement on

regulating military troops, practices and communication at the border was one of the most important agreements enhancing mutual trust. This visit can be seen as a careful mutual learning process, where the potential future players got their first feelings of each others. (Li 2007)

Movement toward closer ties (1993-1996)

In early 1990's China understood that Russia was losing ground in Europe to USA and that Russia's economy was deteriorating hastily. Russia was literally getting on its knees. However, at the same time China was under heavy international pressure as well. The first Gulf War had exposed that the technological level of China's People's Liberation Army (PLA) was lagging far behind the requirements of modern warfare. Chinese war technology was mainly based on Soviet technology from late 1950's. Also the war doctrine of China was outdated. However, due to the Tiananmen suppression in 1989 all Western powers had made complete restrictions of selling any military technology to China. (Li 2007)

The first Gulf War also changed China's attitude to security issues dramatically. As it studied the Gulf War and the superiority of USA high-tech warfare it became even more highly alarmed of the presence of USA troops in Korea, Japan and Philippines, likewise the patrolling US Navy in Asia. In order to strengthen its security China had only one option left – closer co-operation with Russia.

The visit by Jiang Zemin to Russia in October 1994 marked the formulation of closer partnership relations between the two countries. This was, due to Jiang Zemin, possible due to the fast development of Sino-Russian relationship during the early 1990's. China and Russia were increasingly aware of being in the same boat, whilst the storm was gathering. Consequently, they were both willing to proceed to solve the biggest historical obstacle in their bilateral relations – the border issue. (Qian 2004)

Hence, the main purpose of the visit was to continue the constructive discussions on solving the border issue. Eventually, the two countries signed the Agreement on the Demarcation of the West Section of the National border during the meeting. During the meeting Yeltsin and Jiang also made other security related agreements, which strengthened the trust between two countries. These agreements dealt with the co-operation of customs officials and more importantly, they also made an agreement on not to aim any nuclear weapons on each other and practices of controlling this

agreement. The same year both parties reached an agreement of demilitarizing their border regions. This demilitarization of the Sino-Russian border had an important strategic reason behind it – now China could reposition these troops closer to the Taiwan Strait. These agreements were the essential in paving the way toward the strategic partnership. (Renmin Ribao 3&4/10/1994)

At this stage we can conclude that during the first half of 1990s there existed several practices and principles that supported the movement toward a strategic partnership. Firstly, there had emerged enough trust between the countries that had enabled them to solve difficult border and security issues in a constructive manner. Secondly, both countries acknowledged the different paths of modernization and understood the potential economic and political prospects ahead. Thirdly, there were two important geopolitical changes taking place that drove China and Russia closer to each other. The previous Eastern European countries had turned their back to Russia and were actively getting closer to EU and NATO; hence it became essential for Russia to secure its borders in the East. China was simultaneously facing alone the growing US presence at the Pacific whilst it needed to upgrade fast its military capability, and Russia was a natural solution for both questions. (Person 2006)

The actual basis for the improving relations began when Gorbatshev was ready to talk with Beijing over a set of unsolved border issues. China and Soviet union eventually signed agreements on disputed border regions in 1991 and 1994 covering 98% of the total over 7000 km common border. It took more than ten years to solve the remaining 2% of the border; basically it was a question of three islands at the Amur River. The historically and politically hampering issue was completely solved in 2005 when both countries ratified the border agreement. Today, China and Russia have roughly 4300 km of common border. (Zuo 2006)

A turn to Strategic Partnership 1996 – 1999

Right before his second visit to China in May 1996 Yeltsin's informed that due to the challenges of global development in the 21st century Sino-Russian relationship should change from "constructive partnership" into "strategic co-ordinated partnership relation", marking a clear shift of importance in the bilateral relations.² In their common declaration they promised to carry out extensive co-ordination in international strategic issues and carry out straight forward co-operation in their bilateral relations. China

received also strong support on Tibet and Taiwan question. Both countries promised to deepen their military exchange and military high-tech co-operation. (Zhong 2001)

The military and security issues were also on of the main reasons in the “Shanghai Five Group” meeting arranged in April 1996, Shanghai. During this so called ‘Shanghai Five Group’ meeting the heads of states of Kazakhstan, the People's Republic of China, Kyrgyzstan, Russia and Tajikistan signed the Treaty on Deepening Military Trust in Border Regions. The Shanghai Five Group summits occurred on yearly basis until 2001, when the name of the organization changed into Shanghai Co-operation Organization (SCO). At this stage it also included Uzbekistan. (<http://www.sectSCO.org/html/00030.html>)

In the late 1990s the international accelerating dominance of USA drove China and Russia even closer each other and lead to a common important declaration of “Joint Statement on World Multipolarization and Establishment of a New International Order” during Jiang Zemin’s Moscow visit in April 1997. This declaration is not a defence pack, but rather a principal declaration for deepening the strategic partnership. The declaration also included agreement on furthering intelligence and strategic co-operation on global scale. The statement formed the base for Sino-Russian strategic partnership. (Li 2007, Qian 2001)

Yeltsin and Jiang met further three times before Yeltsin retired in December 1999. In their subsequent meetings the both leaders repeatedly condemned strongly the unipolar world system and any form of interventionism. As Yeltsin stated in 1999: “There exist countries that like to enforce on us a unipolar world system ... but we are prepared to build a multipolar world, the world should have a new world order that is based on multipolarity”. In their common statement “All countries, large or small, strong or weak, rich or poor, are equal members of the international community. No country should seek hegemony, engage in power politics or monopolize international affairs” did not name any particular country, but it is more than apparent that the words were directed directly toward the USA. These strong words were said as the USA air force was bombing Yugoslavia. (Li 2007, Person 2006)

The worsening circumstances in Yugoslavia, Western interventionism and eventually NATO bombings of Yugoslavia were strongly condemned by Russia. China, the strategic partner of Russia, took the whole event much more calmly until the US missile

hit the Chinese Embassy in Belgrade in May 1999 outraging China and eventually threw China and Russia even closer each other. (Person 2006)

