

## China-Russia Relations: End of History? What's Next?

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More than 300 years of territorial/border disputes between Russia and China came to an end in the fourth quarter with the signing of the Supplementary Agreement on the Eastern Section of the China-Russia Boundary Line of their 4,300-kilometer border. At year's end, Taiwan's Russia-born former first lady (1978-88) Faina (Epatcheva Vakhreva) Chiang died at the age of 88, ending the final Russian/Soviet touch on China's turbulent 20<sup>th</sup> century.

Life after "history," however, continued with both strategic cooperation and competition throughout their bilateral relationship. The quarter saw Russian President Putin's third official visit to China, which was accompanied by record bilateral trade (\$20 billion in 2004) and fresh momentum in military-military relations (a joint military exercise in 2005 and upgrading Russian military transactions to China). But what really ended on the last day of the year was Russia's indecision regarding an oil pipeline to China. On Dec. 31, Russia's prime minister approved a draft resolution submitted by the Russian Industry and Energy Ministry to build an oil pipeline from Taishet in East Siberia to the Perevoznaya Bay in the Pacific Primorsk region, without a word about China nor a branch to Daching.

### **Putin's Third Visit to China: Ending the Past**

In mid-October, President Putin conducted a three-day state visit to Beijing and Xian. His third official visit to China occurred at the 55<sup>th</sup> anniversary of China-Soviet/Russian diplomatic relations and in the midst of a much publicized Year of Friendship between Russian and Chinese young people.

Much of the attention at the summit was given to the signing of the border agreement. It finalized, after 40 years of hard negotiations, the 4,300-kilometer-long border between the two largest powers on the Eurasian continent. China and Russia signed border agreements in 1991 and 1994, delimiting the eastern and western sections of their boundary line, leaving only two parcels of land in the eastern section to be resolved. This time, the two disputed islands – Heixiazi Island (Bol'shoi Ussuriiskiy Island in Russia) and the adjoining Yinlong Island (Tarabarov) at the confluence of the Heilongjiang (Amur) and Ussuri rivers – were settled in a 50/50 manner. These islands have an area of

350 sq. km, 500 times the size of Zhenbao (Damansky) Island (0.7 sq. km), over which the two nations fought a bloody skirmish in 1969.

The Heixiazi Island has been under Russian jurisdiction since 1925. The demarcation of borders – aerial photos of the regions and surveys of the water depth – will take at least three years.

The two heads of state also participated in the signing of 13 other documents, including a joint communiqué, a Joint Declaration and a Russian-Chinese Action Plan for 2005-2008, a protocol on completing talks on Russia's accession to the World Trade Organization (WTO), and other accords on banking, energy cooperation, anti-drug, etc.

### **Hu Jintao: Forward Looking**

Largely because of the breakthrough in, or disappearance of, the border issue, Putin described his talks with Hu Jintao as “a summit of breakthrough decisions.” The joint communiqué, however, casts a less glowing light on the agreement calling it “a political win-win, balanced, and reasonable solution” for the two sides. For his part, President Hu seemed to be more concerned about post-settlement bilateral ties. He spelled out during his talks with Putin “four principles” for China-Russian relations:

(1) to insist on mutual respect, equal treatment, mutual support, and continuously strengthen political mutual trust. Both sides should respect each other's stance and domestic and foreign policies on issues concerning state sovereignty and territorial integrity.

(2) to insist on complementarity and mutual benefits and to seek common development from a long-term perspective. The two sides should give full play to the present bilateral cooperation mechanism, deepen the further development of bilateral trade and investment cooperation, and speed up cooperation in such fields as large energy projects and high technology, as well as cooperation between localities of the two countries.

(3) to insist on coordination, mutual trust, and enhanced cooperation to jointly create a sound international environment. The two sides should continue to take measures in different ways to enhance bilateral communication and coordination in major international and regional affairs, support multilateralism and the United Nations' important role in international affairs, and push forward the establishment of a just and rational new international political and economic order.

(4) to learn from each other's strong points and expand exchanges to lay a solid social foundation for the bilateral friendship from generation to generation. The two sides should expand cultural cooperation and social exchanges to deepen the traditional friendship between the two peoples.

Much of this was already covered in the joint communiqué and the Action Plan (for 2005-08). A consistent theme of these restated principles, however, is the concept of “mutual,” which runs through three out of the four items. The term expressed China's

desire for more reciprocity from Russia. The package of papers signed in Beijing, including the border and WTO accords, very much favored Russia, considering its position of relative weakness. Meanwhile, the energy-thirsty China still had to wait for Russia's end-of-the-year decision for the long anticipated, but gradually fading dream of an oil pipeline from Russia's Siberia to China's northeastern provinces.

