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National
Intelligence
Estimate

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**Russian-Chinese Relations:
Prospects and Implications** [redacted]

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UPDATE

**NIE 98-08 Russian-Chinese Relations:
Prospects and Implications** [redacted] August 1998

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AUTHOR:
VIA OFFICE PRODUCTION STAFF



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September 2000

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NIE 2000-10C

Russian-Chinese Relations: Prospects and Implications

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This Estimate was approved for publication by the National Foreign Intelligence Board under the authority of the Director of Central Intelligence.

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Prepared under the auspices of the National Intelligence Officer for Russia and Eurasia and the National Intelligence Officer for East Asia. Inquiries may be directed to the NIO/EA [redacted]

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~~TOP SECRET~~**Scope Note****Russian-Chinese Relations: Prospects and Implications**

In August 1998 the Intelligence Community concluded in National Intelligence Estimate 98-08, *Russian-Chinese Relations: Prospects and Implications*, that over the next five years and possibly longer, the Russian-Chinese relationship most likely:

- Would not deepen much beyond its current state.
- Would be subject to occasional friction.
- Would develop in a manner that is not particularly threatening for the United States and might be stabilizing for Asia.
- Would involve certain aspects that are worrisome, notably Russian arms sales to China.

Alternative scenarios involving an alliance with a defense commitment between the two powers or a descent into sharp hostility were deemed highly unlikely and unlikely, respectively.

This update looks out over three years and examines these key questions:

- To what extent have the scope and pace of Russian-Chinese military cooperation, including military-technical cooperation, increased recently? What is the outlook for such military cooperation?
- Will it deepen much beyond its current state; if so, what are the causes?
- Will it develop in a manner that is particularly threatening for the United States or that might be stabilizing for Asia?
- Will certain aspects that are worrisome, notably Russian arms sales to China, increase? Why?
- How have other forms of cooperation between Russia and China developed that affect US interests?

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[] In undertaking this update we assume:

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- No major military conflict among China, Russia, and the United States.
- No systemic or regime change in China or Russia.

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Key Judgments

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Russian-Chinese Relations: Prospects and Implications

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Over the past two years, Sino-Russian relations have deepened more than we anticipated in our previous estimate. Russian arms sales to China have grown—as we expected—and economic relations have remained stagnant, but political cooperation against US interests has intensified as a result of various US actions which Moscow and Beijing perceived as contrary to their mutual interests.

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We assess that over the next three years, and possibly longer, the relationship will continue to develop unevenly and in certain instances counter to US security interests.

- Arms sales and technology transfer will keep growing, primarily because Russian economic difficulties and Putin's emphasis on defense industries will complement China's need for advanced military equipment and technology to support its longer term goal of regional preeminence and its nearer term objective of building capabilities for regional contingencies. These include a possible confrontation with Taiwan that may risk US military involvement. China will have difficulty integrating some of the new arms and technology, but on balance, we foresee gradual improvements in Chinese capabilities to engage at increasing distances from its shores.
- Economic relations will continue to move slowly in the near term. Putin has tried to link arms sales to an expansion of commercial trade, but we do not expect these efforts to succeed, given Moscow's need for the arms sales and Beijing's limited interest in Russian exports. Ongoing negotiations on large-scale infrastructure projects nonetheless offer potential for some long-term expansion in trade relations, generally beyond the period of this Estimate.
- Russia and China will continue to pursue good neighborly relations and bilateral confidence-building measures, will in principle oppose the regional or global domination of a single power, and will work cooperatively against US efforts they jointly perceive as evidence of "unilateralism" or "interventionism." This cooperation will be driven in part by their insecurity over their respective domestic situations and suspicions that perceived US pressure will fuel and exploit those situations.

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[] Both Moscow and Beijing will maintain a grudging respect for US power and influence and a calculation that constructive bilateral relations with the United States are essential to their respective development and reform programs. Accordingly, they probably will try to avoid confronting Washington in ways that would jeopardize the advantages they derive from engagement with the United States. Russian-Chinese political cooperation will also be limited by significant differences, including historical mutual suspicions, their respective concerns about each other's long-term threat potential, divergence over sensitive geopolitical issues—most immediately Russia's concern with China's rising power—and the preoccupation of both leaderships with domestic priorities.

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[] Whether and how Sino-Russian relations diverge from this baseline over the next three years will depend heavily on three variables:

- *Putin.* The new Russian President has sent mixed signals regarding his plans for the relationship with China. His efforts to link future arms sales to greater commercial trade and military transparency on China's part suggest an effort to enforce more reciprocity in the relationship. We do not know at this early stage what impact Putin will have on the partnership.
- *NMD.* A Russian decision to renegotiate the ABM treaty would disadvantage China and thus undermine Russian-Chinese cooperation against the United States. Alternatively, if Moscow decides not to modify the ABM treaty and the United States proceeds with NMD unilaterally, Beijing and Moscow probably would increase their political cooperation against Washington and might consider strengthening military and technical cooperation to counter NMD.
- *US Policy.* Future political cooperation will be a function of the degree to which Moscow and Beijing sustain their perception that Washington's international behavior is directed against their interests, and their changing calculation of whether they see their respective interests served by accommodating or confronting the United States.

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[] A combination of these variables—most especially a decision by Putin to stand firm on the ABM, followed by a US decision to move ahead on NMD—could produce even greater political convergence between Moscow and Beijing than we have seen over the past two years. The two sides might calculate that their common ground in opposing US policies had grown, or that greater cooperation would not endanger the benefits they respectively derive from relations with Washington. Under such

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circumstances, Moscow probably would be more inclined to further relax restrictions on arms and technology transfers to China, and Beijing probably would be similarly inclined to accommodate Russian demands for greater commercial imports from Russia.

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[] We assess that, in any scenario, the chances of Moscow and Beijing reestablishing a formal alliance—especially one with a mutual defense component—are low. Bitter memories of their failed alliance in the 1950s, deep-seated mutual suspicions, and the specter of potentially serious political and economic repercussions remain powerful deterrents to the formation of an anti-Western military pact.

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[] We assess the prospects for a decline in relations are less likely than growing cooperation. Nevertheless, the two sides could diverge over such critical security interests as NMD or the desire to court the United States, which could cause either to downgrade their partnership. Differences also could worsen over lagging economic relations or competition for influence on the Korean Peninsula—particularly in the event of sudden change there—in the Russian Far East, or elsewhere in Asia. Nonetheless, we assess that even in a scenario of divergence, the two sides would work to limit bilateral friction, continue mutually advantageous arms sales and military cooperation, and persist in common efforts to promote multipolarity against perceived US unilateralism.

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Discussion

Russian-Chinese Relations: Prospects and Implications

Introduction

Over the past two years, the Russia-China relationship has become closer. The relationship is somewhat more antagonistic to the United States than the already important and growing relationship we assessed in 1998. Increasingly sophisticated arms sales and technology transfers continue to be the most tangible and closely watched component of the relationship, but this aspect reflects a continuing trend—not a new one. Economic ties have not changed appreciably and continue to lag behind other components of the relationship. What has changed most is the political component. Political convergence has heightened substantially, and if this trend continues, it could significantly affect other bilateral ties.

Political Coordination

Since our 1998 estimate, political coordination has increased more than we anticipated, partly owing to the sharp bilateral disputes each has had with Washington. Several key events have encouraged convergence, including:

- Anger over the December 1998 US decision to launch air strikes against Baghdad over objections by fellow perm-5 members Russia, China, and France.
- Suspicion about the April 1999 revised NATO strategic concept expanding the geographic scope and justifications for use of force, including "humanitarian intervention."

- Outrage over the US approach to the March-June 1999 Balkans crisis and the May 1999 accidental bombing of the PRC Embassy in Belgrade.
- Opposition to the US intention, announced in January 2000, to amend the ABM Treaty and allow development of national missile defenses. Both Russia and China saw the announcement as accompanied by developing US cooperation with Japan and others on theater missile defenses.
- Tensions with Washington during 1999 and 2000 over perceived US positions on Taiwan and Chechnya. Both Moscow and Beijing saw the advantage during recent top-level meetings of supporting each other's respective stands on Chechnya and Taiwan.

Russia and China have opted for closer political cooperation against US interests in these and other areas not only because they are dissatisfied with US policies and the perceived threat of US hegemonism. They also are insecure over their own domestic situations and suspect that the United States wants to fuel and exploit that insecurity.

This political convergence has been reflected in several areas:

- Russian Foreign Minister Ivanov urged PRC President Jiang Zemin shortly after the

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Belgrade Embassy bombing to coordinate actively and spearhead an international movement to “stop” US policy—as they had done earlier in Iraq.

- The two sides continue to coordinate—particularly in the UN Security Council—when they perceive a US inclination to eschew consultation in favor of unilateral action.
- Both countries have opposed US strategic programs, including plans for ballistic missile defenses, by explicitly linking continued support for various arms control regimes to US observance of the ABM treaty.

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[redacted] We anticipate such coordination will continue. [redacted] Jiang, during Russian President Putin’s 17-19 July 2000 visit to Beijing, reportedly urged Putin to conclude a “good neighbor and friendship” framework agreement that in some respects would help prevent the United States and the West from disrupting ties between Moscow and Beijing. The two parties have agreed to “conduct negotiations on preparations” for the agreement. We have no evidence to substantiate reports that some mutual defense commitments are under consideration in the context of the agreement. China in recent years has signed friendship or framework agreements having no known defense commitments with several countries both in the region and abroad. China and Russia have publicly insisted that the prospective treaty, which could be ready for signing when Jiang visits Moscow in 2001, should not be construed as a return to their former alliance. Such an agreement probably would not mention third countries specifically, but nevertheless would be likely to contain thinly-veiled anti-US language.

Regional Equities

[redacted] Both sides see common benefit in limiting US political and economic influence in East and Central Asia. Since 1998 they have more closely coordinated opposition to US-backed efforts, real or imagined, to extend US influence along their perceived spheres of influence in Central Asia and the Western Pacific, notably in or near areas viewed as sovereign territory or at least a security preserve of China (Taiwan, South China Sea) or Russia (Central Asia, South Caucasus). In Central Asia, China and Russia will step up diplomatic pressure to draw Uzbekistan and possibly Mongolia into the Shanghai Five Forum (Russia, China, Kazakhstan, Kyrgyzstan, and Tajikstan) for dual purposes of further limiting the space of antiregime “terrorists” and minimizing US political and economic interests in the region. Both will also continue to view US military contacts in the region as deliberately designed to displace their influence.