Beside of these geo-strategic concerns and announcements China and Russia continued in late 1990's to solve practical issues that were hindering the bilateral trade and co-operation. They concluded a number of agreements at various levels and sectors, like in insurance and banking sector and intellectual property rights. (Li 2007, Zuo 2006)

Era of Putin, Jiang and Hu (2000-)

As President Yeltsin retired in December 1999 and Putin came to power, he saw it important to continue the constructive foreign policy with China. In January 18, 2000 Putin stated to the visiting Chinese military officials, that Russia will continue the policy set by Yeltsin and Jiang Zemin in 1997. As soon as Putin was elected as president of Russia Jiang Zemin made a hot-line telephone call and congratulated Putin on the 27th of March, as was stated in the following day in the official *People's Daily* newspaper (*Renmin ribao*, 2000/03/28). They both agreed to deepen the strategic partnership, to strive for a multipolar world order and to resist unipolarism. (Li 2007)

As the two leaders met in "Shanghai Five Group" summit held in Dushanbe, capital of Tajikistan, in 5th of July 2000 they both continued to emphasize the strategic partnership between the two countries. Putin stated that there existed several common ground principles between the partners. Firstly, both countries promote and will work for multipolar world order as an option for the unipolar hegemonism represented by the U.S. Secondly, it is in the benefit of both countries to deepen their economic and cultural exchange. Thirdly, Putin stated that Russia's location, being partly in Europe and partly in Asia, demands a balanced foreign policy of Russia. Fourth, and last commonly shared strive of both countries is to develop a peaceful world. To the great appeasement of China, Putin expressed very flattering words of China and Chinese people, by stating that he had "a very special and close feeling of the Chinese people" (Li 2007, Person 2006)

In mid-June 2000 the Shanghai Five Group summit made an important resolution concerning the regional security. The aim of this resolution was in particular to resist separatism, religious extremism and terrorism in the region. This resolution was an

important victory for China, as it has been trying to suppress Uighur movement in its most Western Xinjiang province. (Person 2006)

From this Shanghai Five Group summit emerged in 2001 an important regional organization the Shanghai Co-operation Organization (SCO). It is a permanent intergovernmental international organization that was established in 15 June 2001 in Shanghai. The initiative and the idea of the SCO came from Russia and China. It has six permanent members; the Republic of Kazakhstan, the People's Republic of China, the Kyrgyz Republic, the Russian Federation, the Republic of Tajikistan and the Republic of Uzbekistan. According to the official website the SCO has following main goals: "The main goals of the SCO are strengthening mutual confidence and good-neighborly relations among the member countries; promoting their effective cooperation in politics, trade and economy, science and technology, culture as well as education, energy, transportation, tourism, environmental protection and other fields; making joint efforts to maintain and ensure peace, security and stability in the region, to move towards the establishment of a new, democratic, just and rational political and economic international order." This SCO has become increasingly important political platform in the region where a number of bi- and multilateral political, economic, energy and security issues are discussed and decided. Both China and Russia are systematically building the Central Asian countries into the SCO system, thus attempting to contain the USA influence in the region. (<http://www.sectSCO.org/html/00026.html>)

Putin became the second president of Russian Republic to visit China. The visit was arranged only four months after Putin was elected into power. During this July, 2000, visit the Chinese and Russians signed an important declaration, "The Sino-Russian Beijing Declaration", that was said to be the principal guiding line for the strategic partnership between the two countries in the 21st century. Beside of the official rhetoric of friendship and mutual respect the declaration also emphasizes "the promotion of a multi-polarized world and the building of a just and fair new international order". They also set the guiding principles of regular-meeting system between the two countries. This was seen as an important step toward actual realization of different policies set by the highest top. In particular they mentioned to boost the development of economic, trade, science and technology cooperation, and to enhance military-related technology, energy (including oil and gas industry), transportation, nuclear industry, aviation and aerospace, and banking industries' development. (Qian 2004, Li 2007)

The terrorist attacks on the US on September the 11th are an interesting case to study the Sino-Russia strategic partnership. In his reaction to the 9/11 events Putin was very fast to offer his help to the US president's, Bush Jr, war on terrorism. Naturally, Putin hoped that Bush would in a reciprocal manner support Russia on its own war in Chechnya. However, Putin began his poker-game with Washington. He accepted without any greater objections the USA military presence in Central Asia and US military advisors work in Caucasus at the same time as NATO enlarged into former Soviet states. In return Russia hoped that it would have been accepted as an equal member into Western international community and getting strong support for Russia's WTO membership application. (Person 2006)

China expressed also its quick support to Washington on the terrorist attacks. As soon as it became clear that extremist Muslims were responsible for the attack in the USA China began a backstage diplomatic trading with the US government. China promised a wider support for the US government on war on terrorism, if the US government listed Uighur movements on the terrorist group list. In this way China got international legitimization for its own fight against Muslim separatists in Western parts of China. From China's point of view the appearance of US troops into Central Asia was extremely alarming as it was facing now an overwhelming US navy and air force in Eastern coast and superior and active US air force in Western borders. (Person 2006)

When the new Chinese leader Hu Jintao was chosen to be the new Chinese leader he made his first visit abroad to Russia in 2003 expressing the close relationship between China and Russia. Both China and Russia were together with France and Germany strongly opposing the USA military action against Iraq in early 2003. This strong opposition led to a rapid deterioration in US relations, but at the same time pushed China and Russia closer to each other.

In recent years the two leaders have meet frequently and no signs of conflict or misunderstanding have been expressed. The surface of Sino-Russian Strategic relationship is shining. However, when we look in topics, such as trade, energy investments and regional interests in Central Asia we can see ruptures in the Sino-Russian relations.