While Russia's indecision on the energy issue may also contribute to the less glowing reception for Putin in China, Hu's more straight forward and formality-evading approach was also a factor. Unlike Jiang Zemin, who was known for his polished style and desire for publicity, Hu and Premier Wen Jiabao are men of substance. Once the summit talks were done, none of China's top leaders accompanied Putin on his visit to Xian, China's ancient capital city where the first emperor was buried with hundreds of life-sized terra-cotta warriors for more than 2,000 years. China's media and public, too, were more cautious and less enthusiastic than in the past, when they extolled the idiosyncracies of "Putin the Great." Now they cared more about the substance of his policies.

For Chinese leaders, the real issue was Russia's commitment to, as well as its ability to implement, the letter and spirit of the accords signed by the two governments. Hu seemed less tolerant of the perceived gap between words and deeds in bilateral relations. For this, China's official media headlined Hu's urge, in his mini-summit with Putin during the annual APEC meeting in late November, that Russia and China "should materialize their consensus." Hu's urge was accompanied by another set of "four points": maintain high-level contact; seriously implement agreements, with special consultations if necessary; increase efficiency in bilateral cooperation toward certain breakthroughs; and strengthen communication and consultation in world affairs.

### **Economics: What is to be Done?**

If the final resolution of the border issue was for the past, business was meant for the future. Ironically, bilateral economic ties have been far less satisfying than their high-level of political trust and strategic coordination. In contrast, China's economic relations with the U.S. and Japan surged, while political and strategic trust was minimal or in negative territory.

After several years of 20-30 percent annual growth, bilateral trade has become essential for both sides. Bilateral trade hit a record high of \$20 billion in 2004. China is the fourth largest trade partner of Russia and Russia is China's eighth largest. However, despite both sides' repeated intentions to promote business relations, dissatisfaction and even frustration over economic relations has resulted in part because of the structure of bilateral trade. With the exception of military sales, China's imports from Russia consisted mainly of natural resources and raw materials. The proportion of these products was increasing while that of mechanical and electrical products decreased. China mainly sold Russia household commodities, such as textiles, clothes, shoes and home electrical appliances, which accounted for over 70 percent of total exports.

Another, perhaps more serious, hurdle in the economic area was that of “loud thunder and little rain,” which was strongly felt by the Chinese side, particularly over the energy issue. Even the Russians realized the seriousness of this problem. Senior Kremlin aide Sergei Prikhodko indicated that both sides “have felt a certain discomfort with the fact that serious decisions made at a high political level have failed to lead to raising the growth of merchandise turnover, and in broad terms, to deepening economic cooperation in all fields.” After his summit talks with Chinese leaders, Putin, too, called on Russian and Chinese regional leaders to “restrain” their bureaucracies. And he regretted that “much time and effort are wasted on coordination of projects. The Chinese chairman and I want to bring our cooperation to a level that will not require any coordination. I hope such time will come.”

It was unclear how this problem of procrastination by bureaucracies could be resolved without bureaucracies, as bureaucrats have been the main actors for both nations over the centuries. The Russian president brought with him to Beijing a team of heavyweight officials and businessmen including all the governors of Russian regions bordering China, CEOs from Russia’s gigantic Gazprom gas company, Russky Aluminium Company, Vneshtorgbank, Sberbank, Vneshekonombank, and head of the Federal Customs Service.

The outcome of the Beijing summit, however, was mixed. Putin apparently held “an absolutely frank” discussion with Hu over the issue of oil. “We have to be driven by our own national interests,” declared Putin to Chinese reporters before leaving for Beijing. Despite Putin’s “early warning,” the Chinese side, however, simply refused to give up hope. Partly this was because some Russia officials still dangled the issue before, during, and after the Beijing talks. One tantalizing factor was Russia’s plans for developing the Skovorodino field, which is only 70 km from the Russian-Chinese border. While in Beijing with President Putin, Russia’s Minister of Economic Development and Trade German Gref still talked about “a branch line to Daqing” from the Taishet-Nakhodka (Siberia to Pacific coast) line. So did Russian trade envoy in China Sergei Tsyplakov, who said in late October that the construction of the China pipeline was “still on the agenda” though it was “too early to speak about specific dates and routes.” On Nov. 10, Russian Natural Resources Minister Yuriy Trutnev held talks with Chinese Ambassador to Russia Lu Guchan regarding cooperation in developing energy resources in Siberia.

