

**“The State of Sino-Russian Relations”**

**Statement before the  
U.S.-China Economic and Security Review Commission**

**Hearing on  
“China’s Growing Global Influence: Objectives and  
Strategies”**

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Distinguished members of the Commission:

It is a pleasure to appear before you today to discuss Chinese-Russian relations, and their implications for the United States.

In the past 15 years, I have traveled 55 times to Russia and a dozen times to China. During all of these trips I have had conversations with senior officials in the national capital, as well as in many provincial capitals, of Russia and China. In the past 15 years, through the American Foreign Policy Council (AFPC), I have also hosted the U.S. visits of hundreds of officials from those countries. This interaction, as much as my research, forms the basis for the opinions I give today.

All of us have watched strategic cooperation between Russia and China increase dramatically—growing to encompass military sales, joint military research and development, common diplomatic stances on an array of international issues, as well as non-military trade.

The precondition for this interaction was the progressive settlement of the long-standing Russian-Chinese border dispute. The bulk of the current border delineation, largely agreed to in the closing days of the Soviet Union, was formally settled on July 16, 2001. However, agreement on the last disputed parts of the border was not formalized until June 2<sup>nd</sup> of this year.

The logic underpinning the settlement was compelling for both sides. Facing a potential future clash with the United States over Taiwan, China did not want the indefinite commitment of military resources required to protect a hostile 2,264-mile border with Russia. Russia, lacking the manpower, resources, and political will to station large numbers of troops along its border with China, also needed a border settlement that would permit it to focus on its long and traumatic domestic evolution.

The border settlement was also a prerequisite for bilateral trade. Russia was the only country able and willing to supply China with the sophisticated military equipment it coveted. Further, Russian sales of non-military items—such as lumber, ores and petroleum—were seen as central to the expansion of China’s economic and industrial activities. The border settlement also helped create the political environment necessary for Russian scientists and engineers to aid the development of Chinese military production.

Success in settling the border question and developing trade gradually evolved into strategic cooperation. Both Russia and China have sought the creation of a “multipolar world” as a means to prevent America’s unfettered global dominance. As a result, the two countries found benefit in blunting American initiatives by cooperating in areas as diverse as missile defense, Taiwan, Central Asia, and space policy.

These factors have formed the basis for a multi-faceted strategic partnership—one that, positive aspects of Russian-American and Chinese-American relations aside, has emerged as an unmistakable challenge to American interests in Eurasia and the Asia-Pacific.

### **Arms sales**

As recently as the 1980s, Moscow’s military sales to Beijing were negligible. Today, China is Russia’s top arms client, currently accounting for 45 percent or more of Russia’s total arms sales.<sup>1</sup> Since the collapse of the USSR, China has purchased billions of dollars

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<sup>1</sup> “Russian Arms Export Agency Seeks Latin American, Southeast Asian Markets,” *MosNews*, June 15, 2005, <http://www.mosnews.com/money/2005/06/15/armsexport.shtml>.

worth of fighter jets, missiles, submarines and destroyers from Russia. In the process, it has become the principal customer and lifeline for Russia's struggling defense industries.

During the tenure of Boris Yeltsin, the Kremlin made military sales to China a principal element of its defense export policy. Depending upon the estimates, Russia averaged between one and two billion dollars of annual military sales to China between 1992 and 1999.

These sales expanded with the ascension of Vladimir Putin to the Russian presidency. At their July 2000 summit in Beijing, Putin and then-Chinese President Jiang Zemin signed a new strategic accord declaring a mutual commitment to "military-related technology cooperation" as part of joint efforts toward "expanding and deepening the Sino-Russian strategic cooperation partnership."<sup>2</sup>

There is little doubt that this partnership is lucrative for Russia's military industrial complex. But China benefits from this partnership even more through the acquisition of high-tech Russian weaponry such as *Sovremenny*-class naval destroyers and *Kilo*-class submarines. Over the past three years, these sales have greatly assisted the PRC's massive, multi-year military modernization, and aided the expansion of Chinese air, naval, land and asymmetric warfare capabilities. Russia, as one respected analyst has put it, has very much become China's "logistics base."<sup>3</sup>

### **Regional alliances**

Russia and China are also working to counter American influence through their involvement in regional alliances, primarily on the territory of the former Soviet Union.

The principal vehicle for this cooperation is the Shanghai Cooperation Organization, or SCO. The SCO is an outgrowth of the Shanghai Five, an organization created in 1996 that encompassed Russia, China, Kazakhstan, Kyrgyzstan and Tajikistan. The mandate of the Shanghai

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<sup>2</sup> As cited in Constantine C. Menges, *China: The Gathering Threat* (Nashville: Nelson Current, 2005), 353.