Trade between Russia and China

Since the Sino-Soviet/Russian ties were normalized in 1989 the bilateral trade between Russia and China has been developing with accelerating speed, slowly in 1990's and then fast since 2000. Year 1993 saw a record level of bilateral trade reaching 7.67 billion USD level. However, the following year it dropped dramatically down to 5.08 billion USD. Since then it stayed for years at 5-6 billion USD level. In 1996 the foreign ministers of China and Russia claimed that by 2000 the bilateral trade will reach 20 billion USD. The bilateral trade year 2000 reached merely 8 billion USD. (Zuo 2006)

However, several observers in 1990's were sure that these two economies were complementary to each other and the bilateral trade would develop dramatically. The logic behind this reasoning was simple; Russia needed consumer goods China could produce and China needed heavy industry and raw materials Russia could provide. As we can see from this table "Sino-Russian trade: the mutual excitement of strategic partnership" drafted by Qin Xuanren in 1997 there were actual reason for optimism.

Product	Conditions in China	Conditions in Russia
Energy industry equipment	Lack of, in great need	Relatively strong in nuclear and heat power stations, pipeline infrastructure
Energy sources	Lot of coal, lack of oil and natural gas, unexplored potential	Rich in oil and natural gas, Far East lack of coal, management of exploration not so strong
Mineral fertilizer	Great need	Have potential to supply, exports 80% of total production
Light metal	Exist some	Plenty of, exports 70% of total production
Bioengineering	Have strength in broad field	Is market, have a certain base, not so advanced
Light clothing machinery	Traditionally strong, international standard	Have a base knowledge, not advanced, great market
Military technology	Not so advanced, not comprehensive, there is a need	Have strength, relatively advanced, can supply
Aviation, space industry	Have a certain strength, some of it weak	Have strength, relatively advanced
Machinery building	Have a some basic knowledge, great need	Very strong knowledge, relatively advanced, design relatively bad, after sales service need improvement
Medicine industry	Ability to produce medical products relatively strong	Not so good medical products
Chemical industry	Lack of some chemical products, market	Chemical industry and products comprehensive
Food industry and machinery	Can supply, very fast advance in food industry machinery	Great need of, food industry machinery backward, market
Forestry and machinery	Lack of, exist a market	Rich of raw material, can supply

Source: Qin Xuanren "Zhong E maoyi; shuangbian zhanlue xiezuohuoban guanxi qidong", Guoji maoyi, 1997/2 (Cited in Li 445, 2007)

Already in 1990s there was a great potential on both sides, but the bilateral trade was slow to grow and it was only in 2004 when the bilateral trade surpassed the 20 billion USD line (it was 21 billion USD). The main reason for this development has been the development of Russian economy. As the Russian economy took a strong turn for the better the bilateral trade between Russia and China has surpassed 30% on yearly bases. In 2005 the bilateral trade was almost 30 billion USD, including \$15.9 billion of Russian exports and \$13.2 billion of Chinese exports. (Zuo 2006, Gref 2006)

Neighboring regions are benefiting most from the border trade. In 2005 trade between Heilongjiang and Russia reached \$5.68 billion, accounting for nearly 20% of China's total. According to the vice-governor of Heilongjiang province, Wang Limin, the value of cross border trade is estimated to jump up to 14 billion USD by 2010. The Zabaikalsk-Manchuria international border-crossing point in the Chita region is the most crucial crossing point in Sino-Russian trade, where more than 60% of total cross-border trade is conducted. (http://www.jamestown.org/edm/article.php?article_id=2371197)

Meanwhile, Russian officials have constantly criticized of the growing structural imbalance in trade between the two countries. China exports to Russia refined light industrial products, home appliances, textiles, but also machinery, cars and other infrastructure. China imports from Russia mainly raw materials. Oil and oil products amount to roughly 50% of Russian exports to China (2005). Furthermore, the unprocessed wood makes up 25% of Russian exports to China (2005). The share of Russian mechanical and electric exports to China (share of total imports from Russia) fell from 28, 8% in 2001 to 1, and 5% in 2006. At the same time Russian exports of pulp, logs, chemical fertilizers, fish, sea food, and mineral products jumped from 84 % in 2004 to 90 % in the first eight months of 2006.

(www.atimes.com/atimes/China_Business/IC21Cb02.html)

One clear example of this is the emerging Chinese car exports to Russia. Before 2005 there were basically no exports of Chinese cars to Russia. In 2007 more than 120,000 vehicles are expected to roll-in to Russia. According to official figures, Chery's sales grew by 580% in the first eight months of 2007, to 24,000. As a matter of fact, Chery sold better than Honda or Volkswagen in 2007. Other foreign brands grew by an average 66%. "Russia is one of the most promising markets for Great Wall," Shang Yugui, a spokesman for the company, said this week. (<http://english.chinatruck.org/-2007/oct/02001.html>; <http://www.kaliningrad.ru/news/economy/k282701.html>)

This structural imbalance in trade has become one of the key issues when the top leaders meet each other. The Russian leaders complain to the Chinese that China should import more refined Russian products. However, there is very little political leveraging power to use as in both countries companies is not willing to buy products that do not satisfy their needs.

Russian products and capability to produce high-standard products in due time for the civilian sector is not enjoying high reputation in China. For instance, China ordered five TU-204 passenger planes in 1999 to be delivered. Eventually, China got the first one much delayed in 2006, and no clear promises when the second plane would be ready. The largest Sino-Russian joint project, the Tianwan Nuclear Power Station, should be the vanguard of Russian high-tech and know-how. However, the project have been delayed for more than 50 months due to Russian equipment failure, performance breakdowns and time lags in getting replacing mechanical and electronic parts from Russia. However, the Chinese have also proven to be tricky and untrustable. The Chinese promised the Russians that they can provide the vital turbines for the Three Gorges dam, but they accepted ABB without even providing any explanation for the Russians. (Zuo 2006, Jian 2007)