Despite all the talk, the Beijing summit yielded no paper for signing regarding the Russian oil pipeline to China. The Russian side did promise to speed up oil exports to China by rail. During the fourth quarter, the China National Petroleum Corporation (CNPC) filed a lawsuit against Russia’s Yukos, which stopped delivery of crude oil to China in September even after the CNPC paid the Russian rail company with its own cash to avoid interruptions. Yukos was due to deliver 3.86 million tons of crude oil to CNPC in 2004, but only 2.85 million tons were sent. Negotiations on the resumption of crude deliveries failed, and the CNPC had to turn to the courts. It was not until early December when supplies of oil to China by rail were fully restored.

A ray of hope came through during the October Beijing summit when Russian gas giant Gazprom signed an agreement on strategic cooperation with the China National Oil and Gas Corporation. The document, however, was one of intent, or “envisions” working toward supplying gas to China without any binding effect. Nor did it have any specific timetable. The only specific item decided was agreement to set up a coordinating committee to hold talks twice a year, starting from November 2004, to conduct the necessary work on resolving timing, volume, destination, pricing, and other issues.

The most visible progress made in Beijing was in the banking area, as Russia’s Vneshtorgbank reached an agreement with the Agriculture Bank of China to draw a \$200 million 10-year credit line for the purpose of promoting the delivery of Chinese durable commodities to Russia. Another banking agreement was between Vnesheconombank, Roseximbank, the Chinese State Bank, and the China State Export Credit Insurance Corporation to finance Russia’s export of machine and technical products to third nations. The banking agreement, however, appeared to serve as an alternative for Russian inability to export its machinery to China.

The summit did not end without innovative ideas for promoting mutual investment. This included China’s proposal to invest \$1 billion in the construction of a highway between Moscow and St. Petersburg and a \$350-million construction project in Moscow. A group of Shanghai companies later decided to invest \$1.25 billion in a 83-hectare complex in St. Petersburg. President Putin, in turn, urged China to enlist Russia’s regions bordering China to participate in China’s development of its western regions, including the Qinghai-Tibet railway, hydroelectric power stations in Sichuan and Yunnan Provinces, and infrastructure, oil, gas, and energy projects in western China. All of them looked and sounded great, at least for the time being.

Toward the end of the year, the mixed prospects for bilateral economic ties continued with two developments balancing one another. One was Russia’s official decision to build the Taishet-Perevoznaya Bay (Pacific/Japan) oil pipeline, without any specific mention of a branch to China. The other development was the purchase on Dec. 19 of Yuganskneftegas, Yukos’ largest production subsidiary (60 percent of Yukos oil output), by the mysterious Baikal Finans Group, which quickly transferred its 76.79 percent of Yuganskneftegas’ share (worth \$9.37 billion at the auction) to the state-run Gazprom on Dec. 22. A day before this final transaction, President Putin, while on a state visit to Germany, indicated that China’s oil giant CNPC, which signed a strategic cooperation deal with Gazprom in October in Beijing, could participate in managing the historic merger of Yuganskneftegas with Gazprom. There was a secret meeting between Gazprom CEO Alexei Miller and head of the CNPC Cheng Geng on Dec. 17 in Moscow. Putin’s offer was unprecedented in that several times in the past few years Chinese oil/gas firms were barred from buying stakes in the Russian energy market.

The opportunity to join the “Yukos feast,” however, occurred against the backdrop of the ruling of a U.S. federal bankruptcy court in Houston to block the participation of lenders and Gazprom. It is unclear whether this collaboration means Russia is changing the orientation of its oil policy from favoring European partners to favoring those of Asian

nations. The timing of the China “entrance,” however, appears to have more political and strategic significance than business implications. On the eve of Russia’s final decision to opt for the Pacific line, Russia’s industry and energy minister sweetened the deal by offering up to 20 percent of the new state company consisting of Gazprom and Rosneft.

The CNPC has yet to officially respond to the offer, which appears too good and too soon to be true, considering Russia’s record of discriminating against Chinese oil firms. The Russian offer is also conditioned on China allowing Russian firms to buy CNPC assets in third countries and in China itself. At a strategic and long-term level, however, the Chinese are still digesting a seemingly incomprehensible fact: how come the Russians, who are strategic partners with China, would opt for a strategic deal with a nation (Japan) with which it has not yet signed a peace treaty and with which it has many territorial disputes (Northern Islands). And all this happened after the historic ending of the territorial/border disputes, which had brought so much anguish to the two large nations. Already some Chinese analysts are asking how long China-Russia strategic cooperation will last.

### **One Step Forward, Many Distractions**

While China-Russia relations were hailed by both sides as reaching an “unprecedented high level,” two developments, both initiated by Russia, harmed bilateral relations. One was the guilty verdict on Nov. 5 in the case of Russian physicist Valentin Danilov, who was accused of spying for China and embezzlement in early 2001. The verdict of the jury was final and not open to appeal.