<sup>3</sup> John J. Dziak, *The Military Relationship Between China and Russia, 1995-2002* (Washington: American Foreign Policy Council, August 2002), 5.

Five was simple: to strengthen security along the borders of its member states.<sup>4</sup> In June of 2001, however, both the membership and vision of the Shanghai Five was expanded, incorporating one additional country—Uzbekistan—and broadening the group’s mandate to include strengthened cooperation in the fight against “terrorism, separatism and extremism,” as well as greater interaction in the spheres of economy, culture, education, and tourism.<sup>5</sup>

This cooperation has entailed the establishment of a “Regional Anti-Terrorist Structure,” or RATS, in the Uzbek capital of Tashkent, and growing collaboration on regional security with other security structures in the “post-Soviet space”—most directly, the rapid deployment forces of the Collective Security Treaty Organization (CSTO) headquartered in Kyrgyzstan. The organization has also developed a unified policy on Afghanistan, establishing an Afghan-SCO contact group last fall and maintaining ongoing contacts with the government of Hamid Karzai in Kabul.<sup>6</sup> While the organization currently does not possess an anti-terrorism force of its own, some members are lobbying for the creation of “strong collective rapid-deployment forces to counter international terrorism and religious extremism.”<sup>7</sup>

An unstated goal of the SCO, however, is to check U.S. influence, particularly in Central Asia, where the U.S. is now deeply involved as a result of the Global War on Terror. This has become increasingly clear in recent weeks, as Moscow and Beijing have expressed growing concern over the potential for additional “color revolutions” in the Near Abroad, and have successfully lobbied the Central Asian members of the SCO to formally call for a withdrawal of U.S. forces from the region.<sup>8</sup> At the same time both Russian and Chinese papers have discussed the opening of a Chinese military base in Kyrgyzstan.

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<sup>4</sup> Embassy of the Republic of Kazakhstan to the USA and Canada, “Special Edition: Astana Summit Brings New Horizons for SCO,” *Kazakhstan News Bulletin*, July 7, 2005, <http://www.kazakhembus.com/070705.html>

<sup>5</sup> Ibid.

<sup>6</sup> See, for example, Sergei Blagov, “Shanghai Group Aims to Keep US in Check,” *Asia Times* (Hong Kong), June 19, 2004, [http://www.atimes.com/atimes/Central\\_Asia/FF19Ag01.html](http://www.atimes.com/atimes/Central_Asia/FF19Ag01.html).

<sup>7</sup> “Tajik President Calls for SCO Rapid-Reaction Force...,” *Radio Free Europe/Radio Liberty Newsline* 9, no. 121 (2005), <http://www.rferl.org/newsline/2005/06/2-TCA/tca-270605.asp>.

<sup>8</sup> Simon Ostrovsky, “Kyrgyz, Uzbek Bases Targeted,” *Agence France Presse*, July 6, 2005.

The SCO, in short, is increasingly becoming a venue through which both China and Russia can work to counter American interests. Moreover, the organization is actively expanding its geographic base, and its geopolitical leverage. At the SCO's most recent summit, held in early July in Astana, the bloc formally voted to extend observer status to three nations—India, Pakistan and Iran.<sup>9</sup>

### **Fault Lines**

What is the future of this relationship? In the short term it may grow—especially if anti-democratic forces continue to be ascendant in Russia. But there are many reasons to believe that Russian-Chinese cooperation may lack durability.

#### *Self-sufficiency*

When discussing the current Russian-Chinese arms trade, it is useful to remember that this sort of commerce was never intended to be an end-state, at least by China. The public insights that we have into Chinese military espionage activities, and into their defense development efforts, suggest strongly that they are not simply trying to acquire foreign hardware and associated know-how. The ultimate goal is to enable the PRC to reverse-engineer Western weapons systems as part of a long-term plan for military self-sufficiency.<sup>10</sup> To that end, the Pentagon's most recent report on China notes that the PRC has commenced a major indigenous effort aimed at "reorganizing (its) defense industry, modernizing industrial facilities, and acquiring foreign technology to develop and produce advanced weapons systems to support PLA modernization."<sup>11</sup>

Among other factors contributing to this decision, China knows that it cannot bank upon Russian dependence. In fact, hard currency reserves in Russia have grown dramatically in recent years, overwhelmingly due to Russia's expanding energy sales, and now stand at some \$120 billion or more.<sup>12</sup> Officials in Beijing, therefore,

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<sup>9</sup> Daniel Kimmage, "SCO: Shoring Up the Post-Soviet Status Quo," [eurasianet.org](http://www.eurasianet.org/departments/insight/articles/pp070905.shtml), July 9, 2005, <http://www.eurasianet.org/departments/insight/articles/pp070905.shtml>.