Investments

Both governments have promoted bilateral investments. Especially Chinese companies have been active in investing into Russia. According to statistics from China's Ministry of Commerce, Chinese companies have opened more than 700 projects in Russia and invested 1 billion USD in these projects by 2005. During the first half of 2006 the figure had jumped up to 1, 34 billion USD. By the first half of 2006, the Russian companies had made contracted investments into China by 1, 52 billion USD of which 0, 57 billion USD have been realized. (Gref 2006, Zuo 2006)

Chinese companies mull investments not only in Siberia and the Far East, but also in other Russian regions. Chinese companies invest in communication sector (like Huawei), timber industry (mainly in Siberia), commercial real estate, agriculture, power generating facilities and mineral resources. The biggest real-estate investment is the Baltic Pearl investment in St. Petersburg. The Baltic Pearl community project will cost more than 1 billion USD. It is a joint project of seven Shanghai based firms. The Baltic Pearl faced also local resistance and it is labeled as "China town". One of the

successful strategic investments is PetroChina Co. Ltd purchase of 3, 5 billion USD stocks from Udmurtneft. (Yu et.al. 2007)

There have been a lot of expectations of Chinese car industry's investments into Russia. Chinese automaker Chery Automobile have established a factory in Kaliningrad and is expected to produce up to 80,000 vehicles a year for the Russian market starting in 2008. However, the Russian Economic Development and Trade Commission have issued a new policy that forbids foreign carmakers from building new plants. (<http://english.chinatruck.org/2007/oct/02001.html>)

As a matter of fact this new policy has affected so far only Chinese car manufacturers, not Western nor Japanese car manufacturers. Seven Chinese car companies have so far applied for manufacturing licenses in Russia but only one of them, Chery Automobile, has been granted approval. Despite of this policy American, European, Japanese and South Korean rivals have got the go-ahead. The Great Wall, another Chinese car manufacturer announced its intention of to invest \$40m in a plant in the region of Tatarstan in 2005. It still in the process of negotiation with the authorities. However, it is likely that the new policy will force it to leave the country, as it is uncertain whether the Chery is able to stay in the country, as there are reports that Russian carmakers are lobbying for Chery's license to be revoked. (<http://english.chinatruck.org/2007/oct/02001.html>)

Car industry is an example where the strategic partnership between China and Russia faces domestic protectionist measures. The most likely reason behind this protectionist policy is to protect indigenous manufacturers as Chinese producers compete with them head-to-head in price and the Chinese cars being of better quality. These kinds of policies will for certain not improve the mutual trust and friendly atmosphere. (<http://english.chinatruck.org/2007/oct/02001.html>)

Energy

China and Russia began their cooperation in the field of energy in the middle of the 1990s. There has been progress in the energy cooperation, but it has had its ups and downs. As China's growth continues it needs greater amounts of energy. China's external oil dependence rate reached 43 % in 2005 and it is increasing rapidly as there is very limited potential to expand domestic production. China is second after the US for oil imports and consumption. According to International Energy Agency, the

estimated total import of oil to China will reach 150 million tons by 2010. (Yu 2007, Li 2007)

Furthermore, more than 80% of China's oil imports are transported by sea through the narrow Malaccan Strait, making its energy supply very vulnerable. China has to carry out two simultaneous processes in order to secure its future energy supply; it needs to increase and diversify the sources of supply and secure its transportation to China.

Russia is the fourth biggest oil-exporter to China. China imported 12 million tons of oil from Russia in 2005, and the figure for the first seven months of 2007 is 8, 3 million tons. All of this was transported by train as there is not yet any pipeline between the countries. As a matter of fact, all hydrocarbons sold from Russia to Asian markets are transported by rail or sea. The rail transportation has been one of the major bottlenecks in the Sino-Russian energy trade. The role of Asian energy market to Russia is changing the picture. (Kotikov 2005)

As over 90% of Russia's oil exports go to Europe Russia wants to diversify the geographic risks of its oil export. It has shown signals of shifting its energy exporting structure by paying more attention to the Asian market. The increasing demand of energy at Asian markets and particularly in China has driven Russian interest toward East. In the *Russian energy Strategy to 2020* (2002) stated that the increasing demand in Asia "is promoting energy industry turn toward Asian markets". The document particularly states that China, Japan and India are major players in the region and are therefore targets for Russian energy products, such as oil, gas and nuclear energy. (<http://www.farial.ru/press/cw/n2001-3/strateg.shtml>; <http://www.nice.nnov.ru/Ru/dbs/document/noadopt1.htm>;))

Asian energy market is one key component in Russia's energy strategy in the future. Russia aims at becoming even more important player in the global energy market. Now Russia's annual output of crude oil is 10 % and natural gas around 30% of the total world's output (2006). Based on the plan set by the Russian government the output of crude oil will increase up to 15% and natural gas 35% by 2015. Here below a table of the Russian energy strategy to 2020.

Energy source/year	2005	2020
Oil (million metric tons)	470	510
Natural gas (billion cubic meters)	627	700
Coal (million metric tons)	222	430
Nuclear power (million kilowatts)	145	340
Hydropower (million kilowatts)	176	200

Source: Key World Energy Statistics 2006; International Energy Agency (www.iea.org/Textbase/nppdf/free/2006/Key2006.pdf); A.A. Троицкий, "Об энергетической стратегии России на период до 2020 года" (<http://www.farial.ru/press/cw/n2001-3/strateg.shtml>)

China has shown great interest in investing in the rapidly developing Russian energy industry. Their investments have been directed to the whole chain of the hydrocarbons covering the exploration, refining and transportation. However, so far the Russians have been very reluctant to open their energy industry for foreign bidders and control. This has been the case with the Chinese as well with surprising twists and turns. (Zuo 2006, Yu 2007)