The same day, Russian officials tried to convince China that the case “will not affect the further development of cooperation between the scientists of Russia and China,” said Viktor Godin, senior secretary of the Russian side of the scientific and technical cooperation subcommission of the Russian-Chinese commission for preparing regular prime ministerial meetings. Since 1992, Russia and China have cooperated in 172 joint science and technology projects including areas of biotechnology, genetic engineering, ecology, energy-saving technology, and particularly in the field of industrial chemistry.

The Danilov case was clearly an effort to discipline scientists and recentralize various projects in the hands of the government. “After this case Russian scientists will take a more responsible attitude to the information which they possess,” said Godin. It happened that Russia’s Federal Security Service identified in 2004 the United States, China, and North Korea as conducting the most active intelligence operations in Russia. On Dec. 30, four Russian servicemen were sentenced for passing to China “state secrets,” involving classified instructions, blueprints, and also certain parts of the Russian *Sukhoi* fighters and missiles.

In the fourth quarter the Dalai Lama, the Tibetan spiritual leader in exile, was allowed to travel to Russia Nov. 29-Dec. 1, despite Russian promises and treaty commitments, including the joint communiqué signed during Putin’s visit to China in October, to respect China’s sovereignty and go against “separatist” movements (Taiwan and Tibet).

The decision to grant the Dalai Lama a visa to Russia was first toyed with by Russian Foreign Ministry spokesman Mikhail Troyansky on Nov. 5. Although the Russia side denied many times that the visit indicated any change in its policies toward China and Tibet, China did not agree and apparently made a strong effort to block the trip. The visit was originally set for Nov. 13-17. On Nov. 9, however, the Russian side denied that it had ever issued a visa to the Dalai Lama. This retraction occurred a day after Chinese FM Li Zhaoxing telephoned his Russian counterpart Sergey Lavrov. On Nov. 12, Lavrov declared that his government was “ready to consider the Dalai Lama’s request to visit Russia only if this trip is of an exclusively religious nature.”

The Dalai Lama eventually traveled to Russia Nov. 29, but only after another round of tense exchanges between Russia and China. On Nov. 20, Hu and Putin met in Chile during the APEC Leaders Summit. There was very little disclosed about the mini-summit. The Russian side, however, seemed hesitant, as well as frustrated, in proceeding with a visa for the Dalai Lama. On Nov. 26, FM spokesman Alexander Yakovenko stated that no definitive decision had been made on whether the Dalai Lama would be issued a visa, or on when his visit to Russia would take place. “Unnecessary fuss [emphasis added] is being made about the Dalai Lama’s possible visit to Kalmykia, which causes one to doubt if it is of a purely pastoral nature. For this reason, the issue of the dates of the visit and of whether he will be issued a visa remains open,” Yakovenko told reporters.

Yakovenko’s strong statement was reciprocated the following day by FM Li when Li was having an ad hoc meeting with Foreign Minister Lavrov during the ASEAN summit in Laos. Li reiterated to Lavrov that China did not approve of countries allowing visits by the Dalai Lama. “We are against any country having official relations with him,” said Li, repeating accusations that the religious leader was a separatist. The Li-Lavrov meeting occurred when the Dalai Lama was already in Russia. China nonetheless continued to express its displeasure. “We can’t understand why Russia would allow the Dalai Lama to visit the Kalmykia republic,” Foreign Ministry spokeswoman Zhang Qiyue said. “It should be said that Russia should have understood China’s views on this matter,” and China was “dumbfounded” by Russia’s decision.

### **Military-Military Relations: Greener Pastures**

It is unclear if the Dalai Lama case would cast a lasting shadow in bilateral relations. Beijing, however, apparently decided not to let it spill over into other areas of bilateral relations, particularly in the area of military-military exchanges. Indeed, China may have to swallow the Dalai Lama “pill” for the sake of keeping Russia on its side to counter a more dangerous separatist movement across the Taiwan Strait. As a result, the Dalai Lama case occurred at a time of new momentum in military relations with Russia, including confidence building, joint military exercises, and military sales and technology transfers. In the previous three years, China and Russia signed a total of \$5 billion for *Su-30MKK* fighter jets, diesel-electric submarines, destroyers, *S-300PMU-2* air defense missile systems, *S-300F* ship-based air defense systems, and 250 *AL-31FN* aircraft engines for China’s *J-10* fighters. Although Russia’s arms exports to China are of inferior technology to that sent to India, about 50 percent of Russian arms exports these days go

to China. On Oct. 21, the first of the five *Kilo*-class submarines was handed over to the Chinese Navy. In the Airshow China '04 in Zhuhai Nov. 1-7, the impressive performance of the *Su-27SKM* heavy fighter-bomber – which exceeds China's 105 license-assembled *Su-27SK* by 50 percent in its combat effectiveness – tempted the Chinese air force to upgrade.