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[redacted] Regarding Japan and Taiwan, China will want Russian diplomatic support to maintain political pressure on these two important US-backed regional actors, but Russia will be reluctant to meet Chinese expectations. Moscow will adhere to a one-China policy though it gives much less attention than China to Japanese-US efforts to improve defense cooperation and does not appear nearly as unfavorably disposed toward the overall US military presence in the Western Pacific. Beijing, though initially supportive of Russian involvement in the ASEAN Regional Forum (ARF) and APEC, may try to constrain a stronger Moscow role in East Asian multilateral fora where China seeks eventual primus inter pares status.

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[redacted] In Korea, although their interests appear complementary in terms of nudging P'yongyang into the international arena to help stabilize the region, Beijing probably will take a more guarded approach to Russian diplomatic overtures to North Korea over the longer term. For now, China welcomes Russia's renewed diplomatic activism on the Korean Peninsula, principally for the shared objective of undermining the US rationale for deploying missile defenses in response to threats from such so-called "countries of concern" as North Korea. But ultimately, China wishes to be the principal "great power" player on the Peninsula. China, for example, ignored Moscow's proposal to expand the existing four-party US-China-Koreas negotiating mechanism to include Russia and Japan, and Putin apparently is not pushing it. Some in the Chinese leadership have voiced concern that as Korean reconciliation proceeds, Russia ultimately will dilute or complicate PRC influence in Northeast Asia.

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[redacted] Nor will coordination be particularly strong elsewhere in Asia. In South Asia, Russia and China probably will try to obtain additional Indian backing in their pursuit of a multipolar world. Countervailing Sino-Indian strategic competition—including Chinese suspicion over Russian arms sales to India—and traditional enmity nevertheless will discourage a more formal, tripartite arrangement such as that floated by former Russian Premier Primakov. In the Persian Gulf, Russia and China follow broadly compatible policies, supporting both Iraq and Iran against the United States though actual coordination thus far has been limited.

[redacted] Defense Cooperation

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Arms Sales

[redacted] Russian arms sales to China have continued to grow over the past two years, as we anticipated in our 1998 estimate. A convergence of Russia's need for markets and cash and China's quest for weapons to enhance its capabilities for power projection will drive what we anticipate will be sustained—if not increased—Russian military sales to China over the next three years. In pursuit of its goal of regional preeminence, China will seek more Russian equipment and other support as it increases defense spending, pursues its military modernization program, and emphasizes building a capability to deal with military contingencies including Taiwan and US involvement in a Taiwan conflict. President Putin is emphasizing the importance of Russian defense industries for the overall health of the Russian economy, and those industries are urgently seeking export markets. Putin thus far contends that profitable sales to China, India, and others need not be curtailed to court Western investment necessary to rebuild his country's economy.

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[redacted] China will try to take advantage of weapons and technology transfers to add to its growing inventory of more modern weapons as it seeks to develop a credible deterrent to Taiwan independence or US intervention in a China-Taiwan confrontation—the mission Beijing since 1996 has sought to address by purchasing conventionally powered attack submarines, cruise missile-equipped destroyers, and more modern fighter aircraft. China's goal over the next three years will continue to be to acquire the capability to engage its adversaries at increasing distances from its shores, and

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[redacted] **Russian Arms Exports to China:
1998 to 2000**

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[redacted] Since our 1998 Estimate, China has received a wide variety of Russian arms, including some of the most advanced weapon systems Moscow offers for export. In February 2000, Beijing received the first of two Sovremenny Class guided-missile destroyers that is now equipped with Sunburn anti-ship cruise missiles, SA-N-7/Gadfly Naval SAM systems, and 8 KA-28/Helix antisubmarine and search and rescue helicopters. The second destroyer, which should be delivered by early 2001, reportedly will be equipped with the Football electronic countermeasures package—the first export of this equipment outside the former Soviet Union. A Russian-made radar (Plank Shave B) has been observed on at least one Chinese Navy combatant (LUDA DD-163). Since 1998, the Chinese Navy also has received two Project 636 kilo submarines with wake-homing and wire-guided torpedoes. [redacted]

providing complete air defense systems, Russian designers are providing technical assistance to China in the development of several SAM systems including the HQ-9 long-range SAM, the HQ-16 medium-range SAM, and the HQ-17 short-range SAM systems.

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[redacted] Since 1998, China has signed a contract for 40 Su-30MKK multirole fighters worth more than \$1.5 billion and begun assembling Su-27 aircraft. Russia has already begun flight testing the first batch of Su-30MKK aircraft and could deliver a few by the end of the year. The Su-27 assembly program has fallen behind schedule. [redacted]

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[redacted] Two completed aircraft have been turned over to the Chinese air force and two more were reportedly on their way in late August 2000. China plans to acquire advanced air-to-air missiles for these aircraft and has expressed interest in the long-burn AA-10 and AA-X-12. However, negotiations may be tied to progress on China's development of the PL-12 AAMs. Russia is providing technical assistance to these programs. Russia also is providing technical assistance to China's development of the KR-1 air-to-surface missile that is based on the AS-17 missile. In addition to the aircraft sales and missile development, China is using Russian components, such as engines and radars, in several of its aircraft programs, including the F-8IIM, F-10 and Super-7.

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[redacted] China continues to improve its air defense capability with purchases of Russian weapons and military technology. In May 2000, China received its second regiment of SA-15 SAMs, and in June it took delivery of a command and control system for its SA-10 and SA-20 SAMs consisting of the Big Bird battle management radars and group command posts. Beijing reportedly has approved purchasing more SAM battalions—possibly four SA-10 and four SA-20. In addition to

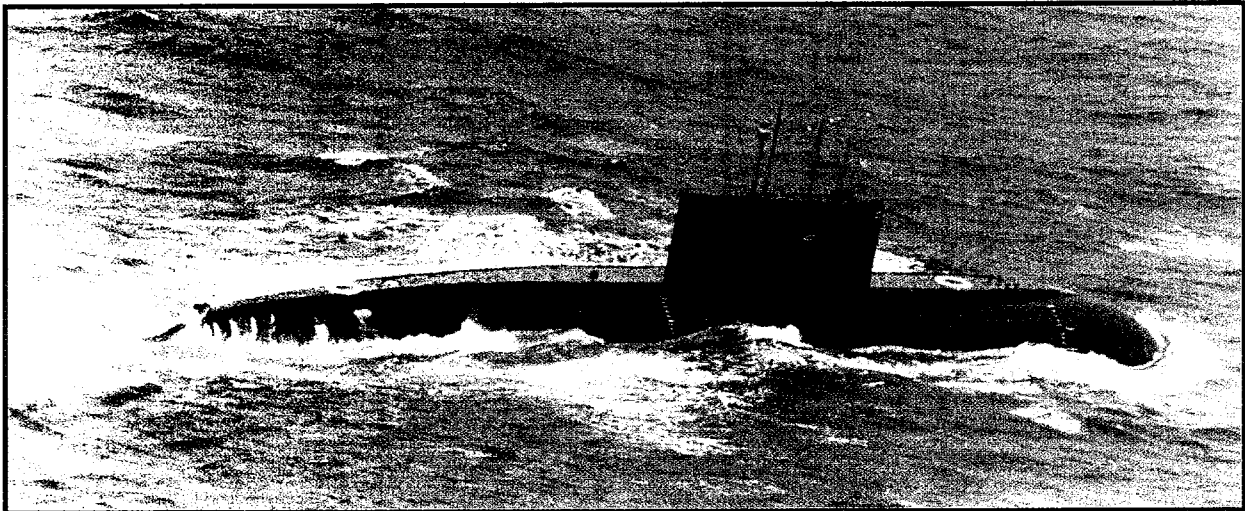
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(b)(3) [redacted] The first Russian export-model Sovremennyi firing an SS-N-22 anti-ship cruise missile (ASCM). [redacted]



(b)(3) [redacted] Since 1998, the Chinese Navy has received two Russian Project 636 Kilo submarines with wake-homing and wire-guided torpedoes. [redacted]

acquisitions probably will continue to tilt toward long-range theater strike capabilities, and additional air, air defense, and naval weapons and platforms. During the period of this Estimate:

- We assess that land-attack cruise missiles, the Novator Alfa antiship cruise missile, Su-30MKK precision strike fighters, equipped

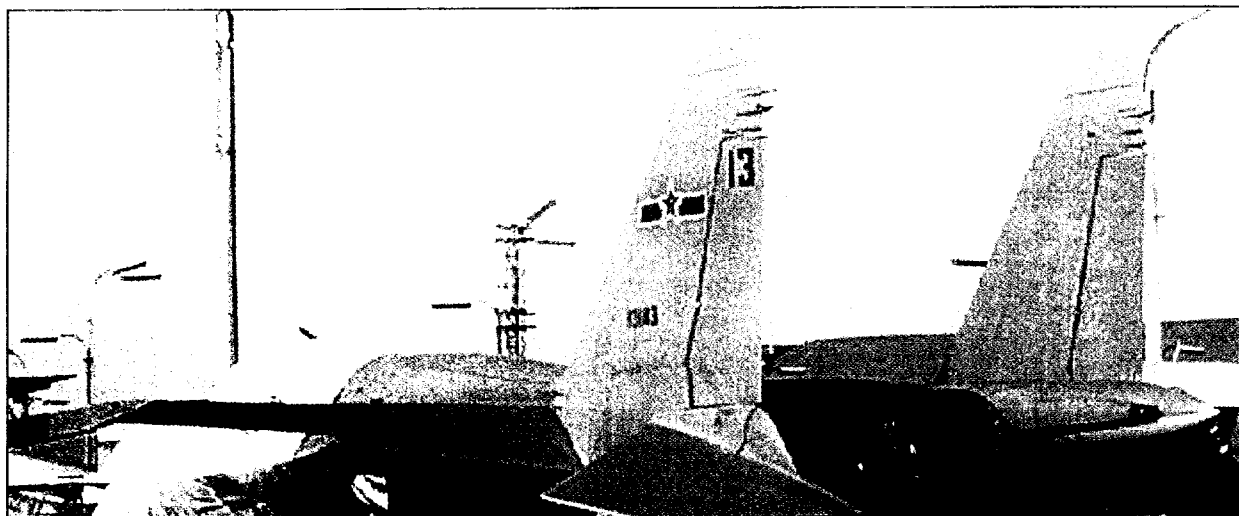
with AS-17 anti-radar missiles and AA-X-12 active radar-guided air-to-air missiles, will top Beijing's list of procurement priorities.