More indicative of Russia's deepening energy relations with China are the circumstances surrounding the renationalization of Russian oil major Yukos. In 1990's and early 2000 Yukos had the monopoly exporting oil to China. Yuganskneftegaz was Yukos primary production unit and Russia's second largest oil producer when Russia's government effectively seized Yuganskneftegaz and renationalized Yukos in late 2004. Eventually and surprisingly Russia's state-owned oil company, Rosneft, acquired Yuganskneftegaz for \$9.3 billion. The Chinese National Petroleum Corporation (CNPC) had shown interest in taking part in the bidding process and consequently in December 2004, Russia's Industry and Energy Minister Viktor Khristenko offered the CNPC a 20% stake in Yuganskneftegaz. In February 2005, Russian Finance Minister Alexei Kudrin exposed that there were Chinese money, 6 billion USD, behind the Rosneft's acquisition of Yuganskneftegaz. This financing was secured by long-term oil delivery contracts between Rosneft and the CNPC. (<http://www.atimes.com/atimes/China/GF04Ad07.html>, Yu 2007)

However, in March 2005, a new restructuring took place: Russian authorities approved a merger between state-owned gas company Gazprom and Rosneft. In this merger Yuganskneftegaz remained a separate state-owned company, thus cutting off the

Chinese influence in the new giantic Russian energy company. (<http://www.atimes.com/atimes/China/GF04Ad07.html>)

Russia has also shown other protectionist measures in energy investments. In December 2005 PetroChina Ltd bided for the ownership of the Slavic Petroleum Co, in one of the biggest privatization programs in Russia in recent years. However, the process was halted by Russian State Duma. The decision was based on emergency resolution. (<http://www.atimes.com/atimes/China/GF04Ad07.html>)

As mentioned, the transportation of hydrocarbonic products from Russia to China takes place on rail. Naturally the rail transportation is more expensive than pipeline or using tankers. However, sea transport is not possible as there is no pipeline from the Siberian oil or gas fields to the Pacific. In addition, the different width of rails between Russia and China makes the rail transportation even more slow and expensive. The Chinese have constantly taken up in the discussions with the Russians the building of a pipeline from Russia to China for more than a decade. The talks have been manifested in a serie of promises, plans and even contracts. The tangible reluctance of the Russians to proceed with the various plans and sudden changes in the promised plans of building the pipelines have tested the nerves of Chinese counterparts. The case of the Angarsk-Daqing pipeline is the most clearest example that puts questionmarks behind the Sino-Russian strategic partnership announcement. (<http://www.atimes.com/atimes/China/GF04Ad07.html>, Yu 2007)

In July 2000 Putin and Jiang made a principal decision that both parties will proceed with the oil pipeline plan from Siberian Angarsk to Daqing, North Eastern China. During the following year PetroChina Ltd, Yukos and Petroleum Transport Co of Russia signed a framework agreemtn on the building of 2400 km long Angarsk-Daqing oil pipeline. The project would have been finished by 2005. (Yu 2007)

As the construction began from Angarsk the Russians began to discuss nother option for the pipeline – to run it from Angarsk to Nakhodka, harbour close to Vladivostok (the Angarsk-Nakhodka pipeline), rather than running into China. As soon as the discussion began in 2002 the Japanese rushed to Moscow and lobbied for the Nakhodka sollutions. The Chinese on the other hand, lobbied for the original pipeline plan. Eventually to the great disapointment of Chinese Japan won as it offered to finance the entire construction project, the cost of which is estimated to exceed \$10 billion. In

addition, this naturally provides the Russians complete control over the oil flow from Siberia to the Pacific shore. The Angarsk to Nakhodka pipeline passes closest only some 60 km from the Chinese border. (<http://www.atimes.com/atimes/China/GF04Ad07.html>, Yu 2007, Zuo 2006)

Eventually, in order to please the Chinese Russia made additional promises in 2003 and 2004 to build an extension from Angarsk-Nakhodka pipeline into China. However, it took additional year before Russia agreed on the construction of an extension of the pipeline from Skovorodino to China, which will be the first Far Eastern pipeline uniting Chinese markets with Russian oil-fields. The pipeline will begin to transport 80 million tons of oil annually to China in 2008.

Military cooperation

In providing an overview of Sino-Russian relations cannot avoid of mentioning the military cooperation between the two countries. Here is merely touched the issue and brought forward issues that might not be known among the wider audience.

The Chinese and Russian military have also held two joint war games. The first war game, called "Peace Mission 2005", was held in Shangdong peninsula, China, and included more than 10 000 soldiers from all military fields. The second joint military drill was held near Ural mountains in 2007 having 6000 soldiers mainly from Russia and China, but also some soldiers from Central Asian States. This drill also included Russian strategic bombers which ranged far over the Atlantic, Pacific and Arctic Seas, first time since the early 1990's. (<http://www.livemint.com/2007/08/18043723/Putin-announces-resumption-of.html>)

The joint military exercises complement a rapidly growing arms trade between Moscow and Beijing. China is Russia's largest buyer of military equipment. In 2004, China was reported to have signed deals worth more than \$2 billion for Russian arms. These included naval ships and submarines, missile systems and aircraft. According to the head of Russia's armed forces, Anatoliy Kvashnin, "our defense industrial complex is working for this country [China], supplying the latest models of arms and military equipment, which the Russian army does not have". (<http://www.atimes.com/atimes/China/GF04Ad07.html>)

Tecnological cooperation in the aviation, space and military aviation have brought China into the forefront of other super powers. China have managed with the essential help provided by Russians to send a Taikonaut into space. It has also managed to shoot down a satellite, a test tht caused international alarm. Furthermore, it has managed after roughly 30 years of development work, to produce own high performing Jet fighter. (<http://archive.newsmax.com/archives/articles/2002/11/7/161236.shtml>; <http://www.iht.com/articles/2007/02/08/news/fighter.php>, <http://news.bbc.co.uk/2/hi/asia-pacific/6289519.stm>)

The biggest PR-campaign in Sino-Russian relation

From a political point of view, external factors have been the major driving force uniting the interests of China and Russia. The relationship have been characterized with a constant flow of high profile meetings and declarations after another whilst other cooperation and other forms of exchange have been limited. Also citizens of both side have still a lot of doubt about each other which can hinder the cooperation between the parites, as was in the case when the governor of Khabarovskiy krai, Viktor Ishayev, strongly opposed the border settlements with China.