<sup>10</sup> Dziak, *The Military Relationship Between China and Russia, 1995-2002*, 3.

<sup>11</sup> United States Department of Defense, Office of the Secretary of Defense, *Annual Report to Congress: The Military Power of the People's Republic of China 2005*, July 19, 2005, <http://www.defenselink.mil/news/Jul2005/d20050719china.pdf>.

<sup>12</sup> "Standard & Poor's Upgrades Russia's Sovereign Debt Rating to Investment Grade," Associated Press, January 31, 2005.

cannot assume that Russia will indefinitely remain an arms supplier based solely on the need for Chinese money, and they are making other plans. Additionally, Russia's brief turn toward the U.S. post-September 11<sup>th</sup>, and the muted tenor of Beijing-Moscow dialogue during that period, has made it clear to PRC officials that improved U.S.-Russian relations are likely to come at the expense of the Sino-Russian relationship.

### *Energy*

As part of the Treaty of Good-neighborliness signed by Presidents Putin and Jiang in 2001, Moscow and Beijing agreed to a substantial expansion of energy contacts. Yet, some four years later, that cooperation has failed to materialize in any substantive way. The slow pace of this facet of the Sino-Russian relationship provides a telling indicator of Russian concerns regarding the potential dangers of aligning too closely with China.

Nowhere is this hesitance clearer than in the case of the "Angarsk-Daqing" pipeline. Plans for that energy route were laid in 2001, and entailed collaboration between Russia's Yukos oil conglomerate and China's state CNPC on the construction of a 2,200-kilometer pipeline linking the Siberian city of Angarsk to Daqing in China's northeastern province of Heilongjiang. The pipeline was originally expected to go online this year, and to provide China with 20-30 million tons of oil annually.<sup>13</sup> But in 2004, Russia aborted plans for the pipeline in favor of a more lucrative energy route to Japan and other Asian markets through the Russian Far East. The message was clear: the Kremlin had little interest in having China as the only customer for oil carried through the pipeline.

Another area of potential conflict lies in Central Asia. Over the past two years, China has made major energy inroads into Russia's Near Abroad. In 2003, Chinese president Hu Jintao visited Kazakhstan and signed a landmark accord for a pipeline to bring Kazakh oil to China.<sup>14</sup> That pipeline, dubbed "Atasu-Alashankou," is slated to come

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<sup>13</sup> Sergei Blagov, "Russia Walks Thin Line Between Japan and China," *Asia Times* (Hong Kong), July 15, 2005, [http://www.atimes.com/atimes/Central\\_Asia/GA05Ag01.html](http://www.atimes.com/atimes/Central_Asia/GA05Ag01.html).

<sup>14</sup> John C.K. Daly, "Kazakhstan Inks Oil Pipeline Agreement with China," Jamestown Foundation *Eurasia Daily Monitor*, May 19, 2004. [http://www.jamestown.org/publications\\_details.php?volume\\_id=401&issue\\_id=2957&article\\_id=236726](http://www.jamestown.org/publications_details.php?volume_id=401&issue_id=2957&article_id=236726).

online by year's end, and will initially carry ten million tons of oil annually from the Caspian coast to Xinjiang. It is expected to eventually become one of Kazakhstan's primary export routes, and by 2015, it could pump as much as 3.5 million barrels of crude daily to China.<sup>15</sup> Very significantly, if the pipeline is used to its maximum capacity, China will tie up upwards of ninety percent of Kazakhstan's projected oil output, effectively taking Kazakhstan "off the table" as an energy supplier to pro-Western energy routes such as the Baku-Tbilisi-Ceyhan (BTC) pipeline.

Smaller scale projects for natural gas exploitation are also underway in Turkmenistan.<sup>16</sup> Most recently, in the wake of unrest in Uzbekistan this spring, Beijing has emerged as a major benefactor for the regime of Islam Karimov. After his government's clampdown on domestic unrest, Karimov traveled to China, where he was warmly received by Chinese President Hu Jintao and other top PRC officials, who expressed their solidarity with Tashkent's recent policy decisions. In return, the Uzbek leader has reportedly approved a \$600 million joint-venture oil deal between Uzbekneftegaz, the Uzbek state energy company, and China's state-owned China National Petroleum Corporation to exploit 23 oilfields in the Central Asian republic.<sup>17</sup>

This successful drive into Central Asia promises to eventually make China a serious contender for regional influence, and diminish Russian standing in the region. Additionally, Russia could soon face a challenge closer to home, since Russia's energy sector is a logical target for expanding Chinese energy demand. It is not beyond the realm of possibility that Russia may someday soon be confronted with the same sort of buy-in bid from China that the United States is facing over Unocal.