- Purchases alone, however, are unlikely to mean huge strides in capability for China. The Intelligence Community assesses that China has had difficulty integrating these

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(b)(3) [redacted] A Chinese Su-27SK--note PLAAF markings on the tail. [redacted]

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weapon systems and that they so far have only marginally improved China's ability to counter US forces.

(S//NF) There are other real and potential limits to Russian arms sales to China. Beijing, as we noted in our 1998 Estimate, will not limit its search for weapons and technology to Russia. Although China, to a large extent, is wedded to Russian arms technology by tradition, preference, price, doctrine, and the logic of technology upgrades, China will "shop around" for the best arms and technologies it can acquire. For example, Beijing shops aggressively for such equipment as engines and advanced avionics for fighter aircraft upgrades [redacted]

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[redacted] Future trends in Russian arms sales to China will reflect in part how the NMD issue plays out. According to our recent National Intelligence Estimate on foreign responses to US deployment of NMD,¹ signs are growing that, if Russia and China decide to strongly resist a US decision to deploy NMD, Moscow would be willing to sell advanced missile technology to China to defeat missile defenses, and Beijing would be interested in such collaboration. Alternatively, the Estimate adds that possible antimissile defense cooperation could run aground if Moscow disadvantages China by agreeing to modify the ABM treaty, or if the powers continue to differ in the relative importance they give to national missile defense (more important to Russia) and theater missile defense (more important to China).

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[redacted] Russian President Putin's views on the advantages and disadvantages of arming China also will be a crucial factor in the development of the military relationship. In early 1999, President Yeltsin promised to relax military technology transfer restrictions. Putin, however, has tried to condition sales of more advanced technology both to increased access

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(b)(3) ¹ [redacted] NIE 2000-06HJ, *Foreign Responses to US National Missile Defense Deployment*, [redacted] July 2000.

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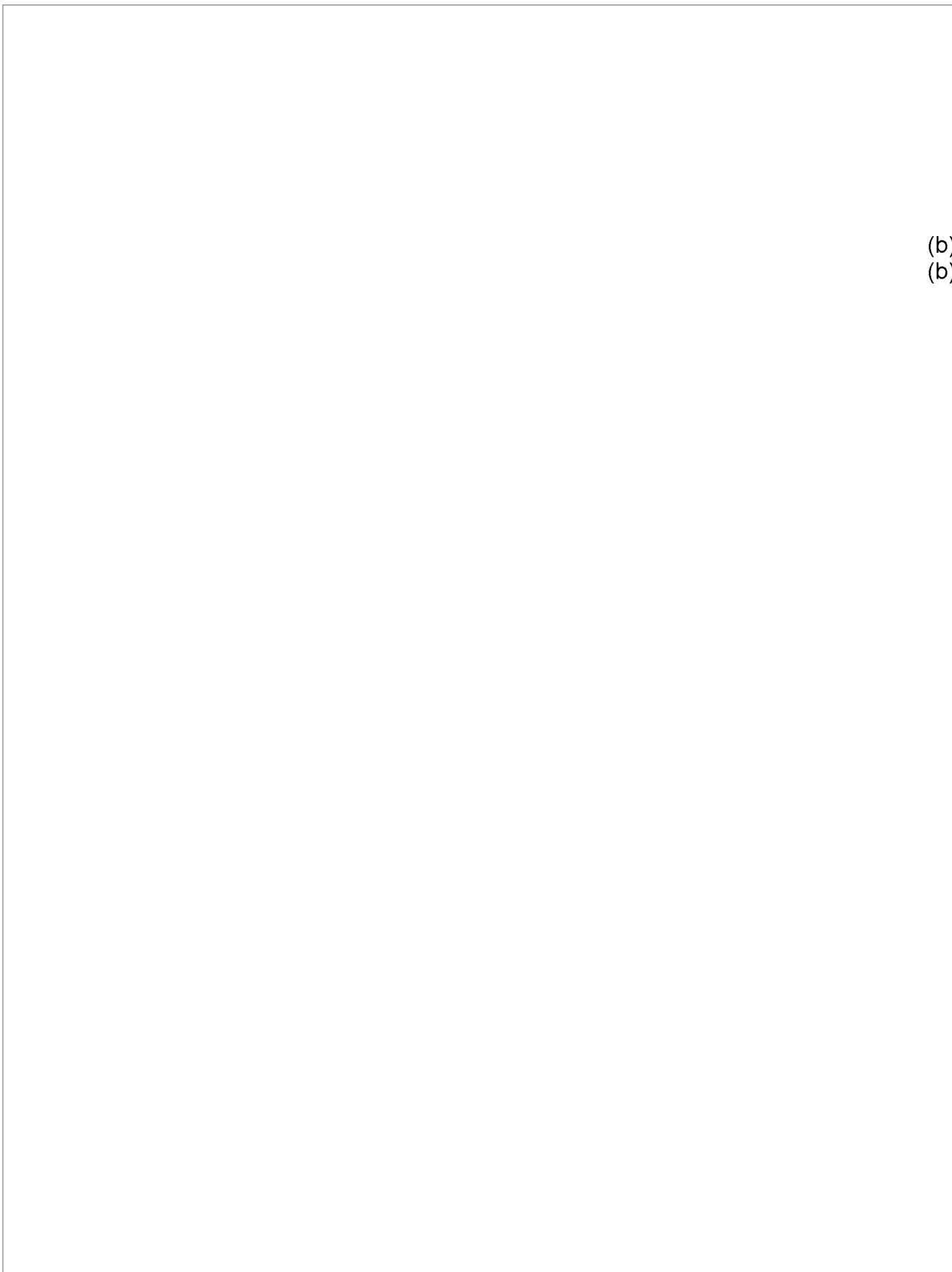
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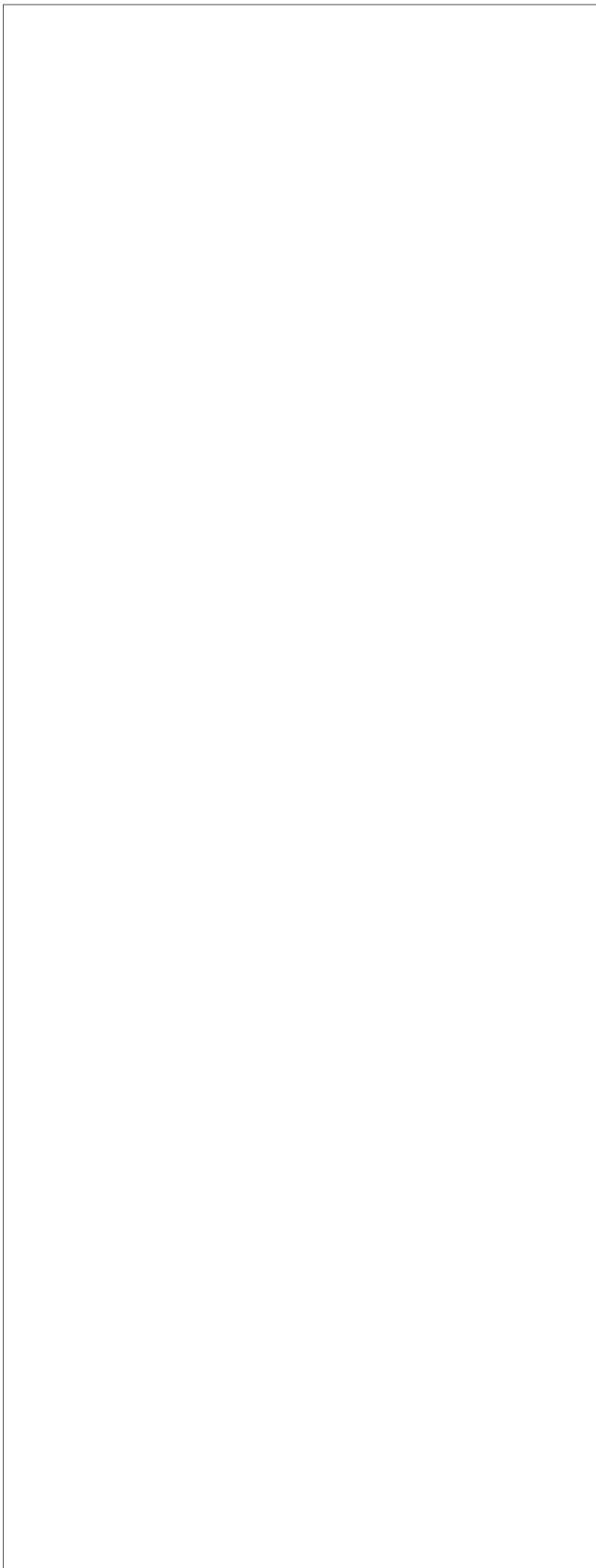
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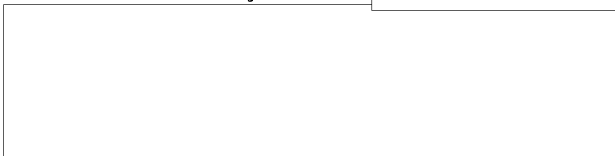
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to Chinese markets and to greater transparency in Chinese military matters.

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[Redacted] Putin's motivations for imposing such conditions are unclear. He may perceive an urgency on Beijing's part that gives Moscow leverage and an opportunity to broaden the economic benefits of the arms trade with China. Beijing, however, is not without leverage, given its sizable purchases of Russian arms and the limited prospects for Moscow to find comparable alternative arms markets. If a search for leverage is primarily driving Putin, this lack of alternatives for both countries suggests that some accommodation on the issue of arms and civilian commercial projects will be reached, although some deals may be delayed and some sensitive systems may be off limits.

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[Redacted] Putin's demands for greater transparency in Chinese military doctrine and production also suggest he may have more fundamental doubts about China's long-term intentions toward Russia. Accordingly, he may be disinclined to automatically implement Yeltsin's relaxation of the restrictions on arms sales, or to approve the transfer of systems that could pose a long-term threat to Russia itself.