In a way the one could state that the strategic relationship is exposed to outside as strong, but at closer analysis of it exposes that it reminds more of an empty shell. Empty in the sense that there is a genuine lack of social and cultural activities that will eventually bring people together, unearth common values and interests of the people. There is a lack of social, political and cultural platforms, activities and spontaneous organisation between people and societies and therefore the strategic relationship have remained more or less on the political slogans and news paper editorials.

Eventually, the Russians took the initiateive and proposed the Chinese a biannual massive campaigns “Year of Russia” and “Year of China” repsectively in each other countries. In 2005 during Hu Jintao’s state visit to Russia the two countries launched on the initiative of Russia a biannual program “*Year of China in 2007*” and “*Year of Russia in 2006*” in respective countries. (Zuo 2006, Li 2007)

This program was an attempt to increase the interstate co-operation between Russia and China and enjoyed strong support from the highest political leadership of both countries. This campaign was aimed at different layers in both societies – ordinary city

dwellers, business people, students, artists, business people and lower level state bureaucrats. It used all modern available means of communication. (Ji 2007)

The Year of Russia in China have been the biggest state organized PR-campaign in China's history of international relations. The program included hundreds of delegations and socio-cultural events in both countries. The Russians sent roughly 400 delegations, of which one fourth included deputy ministers, managers of big companies, scientists and arranged a row of promotional campaigns in China. (<http://news.xinhuanet.com/video/2006-10/25content5246770.htm>, Ji 2007)

The program had also an important economic goal – to promote Russian companies and hard sciences in China. The biggest exhibition was held in Beijing gathering more than 700 Russian companies and research institutes in sectors such as civil aviation, energy and chemical and raw material sectors. In addition, the Russians provided information on their special economic regions hoping to gain Chinese investments. These were concrete measures to attract more Chinese investments into Russia, and vice versa. (Ji 2007)

The program has also had a wide media strategy and coverage. Chinese state controlled TV has had broad coverage on Russia and rather famous talk-shows and entertaining competitive Q&A programs on Russia. In China alone different organizations put more than 1.5 million Russia related articles on the web pages. (Ji 2007)

However, the governmental orchestration of these events remained obvious. The political rhetoric was overwhelming during these events and in the reports of these events. Both parties expressed strong symbolic gestures in their efforts to enhance mutual political trust. Russia was condemning the President of Taiwan Chen Shuibian's independent moves. China on the other hand offered 300 million USD loan to the reconstruction of Chechnya and also invited 20 children who had experienced the Beslan school hostage massacre in 2004.

(<http://rusnews.xinwentoushi/20060426/41442735.html>.)

Central Asia – the testing stone of strategic partnership

The global competition over the energy resources in Central Eurasia (CEA)³ has been named as "the New Great Game" where the Sino-Russian strategic partnership is increasingly difficult to manage in co-coordinated manner. In this game it is becoming apparent that Russia has lost most ground against its western rivals and China as well. Since the Soviet Union collapsed Russia had to withdraw from the CEA region and both the USA and China powers drastically increased their presence in the region to fill the power vacuum and gaining hands on the local natural resources. Therefore, it is also an testing ground of the strength of Sino-Russian strategic partnership. (Person 2006, Guo 2006)

It is all a question of energy. According to BP Statistical Review of World Energy (2004, cited in Guo 2006), the Caspian littoral region (CEA states, Iran and Russia) are estimated to contain about 18,8 per cent of the world's total proven oil reserves and about 45 per cent of the world's total proven gas reserves.

In addition to the power vacuum left by the Russians, the CEA countries are also internally plagued by competing nationalist and minority groups. Consequently, all major global players have engaged themselves in fierce race over winning the local support in the region. Brezizinsky, the previous security advisor of USA referred the region to be "the Eurasian Balkans", meaning that there is a great risk of ethnic conflict and great-power rivalry in CEA region. (Brzezinski 1997)

USA as a player

Washington began to pay great attention to the region immediately after the CEA countries gained independency. The Clinton administration expressed a strong interest in the development of CEA region's energy, economic and security issues. The Bush administration have even gone much further in their attempt to gain control of this Chinese 'backyard' and Russian 'weak belly'. In 1998 NATO troops held war games in Uzbekistan and as soon as the global war on terrorism began USA managed to get several airbases in the CEA region. (Shen 2006)

³ CEA countries refer to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, Armenia, Azerbaijan and Georgia.

One central aspect of the USA policy in the region is to weaken the Russian and of the Caspian sea oil and gas. This policy began already in mid 1990's as Brzezinski, at the time senior consultant for BP travelled in the CEA region and lobbied for more closer co-operation between Washington and CEA countries. In 1999 this work was manifested in signing the agreement of building the 1700 km long BTC oil pipeline from Baku, Azerbaijan, running through Tbilisi, Georgia, over to Ceyhan, Turkey. The contract was signed in Istanbul by the presidents of Turkey, Turkmenistan, Azerbaijan, Georgia and Kazakhstan in the presence of U.S. president Bill Clinton in 1999. The pipeline construction began in 2002 and was completed in 2005. (Person 2006, Guo 2006)

The purpose of the BTC pipeline is aimed at controlling the export of Kazakh and Turkmenistan oil. After the completion of the pipeline in 2005 the USA have actively discussed with Kazakhstan to build a pipeline that would connect Kazakh oilfields with BTC pipeline. This is longstanding USA strategy to embrace CEA countries began already in early 1990's and has alarmed both Russia and China. Therefore this pipeline provides direct challenge both for the Russian traditional control of the oil export from the region and Chinese energy strategy in the CEA countries. The BTC pipeline weakens greatly the Russian and Chinese energy rivalry in the region and drives them to co-operate through the SCO. (Guo 2006)