While straining the strategic relationship, these economic questions should not be fatal to it. The question of the balance of military power and sovereignty over the border areas, however, is far more serious.

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<sup>15</sup> "China-Energy-Kazakhstan-Pipeline," Interfax (Moscow), July 14, 2005.

<sup>16</sup> John C.K. Daly, "The Dragon's Drive for Caspian Oil," Jamestown Foundation *China Brief* 4, iss. 8 (2004), [http://www.jamestown.org/news\\_details.php?news\\_id=48](http://www.jamestown.org/news_details.php?news_id=48).

<sup>17</sup> See, for example, Andrew Yeh, "Uzbekistan Signs Dollars 600m oil deal with China," *Financial Times* (London), May 26, 2005.

Privately, if not publicly, many Chinese continue to consider large portions of Russia's Far East to be Chinese property. Russian officials, particularly in the regions bordering China, are painfully aware of this fact, and are nervous about Chinese intentions regarding their land. To fully understand this problem, a quick historical view of the border is necessary.

In 1689, after decades of conflict between Russian and Chinese traders and soldiers in the largely empty space of today's eastern Siberia, a stronger China imposed the Treaty of Nerchinsk on Russia. This treaty gave China sovereignty over much of Eastern Siberia and the southern part of today's Russian Far East. Treaties in 1858 and 1860, reflecting a weakened China and a resurgent Russia, gave that territory back to Russia. In 1969, the border question was reopened as renewed tensions led to fighting, some casualties, and the widely recognized specter of war between the Soviet Union and China. Today, the balance of power is again changing, and doing so at a dramatic pace. Economically and militarily, China is ascendant relative to Russia and many Russian strategists understand that eventually this trend may again heighten tensions along a border whose Chinese side is at least 25 times more densely populated than the Russian side. If larger areas are considered, the demographic problem is no better for Russia. Less than 16 million people live in Eastern Siberia and Russia's Far East. By contrast, over 1.3 billion people live in China. The current generation of China's leaders is happy with the border settlement, but many in Russia fear that the next generation of Chinese leaders will not feel the same.

Not surprisingly, strategic thinkers in Russia have come to worry about the potential for Chinese infiltration, either directly or through gradual re-settlement policies that may be undertaken by Beijing. Tellingly, during his year 2000 trip to the Far Eastern city of Blagoveschensk, Russian president Vladimir Putin warned its residents that, "if you do not take practical steps to advance the Far East soon, after a few decades the Russian population will be speaking Japanese, Chinese and Korean."<sup>18</sup>

Earlier this month, the Governor of Khabarovsk Krai, Viktor Ishayev, echoed this theme by noting that "relations between Russia and China

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<sup>18</sup> John Daniczewski, "China, Russia Pledge Friendship," *Los Angeles Times*, July 17, 2001.

could become rougher and tougher and may face political and economic confrontation in 10-15 years due to Chinese expansion in Russia's Far East."<sup>19</sup> But for Ishayev, current cooperation still has its pluses: "Russia should see China as a strategic co-traveler in the concrete historical period of achieving political goals." In other words, for the moment Russia and China are useful to each other.

The growing disparity in both economic and military power will also cause frictions among this generation of Russian and Chinese leaders. As former National Security Advisor Zbigniew Brzezinski put it, "strategic partnership between Moscow and Beijing is no more than a slogan. In fact, Russia can only be a junior partner there, and it would never agree to that."<sup>20</sup>

These Russian fears are real, but they are fears for the future, not the present. As such, they are not now sufficient to break the steady movement towards greater Russian-Chinese cooperation. In addition to the reasons previously listed for this growing cooperation, I would like to close by giving one more.

Habits of empire die slowly. Consider France, which, to maintain influence in its former colonies, has used military power in Africa at least 38 times since 1960. We should not be fully surprised then, that Russia seeks to maintain dominant influence in Ukraine where it has substantial economic interests in addition to ethnic, linguistic, religious, and historical ties. Far more than any discomfort caused by American bases in Central Asia, or American support of the new government in Georgia, the successful and correct American support in the election of a Western-leaning Ukrainian president over his Kremlin backed-opponent has had a profound effect in Moscow. Ongoing cooperation in the War on Terror and nuclear issues notwithstanding, a consequence of the most recent Ukraine election will be to increase Russian cooperation with China—especially through efforts that are, at least partially, aimed at reducing American involvement in the territory of the former Soviet Union.

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<sup>19</sup> As cited in "Sino-Russian relations may worsen in a decade': official," *Press Trust of India*, July 5, 2005.

<sup>20</sup> As cited in Colin McMahon, "Russia, China to Sign Friendship Accord," *Chicago Tribune*, March 7, 2001.