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[Redacted] Even this lack of trust, however, is unlikely to substantially affect the increase of military-technical cooperation in tactical weapons. Key weapons systems that



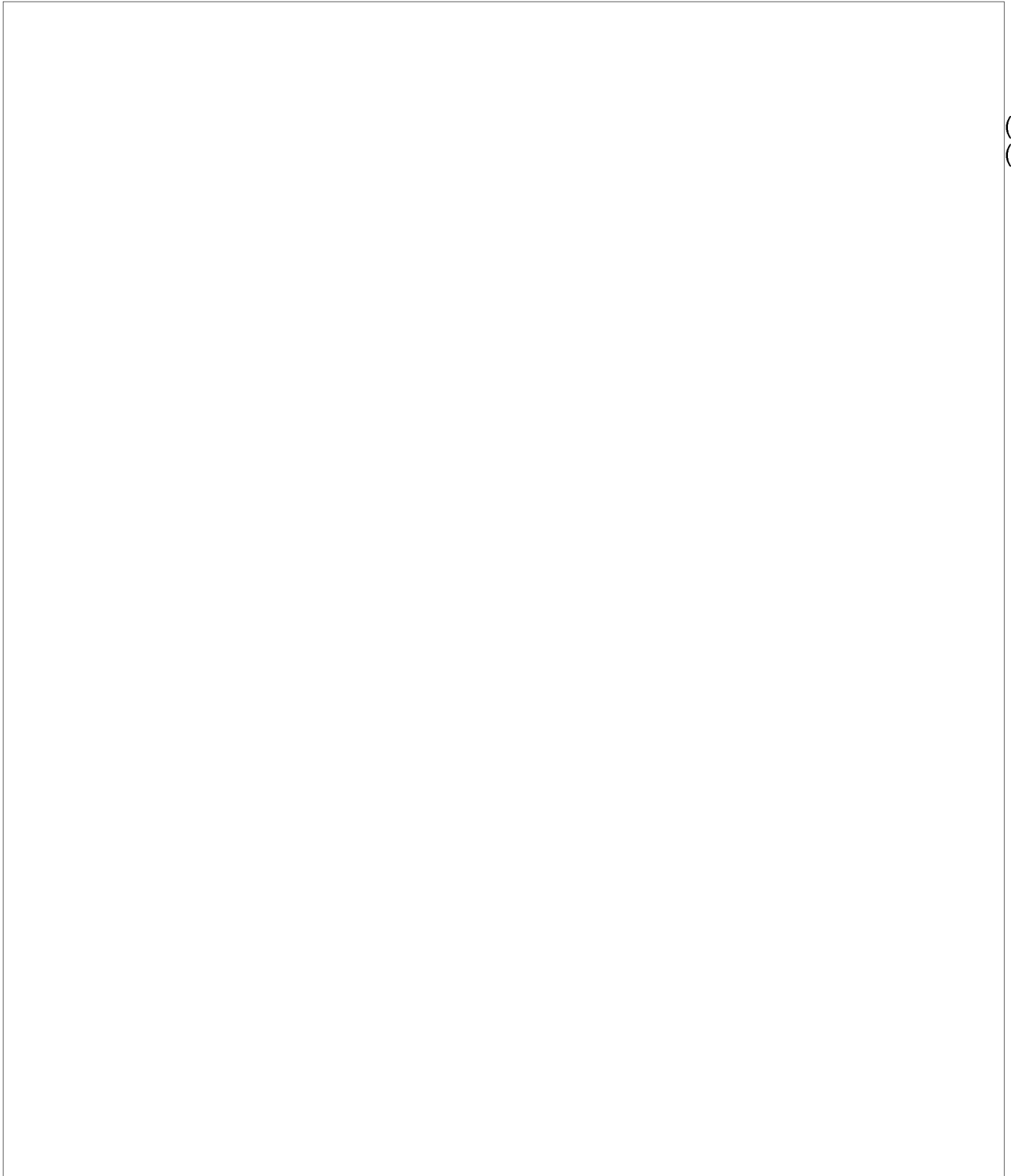
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Other Military Cooperation

[redacted] Notwithstanding the constraints, high-level military contacts—many of them focused on arms deals—have continued. Since mid-1999 the PRC Central Military Commission Vice Chairman, Gen. Zhang Wannian, has been negotiating with Russian officials, particularly Deputy Prime Minister Klebanov, on arms and technology purchases. Other significant contacts include a meeting between PRC Defense Minister Chi Haotian and his Russian counterpart in January 2000 to discuss joint exercises, training, and military student exchanges. The naval chiefs of the two sides exchanged visits in 1999 to discuss PLA crew training on Sovremennyy destroyers and arrangements for a high-profile Russian Navy port call in Shanghai in October 1999. In January 2000, the two sides agreed to expand the number of PLA officers training at Russian service academies: 130 were in attendance last year.

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[redacted] These high-level military contacts have been accompanied over the past two years by often strident mutual rhetoric directed against US “hegemonism” and “power politics,” suggesting that common Russian-Chinese opposition to US policy in the Balkans crisis and other disputes may have reinforced the interest of both sides in deepened defense ties. Key bilateral military channels likely to expand further include the Scientific-Technical Cooperation Commission, the chief coordinating mechanism at present for arms and technology deals. Additional areas for possible expansion include the defense ministry hotline, defense minister/general officer exchanges, intelligence sharing, and in-country advisers. Meanwhile, both sides will continue to reduce the potential for border tensions by fostering other confidence building measures and routine forms of military interaction.

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have not been sold to China are largely strategic, including long-range strategic bombers, cruise missile submarines, long-range land-attack cruise missiles, and ballistic missiles.



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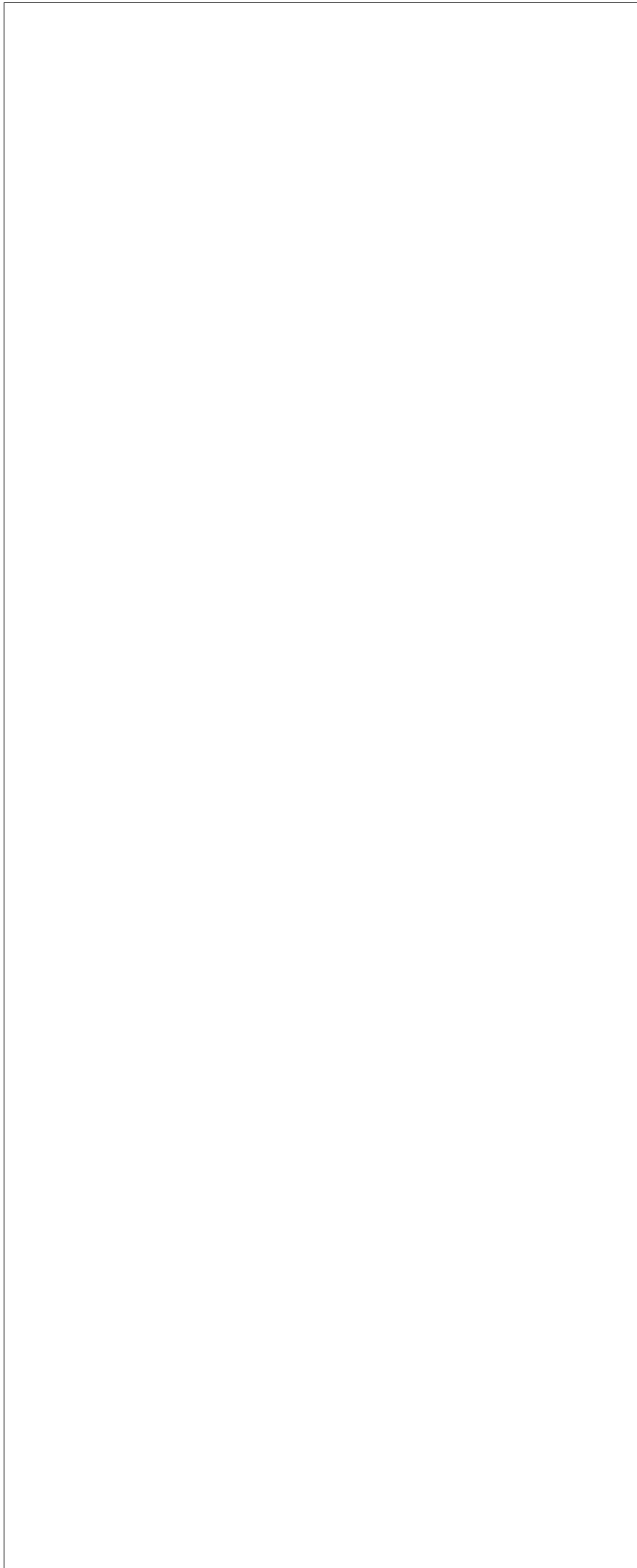
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Economic Limitations

[redacted] Economic cooperation has continued to trail the political and military relationship and has remained stagnant since our generally negative assessment in 1998. According to official Chinese statistics, overall trade volume has declined to \$6 billion or less during the past three years, far from achieving the ambitious goal the partners had of boosting two-way trade to \$20 billion this year (see chart on page 22). This decline was attributable in part to the Asian financial crisis—which decreased demand and prices for many of the goods traded—and then the ruble devaluation that cut purchasing power in Russia and dropped imports in 1999 to their lowest level since the breakup of the union. In 1999, China was Russia’s sixth-largest trading partner, while Russia accounted for less than one percent of China’s exports and only five percent of China’s imports. Preliminary information suggests a somewhat better performance for 2000—trade at midyear exceeded \$3.5 billion.

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[redacted] Russia still considers China one of its most promising potential partners, while China continues to pay lipservice to the importance of civilian economic ties largely for strategic reasons. Both Russian and Chinese officials have expressed dismay, however, over their inability to bring economic ties along at the pace that has characterized the development of political relations since the two sides inaugurated their “strategic partnership” in 1996.

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[redacted] Several factors are likely to continue to stifle trade growth and prevent the Russian-Chinese economic relationship from reaching its hoped-for potential. Such factors include inadequate Russian mechanisms for accounts

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[redacted] Russian President Vladimir Putin shakes hands with Jiang Zemin after exchanging joint declaration in July 2000.