In addition to untapped energy resources, the region became after the 9/11 strategically important for NATO, a fact that has not been discussed much in the international media. The Caucasian states are the only region separating the most eastern NATO territory (Turkey) from Central Asia and Afghanistan, thus providing a safe corridor for NATO and US troops to Afghanistan and CEA countries. In gaining stronger foothold in Caucasus and by gaining approval after 2003 to have their military present in other CEA countries the USA was hitting two flies with one stroke; it gained stronger political and military influence in the region and greater potential to get their hands on the natural resources in the region. (Guo 2006)

USA is also buying the local support with different aid-programs in the region. Different aid-organizations are working in the region and US military medical services also help local people in treating their illnesses. In addition, various organizations backed up by the conservatives in the USA supported the development of the so called 'color revolutions' in the CIS countries. The first one was the 'Rose Revolution' in Georgia in

2003, from where it advanced to Ukraine's "Orange Revolution" in 2004 and eventually hit the Kyrgyzstan in Central Asia as "Tulip Revolution" in 2005. In 2005 occurred a violent uprising in Uzbekistan which led to bloodshed. The violent suppression was strongly condemned by USA and EU. Consequently, Uzbekistan demanded USA to leave their airbase in the country, causing the first big setback for USA. (Guo 2006)

The democracy promotion of USA through the 'color revolutions' created a strong reaction in Russia and China, likewise in the remaining SCO states. Consequently the SCO was activated and it condemned in its summits in Astana and Shanghai, respectively in 2005 and 2006 to "play an independent role in safeguarding stability and security in the region". The SCO also demanded the USA to provide an absolute deadline for withdrawal its troops from the region. This security policy was a continuum to previous security measures and joint military drills between China and Kyrgyzstan in 2002 and other SCO members in 2003. The states also used this opportunity to intensify their coordinated security and law-enforcement fight against the three evils "separatism, religious extremism and terrorism" in the region. (Guo 2006, Shen 2006)

JAPAN, INDIA AND EU in the region

However, it is not only Western powers who are attempting to get their hands on the oilfields in the region. In 2004 Japan began actively to counter the Chinese measures in the region by arranging "Central Asia plus Japan" meeting in Kazakhstan. The other four were all Shanghai cooperation organization members; Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan, thus excluding Russia and China. A similar meeting followed in 2006 in Tokyo. Japan used also a form of 'cash diplomacy' as it promised to build roads, railways and renovate airfields in the region. These ongoing projects are aimed at connecting the transportation infrastructure of CEA with the Indian Ocean through Afghanistan. In 2006 Japan even suggested to build a pipeline from Kazakhstan and Uzbekistan to the Indian Ocean. Naturally, this sudden involvement of Japan in the region has caused great concern in China. (Guo 2006)

Also India is showing interest of getting access to the CEA resources. India has shown greater interest in the CEA region since early 2000. The biggest Indian state-owned oil company, the Oil and Natural Gas Corporation, was bidding against, and lost, against the China National Petroleum Corporation over PetroKazakhstan in 2005. In order to avoid further and increased competition over energy China and India reached an

agreement over energy co-operation in 2005, which was further stated in Sino-Indian 'strategic dialogue' in Beijing in 2006. Consequently, India and China have established joint-operations in oil exploration and infrastructure projects in Sudan and Iran. (Guo 2006, Shen 2006)

EU is also an important future player in the CEA energy markets. In order to avoid too strong dependency of Russian energy sources EU has began to promote construction of pipelines that will eventually connect EU markets with CEA energy sources. This has become increasingly urgent since Russia shut off the oil and gas supply to Ukraine in winter 2006. Consequently the energy minister of EU, Andris Piebalgs, agreed with his Turkish, Bulgarian, Romanian, Hungarian and Austrian colleagues to begin the building of NABUCCO gas pipeline. The NABUCCO pipeline will eventually connect EU market with Caspian Sea gasfields. The construction of this 3300 km long pipeline will begin in 2008 and be completed in 2012. In addition, EU is also planning to build an oil pipeline through Turkey EU. These pipelines will eventually diminish the European dependency of Russian energy sources, but also increase EU's strategic interest in the CEA countries, a process that is closely followed both in Moscow and Beijing. (Guo 2006)

CHINA'S GROWING IMPACT

China's activities in the region began almost immediately as the Soviet government control vanished from the region in early 1990's. Based on international reports the Chinese seem to be everywhere in the region and they are gaining control of crucial sectors of the economies, most notably in Kazakhstan, the previous strong base of Soviet Union. The state-owned China National Petroleum and Natural Gas Corporation (CNPC), is one of the biggest investors in Kazakhstan, as it have purchased several important oil and gasfields in the country. Its total investments in the region have surpassed 4 billion USD (2003). China has also built 2500 km pipeline from Kazakhstan to Xinjiang province in China. It is also notable, that the longest Chinese pipeline begins in Xinjiang and extends all the way to Shanghai (4200 km). These two pipelines are not yet connected. (http://www.cornellcaspien.com/pub/0104swanstrom_china.htm; http://www.atimes.com/atimes/Central_Asia/FB27Ag01.html, Person 2006))

China is also heavily utilising "cash diplomacy" in the region to win the support of locals. It has provided CEA countries loans in Chinese Yuan to purchase Chinese products. It is also building highways, skyscrapers and other infrastructure. It has replaced the Russians in transportation industry. China is also planning to build an alternative

railroad system through CEA countries, parts of Middle East ending up in Rotterdam. Also in addition to minimise the strategically risky seatriansportation of oil from Iran, China is discussing to build a pipeline network from Gulf to China. (http://www.cornellcaspien.com/pub/0104swanstrom_china.htm)

It is not anymore the big state-owned companies who are acting in CEA countries. Even small and mediumsize companies are active in the region. Chinese provinces are very active in promoting and supporting their companies to go to these virgin markets. Chinese government have also opened dozens of trade offices in CEA countries. China is most likely to become the biggest and most important business actor in the region, and this estimate does not include oil and gas trade. (http://www.cacianalyst.org/view_article.php?articleid=1495)

RUSSIA'S VAINING POWER

Since the collapse of Soviet Union Russia has followed with anxiety the increasing fierce rivalry under its 'weak belly'. However, Russia, due to historical reasons has not managed to gain any strong foothold in the region. Russia have also lacked the money and co-coordinated vision of working together with CEA countries. In addition by carrying out a war in Chechenya and constant disputes with Georgia it does not give a constructive image of its actions and capabilities. From geo-strategic point of view the increasing links between the USA and Georgia and Azerbaijan creates great concern in Moscow.