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settlement, insurance, and arbitration, ongoing allegations of dumping, squabbling over the quality and price of goods, and allegations that Chinese traders in Russia face harassment and discrimination. In addition, heavy taxes, restrictive entry and residency requirements for Chinese workers, and poor Russian payment records are leading to a withdrawal of Chinese trade and construction firms from Russia and may accelerate a trend of declining Chinese exports to Russia. In an attempt to address at

least some of these problems, China and Russia in late 1999 set up a mediation system for border trade disputes, according to the Chinese press.

- Russian-Chinese trade and other economic ties also will hinge on the implementation of WTO agreements. Such agreements, if implemented, are likely to draw each side closer to the West than to each other.

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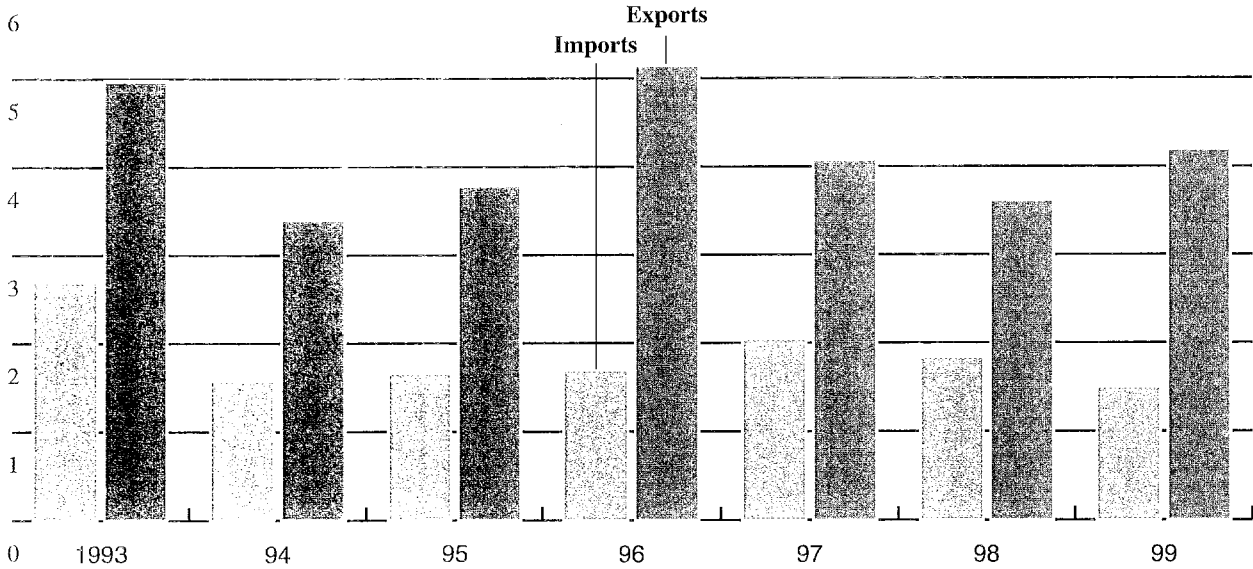
Russia

Trade With China

By Year

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Billion US \$



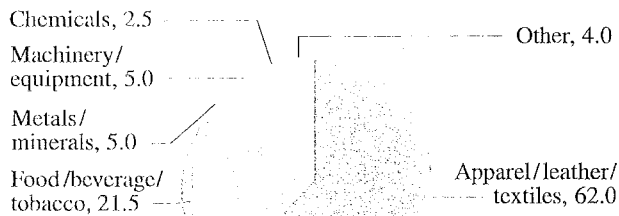
By Commodity

Russian Imports, 1999

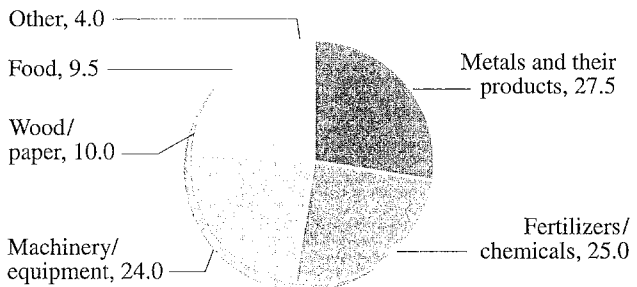
Russian Exports, 1999

Percent

Percent



US \$1.5 billion



US \$4.2 billion

Source: Official Chinese and Russian trade statistics.

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[redacted] Russia's recently improved economic situation may overcome some of Beijing's concerns about the ability of Russian firms to fulfill large development contracts—a major stumbling-block on earlier contract awards, including China's Three Gorges Dam. Prospects are more likely, however, for continued frustration on such major projects as Beijing's "Great Western Development Plan" to reduce disparities between China's prosperous coastal regions and its interior provinces. Indeed, a key to Beijing's strategy is to attract substantial foreign investment, and substandard Russian involvement is an unlikely selling point.

- *Commercial trade relations will remain largely stagnant.* Economic realities and priorities in both countries indicate that prospects are limited for a significant pickup in Russian-Chinese economic cooperation in the next three years.
- *Tactical convergence of Russian and Chinese international political interests will continue,* prompted by mutual frustration with US policies and perceived US pressures against them. We expect both Beijing and Moscow to remain sensitive to each other's areas of primary interest, and to work to limit bilateral friction and sustain good neighborly relations.

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[redacted] Nonetheless, the two sides are laying groundwork for the next decade by negotiating other multibillion dollar long-term contracts to build oil and gas pipelines and other major infrastructure projects. Deliveries to the \$2.5 billion nuclear plant Russia is building in China under a 1993 agreement, for example, began late last year but will be spread out over at least the next five years. Similarly, planned oil and gas pipelines to China—which Russia is counting on to reduce its dependence on European energy markets—will not be completed for at least ten years. These deals eventually could mean some \$4 billion in annual Russian energy exports to China at current prices, virtually doubling current trade levels.

- At the same time, *the closeness of their relationship will be limited* by their residual historical mistrust of each other, the respective concerns they have about each other's long-term threat potential—most immediately, Russian concern over China's rising power—and the central preoccupation of the two leaderships with domestic challenges.

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Prospects for Future Relations

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[redacted] We assess that over the next three years, and possibly longer, the Russian-Chinese relationship will continue to develop unevenly:

- *Russian sales of arms and technology to China will continue to grow,* their pace and scope being driven primarily by China's need for advanced military equipment and technology, and Russia's need for sales abroad to sustain its defense industries.

[redacted] Both sides are likely to maintain a grudging respect for US power and influence and to calculate that constructive relations with Washington are essential to their respective modernization and reform programs. Over the next three years, they will attempt to avoid directly provoking Washington in ways that might be harmful to those programs by triggering such retaliatory US-sponsored actions as economic sanctions. [redacted]

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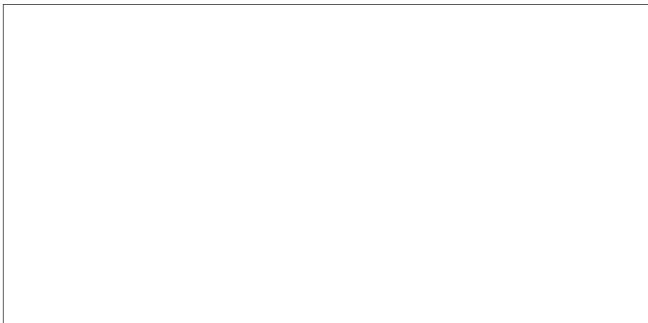
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Whether and how Russian-Chinese relations diverge from this baseline over the next three years depends largely on three key variables that are external to the relationship itself:

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- *Putin.* The new Russian President is sending mixed signals about his intentions for the relationship with China. His visit to Beijing in July 2000 suggested a readiness to continue pursuing a “strategic partnership”—as part of his apparent interest in invigorating Moscow’s role on the global diplomatic scene—but his efforts to link arms sales to commercial trade and military transparency suggest a more skeptical or mercenary approach to the relationship than Yeltsin. We do not know at this early stage what impact Putin will have on the relationship.
- *NMD.* A decision in Moscow not to modify the ABM Treaty, in conjunction with a US decision to proceed with NMD, probably would engender stronger Russian-Chinese political collaboration against the US. Although this would result mainly in intensified rhetorical attacks and anti-US activism in the UN and other multilateral forums, Moscow and Beijing also would consider strengthening technical cooperation on missile defense. Alternatively, a Russian decision to modify the ABM Treaty and facilitate US NMD could isolate or alienate China, straining Russian-Chinese political ties. Any

Leadership Transition

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The recent leadership transition in Russia and one expected in China during 2002 will influence the direction of the relationship.

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- *President Putin is an important new variable in the bilateral equation. Sworn into office in May 2000, he has not yet articulated a definitive vision for conducting Russian international affairs, and he could attempt to drive the relationship with China in several ways. Some of the overtures he has made to Beijing suggest an eagerness to deepen the relationship, while others indicate skepticism or a desire to leverage Beijing in ways Yeltsin did not. Putin’s decisions on the US NMD program and modification of the ABM treaty will indicate China’s relative importance in his foreign policy.*
- *Chinese leaders are in the midst of their cyclical policy review process in the run-up to prospective changes at the 16th Party Congress in 2002. They probably will adjust international priorities and perspectives as a new generation of leaders enters the stage. We assess, however, that new Chinese leaders—who are less influenced by Russia’s close ties to China in the 1950s—will be much like the previous generation in cautiously deciding and implementing policy. In any event, changes in policy toward Russia most likely will be cautious and gradual, partially because Chinese leaders themselves are uncertain about Putin’s agenda.*

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subsequent Chinese missile buildup—ostensibly directed at the US—also would appear potentially threatening to Russia.

- *US Policy.* Future Sino-Russian political cooperation against Washington will be a function of the degree to which Moscow and Beijing sustain the perception that US policies are directed against their interests. If they interpret subsequent US policies as further evidence of growing “unilateralism” or “interventionism,” the convergence of their diplomatic agendas probably would increase.

repercussions also have a powerful deterrent effect. Neither side has a compelling rationale to declare the United States as a full-blown enemy, warranting formation of an anti-US military pact, and we see little prospect of a perceived commonality of security interests sufficiently strong to create the basis for a military alliance.

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[redacted] A combination of these variables could produce greater political convergence in Russian-Chinese relations than we have seen over the past two years, especially under conditions where both powers perceived greater common ground in opposing US policies, or calculated that such cooperation would not endanger the benefits of their respective bilateral relationships with Washington. Such a scenario—

[redacted] A Chinese decision to confront Taiwan at the risk of engaging the United States militarily probably would have little effect on Russian-Chinese political or military cooperation against the United States. Since the 1950s, even during the period of the Sino-Soviet alliance, Moscow has been reluctant to join Beijing in confronting the United States militarily over Taiwan. Russia probably would seek to keep a low profile and limit its involvement. For the Russians, Taiwan is a marginal issue. Moscow probably would continue to adhere to its One China policy and offer rhetorical support [redacted]

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[redacted] could strengthen the linkages between the political, military, and economic components of the Sino-Russian relationship. Moscow could relax even more of its restrictions on arms and technology transfers to China, and Beijing probably would be inclined to accommodate Russian demands for greater commercial export opportunities. [redacted]

[redacted] but it also probably would press China to avoid a crisis involving the United States (particularly if Moscow perceived the crisis could escalate and embroil Russia). Such a stance may irritate China, but Beijing probably has low expectations of Russian support in a Taiwan conflict scenario and thus would not be likely to derail the relationship over the issue.

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[redacted] Although a greater political convergence is perhaps more likely, there is also a distinct possibility that Russian-Chinese relations will decline over the next three years and beyond. Serious strains in the relationship could result from:

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[redacted] We assess that, in any scenario, the chances of Moscow and Beijing reestablishing a formal alliance—especially one with a mutual defense component—are low. Bitter memories of their failed alliance of the 1950s and deeply rooted suspicions will strongly discourage a replay, and the potentially serious international political and economic

- A decision by Putin or a successor to downgrade the Sino-Russian partnership or curtail arm sales significantly to court the West, or to

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refuse any political support to China in a cross-strait showdown involving the United States.

- A perception by Beijing that China has been disadvantaged strategically by US-Russian negotiations on ABM treaty revisions that enable deployment of a US national missile defense and diminish the PRC strategic deterrent.
- A conclusion by Moscow that China will continue to systematically refuse to extend favorable treatment to Russian interests in awarding contracts for development programs in Xinjiang and other western provinces.

- Russian-Chinese competition for influence in the newly fluid situation in the Korean Peninsula, ethnic tension in the Russian Far East, state disintegration in Central Asia, or support for opposing sides in a South Asian conflict.

[redacted] Even in this scenario, however, we assess that both powers would work to limit bilateral friction, pursue some mutually advantageous arms sales and military cooperation, and persist in common efforts to promote multipolarity and oppose perceived US unilateralism.

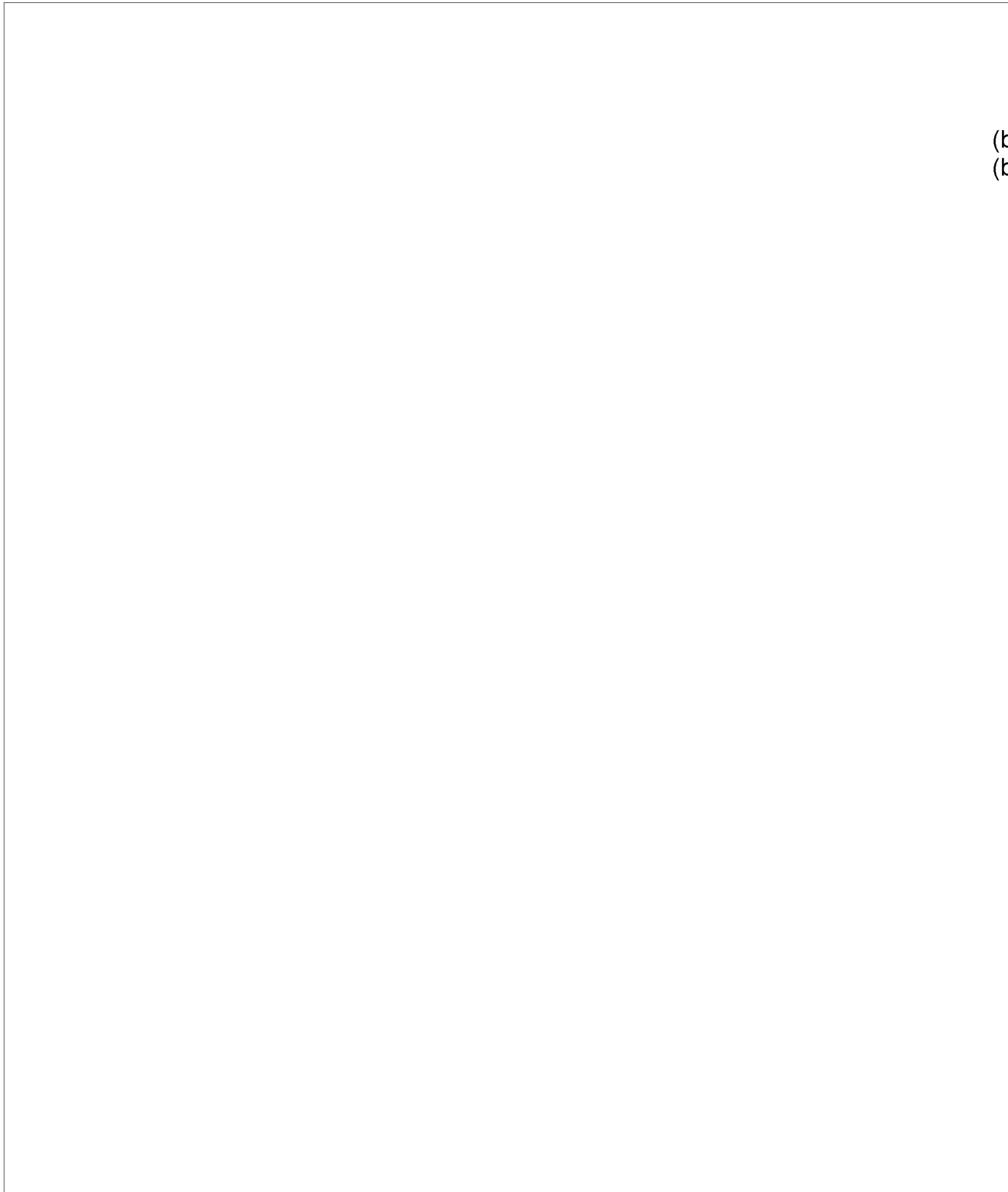
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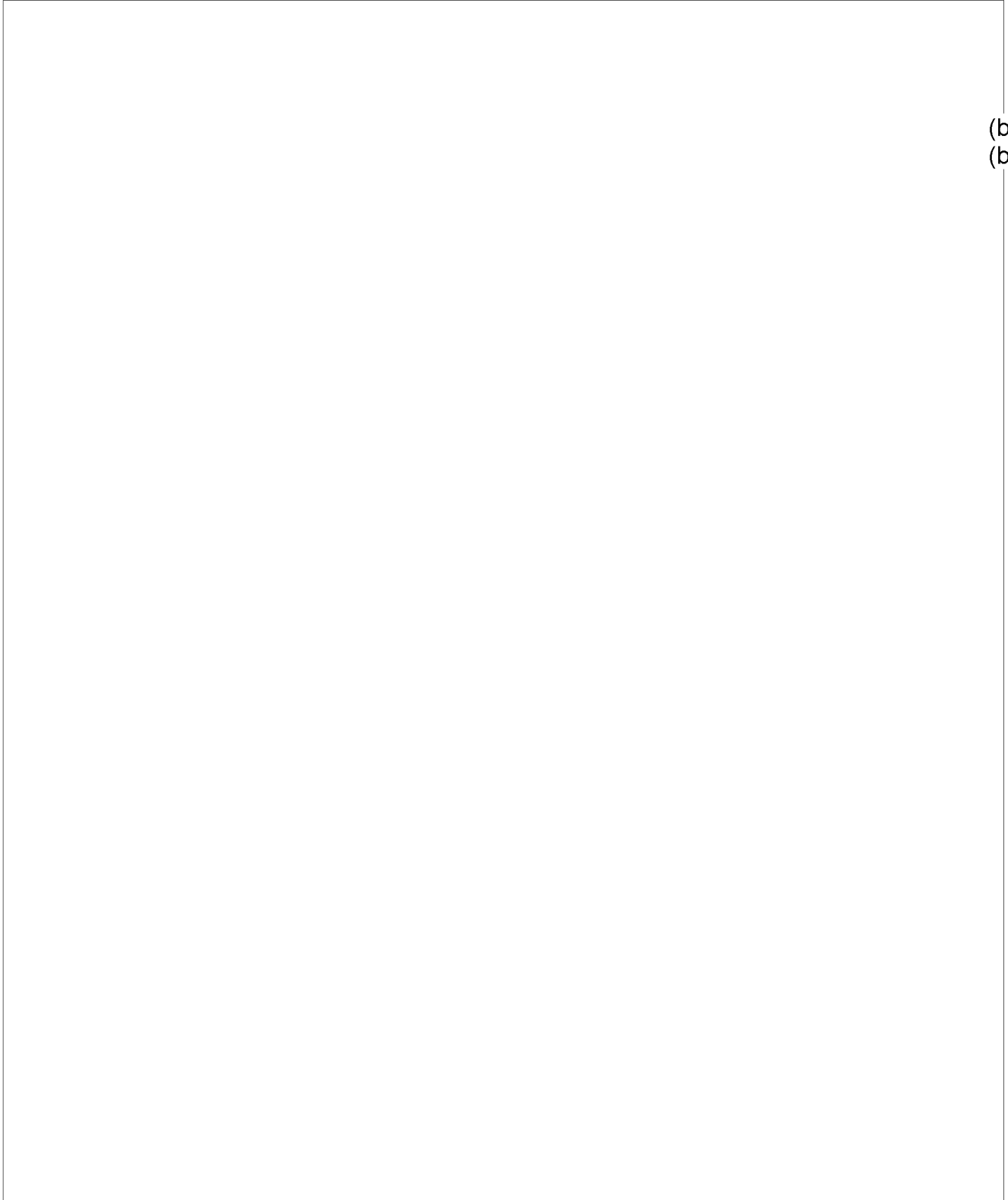