From a Russian point of view, it feels itself economically increasingly handicapped in dealing with the CEA countries. The previously only existing pipeline connecting Kazakh oilfields with the world-market was through Russia, but now there exist other options as well, most notably the pipelines to China and the USA promoted BTC pipeline. Consequently, from Russian point of view it is better to let the Chinese take a stronger foothold in the region than the USA. However, it is apparent that Russia feels nervous of China's increasing influence in the region, particularly in energy sector. This rupture in strategic partnership is visible in cooperation in energy sector. China has made repeated requests to Russia in 2005 and 2006 to provide crude oil through the existing China-Kazakhstan pipeline. This is important to China as the current level of oil production in Kazakhstan falls behind the transportation capacity of the pipeline. Moscow have been very slow in its responding to the Chinese request. (Person 2006, Guo 2006)

Moscow is watching a number of Chinese activities taking place in the region without talking to its strategic partner; the Chinese money and big SOE's flooding in building a modern infrastructure, China making globally important initiatives (pipelines, the railroad to Europe and pipeline from Iran), hastily multiplying small and medium size Chinese companies establishing their presence in CEA countries. China also bought itself into the gas markets in Turkmenistan in 2006, which caused concerns in Moscow as it had been the sole actor in the region for more than 25 years. (Guo 2006)

The SCO as the platform of discussing challenges and finding solution?

The only efficient way for Russia and China to contain the rising US influence in the CEA countries is to work more actively through the Shanghai Cooperation Organisation (SCO). A more closer cooperation through SCO gives also an opportunity for Russia to work together on and influence the Chinese expanding presence in the CEA region. For instance, in 2003 SCO summit China proposed that there would be established free trade areas in the Central Asian states. This proposal was opposed by Moscow.

In order to soliditate the SCO's role in the region, Putin and Hu made a joint statement in March 2007, that both countries should utilise the SCO in more efficient manner in dealing with regional economic, security and political issues. The future coordinating efforts of Russia will become increasingly difficult as China is clearly gaining an upper hand in the region whilst the CEA countries have been careful in avoiding to make any strategic alliances with one single foreign player in the region. So far, they have just picked the most juicy bites.

(http://english.peopledaily.com.cn/200703/27/eng20070327_361210.html)

The future of Wu and Yue relationship...

The development of Sino-Russian relationships since the late 1990's is one of the biggest post-cold-war events that has a great potential to change the global strategic architecture. The fundamental driving force that have lead to the emergence of Sino-Russian strategic partnership has been the unipolar world system that resulted from the collapse of Soviet Union. Both countries have repeatedly stated to fight against unipolarism, one country hegemonism and interventionism, i.e. the USA. They have pledged to establish a multipolar and new world order.

Russia has experienced its prestidige and power disappear, whilst it has been facing an expanding NATO at its Western borders, and witnessed how the USA has expanded its influence all around the globe. Russia yearns to regain its old superpower position.

Simultaneously, China is yearning to become a regional power and eventually a super power as well. However, when we look at the Chinese geo-strategic map we see that the technologically superior USA troops have spread their presence both at the East and West from China. As long as USA has strong and close relations with South-Korea, Japan and Taiwan the Chinese dream of regional hegemony is difficult to achieve.

Hence, from a geo-strategical view both China and Russia see at the moment and in the near future parallel obstacles and challenges and therefore a political and security based strategic partnership is very logical. However, as both countries yearn for more influence there are certain important regions where the actual strenght of the relationship is put under test. In this paper were briefly analysed the 'New Big Game' in the rich oil and gas region in Central Asian where we can already see conflicting interests emerging between Russia and China.

Economically the two countries have great potential to develop. At the moment the biggest structural problem in trade -- China buying mainly energy and raw material from Russia and selling refined products to Russia -- is generating serious economic problems in Russia. The Chinese investments into Russia has developed much faster than Russian investments into China. However, there is visible increasing sense of protectionism in Russia, like in automobile industry, restricting Chinese either acquiring or out-competing local Russian businesses.

When resisting unipolarism is the main outside factor driving China and Russia closer to each other, so energy is the main inside factor in pulling China and Russia closer to each other. China is now the second biggest importer and oil consumer in the world and Russia is one of central oil and gas producers and exporters in the world. Russia has began to implement its Asia oriented energy strategy in early 2000. The purpose of this strategy is to diversify the clientbase and to gain access to the rapidly developing Asian market. Russia have been delaying the building of oil and gas pipelines to China. Eventually, China is following its energy strategy of diversifying sources and securing transportation policy. In this process it has not waited for the Russians, but have built own pipeline systems from the Central Asian region to China. Such development

present direct competition with Russia and may have an affect on the Sino-Russian strategic partnership in the future.

Sino-Russian strategic relationship will for certain reshape in the future the global political and economic architecture. China and Russia, like Wu and Yue Kingdoms, find themselves in common boat in rising storm. Eventually, they are eager to help each other during the storm howls. However, do they manage to solve historical and future challenges in an contructive manner while yearning for a powerful and influential global position remains to be seen. The Kingdoms of Wu and Yue failed to build genuine trust and mutual respect and balttled, not over Central Asian energy, but over the fertile rice-growing land of Yangtse river. Eventually Wu defeated Yue in 5th century B.C.

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