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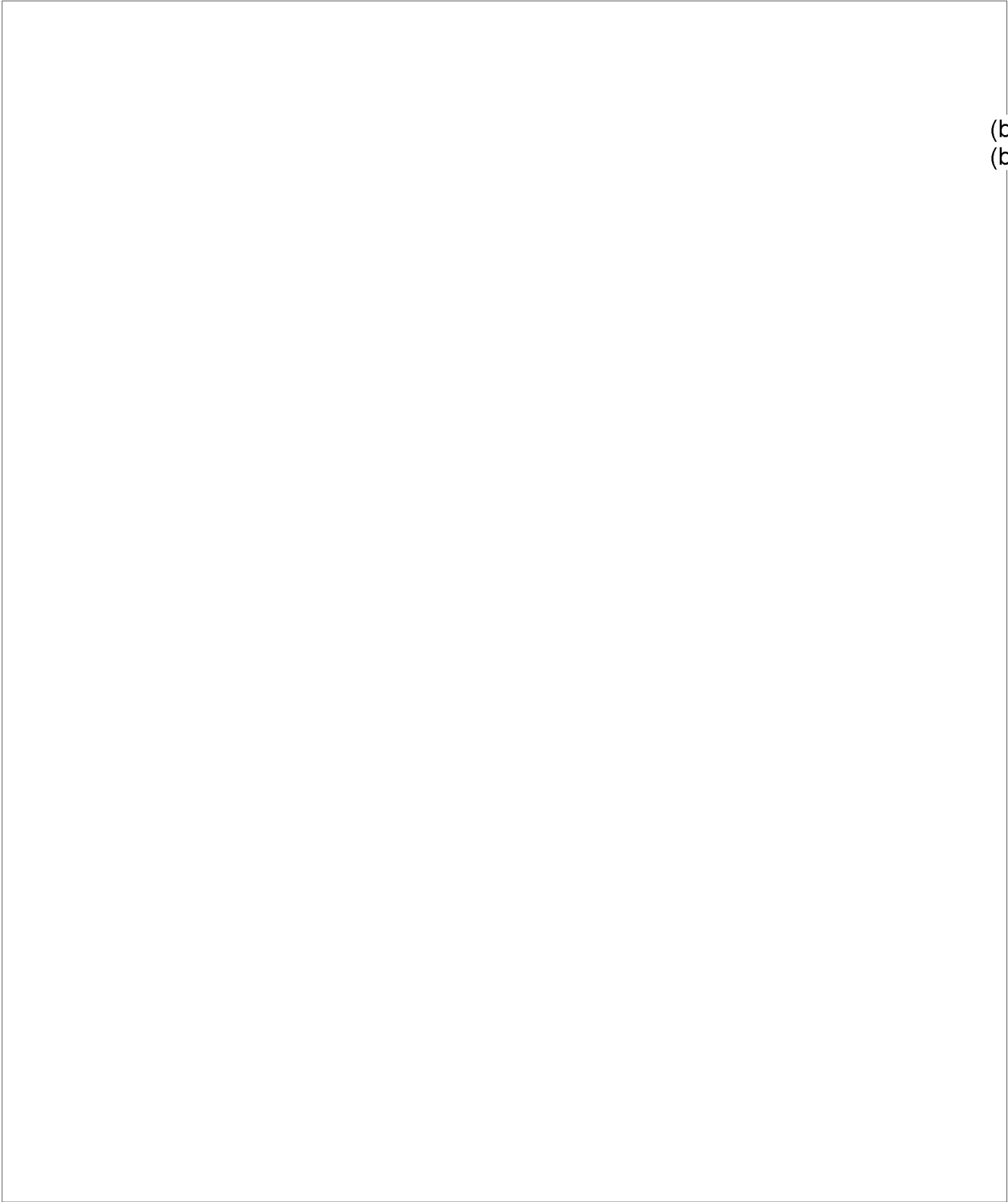
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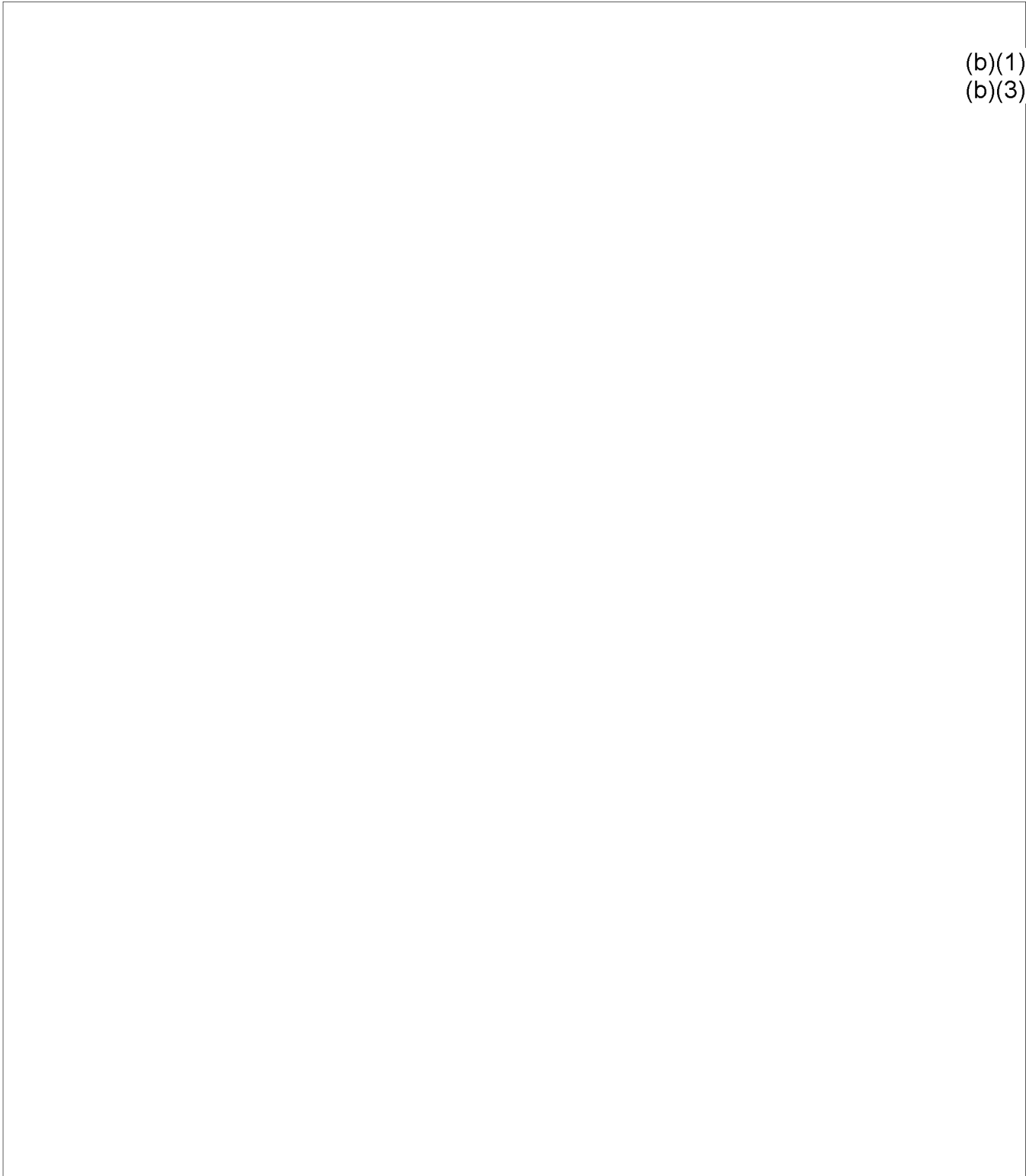


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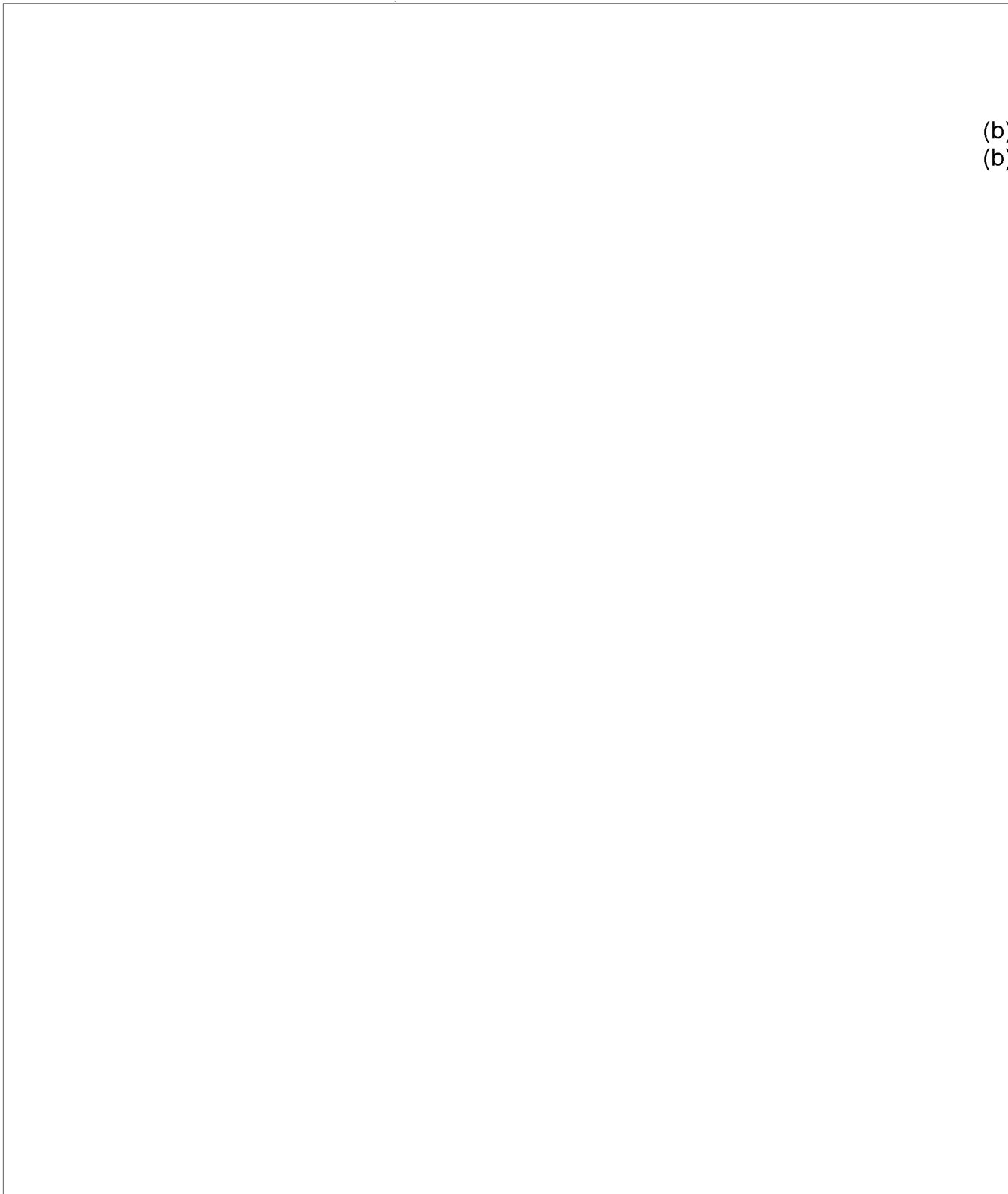


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Annex**Russia-China Military Exchanges****Overview**

Sino-Russian military contact resumed shortly after Moscow and Beijing reestablished normal political relations in the late 1980s. Negotiations to sell Russian weapons to China were under way by 1991 during Beijing's international isolation for the Tiananmen Square massacre. Consequent Russian training of Chinese personnel created the need for Chinese officers conversant in Russian language and culture that probably prompted Chinese attendance at Russian service academies by 1996. Border and force reduction treaties respectively signed in 1996 and 1997 and the growing threat of instability in Central Asia prompted contact between law enforcement authorities and military commanders along the Sino-Russian border by 1998. By 1999, mutual estrangement from Washington persuaded both sides to elevate the public profile of their defense relationship beginning with Zhang Wannian's June 1999 trip to Russia. Presently, nine broad areas of bilateral military contact are known to exist:

Arms and Military Technology Purchases

Bilateral negotiations over Chinese purchase of Russian military equipment are the most visible Sino-Russian defense channel. Since 1992, they have occurred under the Military-Technical Cooperation Commission, a subcommittee of the Russia-China Joint Intergovernmental Commission that was established in 1992 and is co-chaired by the prime minister of each country. Convening almost every year since 1992, the Military-Technical Commission engages the senior arms transfer negotiators of Russia and China, who finalize the details of transfers discussed in lower level meetings. The first commission meetings concluded the Su-27 fighter sale to China, the first major post-1990 arms deal between the two countries. The most recent meeting in August 1999 agreed on the Chinese purchase of 40 Su-30 aircraft.

Gen. Liu Huaqing, who was then China's senior uniformed officer and leading advocate of People's Liberation Army (PLA) force modernization, led most of China's Military-Technical delegations from 1992 until his retirement in early 1998. His Russian counterpart usually was the Deputy Prime Minister responsible for Russia's military industrial complex. Lower-level arms and technology transfer negotiations continued following Liu's retirement until the full commission reconvened in August 1999. At

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that time, Deputy Prime Minister Ilya Klebanov was hosted in Beijing by Liu's successor, Gen. Zhang Wannian, who himself had visited Moscow in June.

Military Training

[redacted] Russian training of Chinese personnel in both Russia and China commenced shortly after weapons sales resumed and probably is a component of most major weapons sales. Prospective Chinese Su-27 pilots entered a six-month course at the Krasnodar Foreign Pilot Training Center by February 1992. Russian trainers reportedly are still training Chinese Su-27 pilots in China. Chinese crews have been training to operate Chinese-purchased kilo submarines at the Kronshtadt Training Center near St. Petersburg since at least 1995. Chinese crews also underwent several months of training in Russia as part of the Sovemenny purchase. As of March 2000, Chinese students were attending Smolensk Army Air Defense University, possibly to study Russian air defense strategy and SA-10 or SA-20 operations. Training of Chinese crews to operate the SA-15 surface-to-air missile system is ongoing at the Russian Air Defense Forces training center at Orenburg.

Defense Minister/General Staff Meetings

[redacted] These meetings, which usually negotiate bilateral military exchanges, are not programmed but have been held at least annually since 1992. They can occur in tandem with presidential summits or military technical discussions. For example, during the January 2000 defense minister meeting in Moscow, Chinese Defense Minister Gen. Chi Haotian met with his Russian counterpart and discussed holding bilateral exercises, expanding military student exchanges, and exchanging military training observers. He also met Deputy Prime Minister Klebanov and discussed ongoing and potential Chinese arms purchases.

Hotlines

[redacted] The Russian Defense Ministry installed a landline link to PLA headquarters in Beijing in 1999 following the installation of a hotline between the Chinese and Russian presidents. We do not know the specific purpose of the voice-only link. It reportedly suffers from a lack of clarity and therefore probably is not used extensively.

Service Chief Meetings

[redacted] Occurring less frequently than Military Technical Cooperation Commission or Defense Minister/General Staff Officer meetings, Service Chief meetings normally discuss such direct service-to-service contacts as naval port visits or Russian training of Chinese personnel at service training facilities. For example, the naval chiefs of both countries exchanged

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visits in 1999 to arrange the Russian Navy's October 1999 port call in Shanghai and Russia's training of Chinese crews for two Sovremennyy destroyers purchased by Beijing.

Military Student Exchange

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[REDACTED] Russia was accepting up to a dozen Chinese students annually at the General Staff Academy in 1996. By 1997, a comparable number of Chinese officers were attending a three-year course at the Russian Naval Academy. By 1999, 130 Chinese students were said to be attending Russian service academies, and in January 2000 the two countries agreed to increase the number. Expanding Chinese attendance at Russia's service academies probably is rectifying the dearth of Russian-speaking PLA officers that resulted from suspension of Sino-Russian relations between the early 1960s and late 1980s.

Border Force Meetings

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[REDACTED] The 1996 agreement on border confidence-building measures and the 1997 agreement to reduce border forces by Russia, China, Kazakhstan, Kyrgyzstan, and Tajikstan prompted regular contact between Russian and Chinese border forces and military units in border regions. Russian and Chinese border control forces routinely cooperate to control illegal border movements; the national border service heads of the two countries have met at least once since the agreements were signed. Russian commanders of the Siberian and Far Eastern Military Districts routinely meet with their Chinese counterpart in the Shenyang Military Region. Military inspection teams from both sides verify compliance with the force reductions specified by the 1997 agreement. Bilateral exercise notification presumably occurs. We do not know whether hotlines for preventing unintentional escalation exist.

"Shanghai Five" Forum

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[REDACTED] Negotiation and implementation of the 1996 confidence-building and 1997 force-reduction agreements led to this five-party forum that promotes economic exchange and cooperation in border control. The latter is prompted by Islamic radicalism and weapons and narcotics trafficking spilling over from Afghanistan. Shanghai Five summits between heads of state, defense ministers, and law enforcement chiefs promote multilateral cooperation in combating these threats. The forum is the only apparent instance where senior Russian and Chinese security officials discuss responding to mutual threats.

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Intelligence Exchange

[redacted] Periodic contact between the military and intelligence services of the two sides has occurred since relations resumed in 1989. For example, Russian GRU chief Korabel'nikov visited PLA intelligence chief Xiong Guangkai in June 1999. [redacted]

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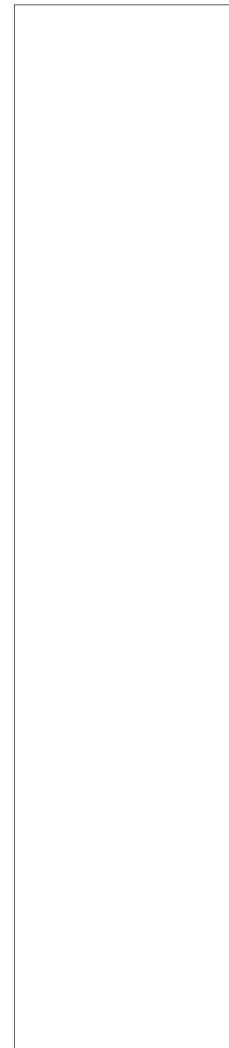
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- The Defense Intelligence Agency
- The National Security Agency
- The Bureau of Intelligence and Research,
Department of State
- The Director of Intelligence,
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also participating:

- The Deputy Chief of Staff for Intelligence,
Department of the Army
- The Director of Naval Intelligence,
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- The Assistant Chief of Staff, Intelligence,
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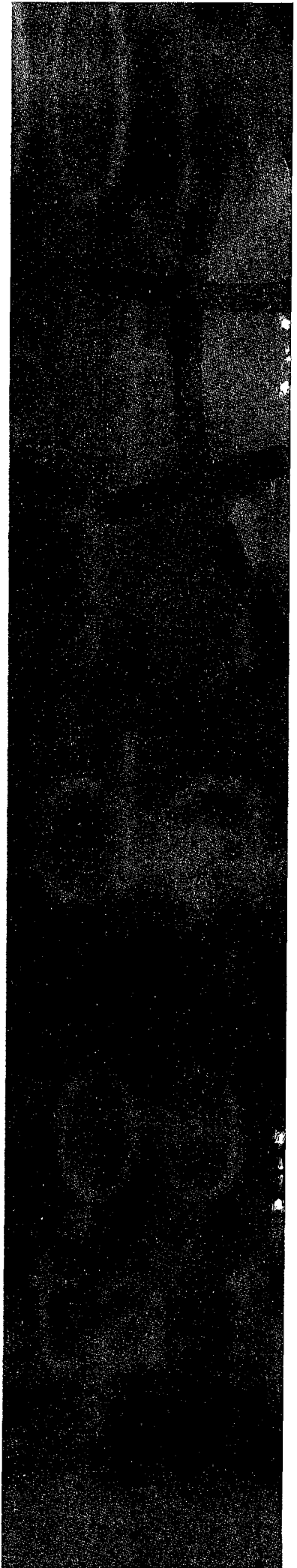
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