By the time of Russian Defense Minister Sergei Ivanov's official visit to China Dec. 12-15, the burgeoning mil-mil relationship received an extra, albeit psychological, boost from Europe's possible lifting of its arms embargo against China. (This did not occur.) Ivanov's activities in Beijing were "extremely productive and busy." In addition to participating in the 11<sup>th</sup> session of the inter-governmental commission for military cooperation, Ivanov and his counterpart Cao Ganchuan "... discussed practically all aspects of relations in the military sphere, as well as security in the Asia-Pacific region, problems associated with the fight against terrorism, and nonproliferation of weapons of mass destruction." The two sides apparently really meant business with "a record for the number of meetings held and issues discussed." During the four rounds of negotiations beside the regular session, both aides and larger delegations were involved in discussions on various issues, according to Ivanov and Cao.

A long-term agreement was signed for bilateral military and technical cooperation for the period 2005-2010. While various military cooperation items were not disclosed, China and Russia decided to conduct the first-ever joint military exercise in the second half of 2005 in China's northeastern provinces. The exercises will involve various services of both armies, including the possibility of Russia's strategic bombers and nuclear submarines.

The Russian defense minister also met with President Hu, who spoke highly of relations between the two countries and the two armies, and cooperation that "has been pragmatic, profound and fruitful and reached an unprecedented high level in various fields."

The new impetus for the China-Russia mil-mil relationship came when the strategic space of both China and Russia was squeezed (Taiwan for China and Ukraine for Russia). In 2004 Russia and the U.S. conducted large-scale military exercises; Russia's "Security-2004" in February was the largest drill since 1982 and the U.S.' "Summer Pulse 2004" between June and August involved 150,000 troops, 600 warplanes, and more than 50 warships, including seven out of a total 12 aircraft carriers. Toward the end of the year, the Washington-Tokyo-Taipei axis, formal or informal, was hardening, and the Beijing-Moscow-New Delhi connection seems to be going beyond the level of brainstorming when Putin espoused, again, the importance of interaction among Russia, India, and China.

The "fault lines" between Eurasia's continental powers and Pacific maritime powers are yet to be fully visible, given the fact that none of the continental powers is willing to trade its own relationship with the world's most powerful military-economy entity (U.S.-Japan) for closer ties with other second-class powers. Nonetheless, Moscow proposed that the next trilateral foreign ministerial talks between Russia, India, and China be held



in Vladivostok in April 2005. This will be followed by the joint China-Russian military exercises in China's Manchuria bordering Korea, though both sides denied that the drills aim at any third party. It, nonetheless, will be a timely balancing act for the potentially fluid situation in Northeast Asia.

While the "history" of rivalries over territories and borders is over for Russia and China, a new round that balances geoeconomics and geostrategies between Moscow and Beijing is just unfolding in northeast, central, and south Asia as well as across various issue areas.

### **Chronology of China-Russia Relations October-December 2004**

**Sept. 28-Oct. 3, 2004:** Official cultural delegation from Tibetan Autonomous Region, led by Deputy Gov. Baimachilin, visits Russia with stopovers in Moscow and the Buddhist republic Kalmykia.

**Oct. 1, 2004:** Russian President Putin sends letter to Chinese President Hu Jintao congratulating him on the 55<sup>th</sup> anniversary of the PRC's founding and the establishment of diplomatic relations between the two countries. Hu reciprocated with his message to Putin the next day. Russian and Chinese parliamentary leaders and premiers also exchanged greetings.

**Oct. 11, 2004:** The 2<sup>nd</sup> Russian-Chinese business conference held in Beijing. A framework agreement on cooperation in tourism, education and the services sector was signed.

**Oct. 14-16, 2004:** President Putin pays a state visit to China and holds separate talks with President Hu, National People's Congress Chairman Wu Bangguo, and Premier Wen. Fourteen documents were signed including a border agreement to settle the 300-plus years of border/territorial disputes, a protocol on Russia's entry into the WTO, a Joint Action Plan for 2005-2008, and a joint communiqué.

**Oct. 15, 2004:** First meeting of the Russian-Chinese Business Council held in Beijing, following the signing of the agreement on its establishment by co-chairmen of the Russian-Chinese Committee of Friendship, Peace and Development Leonid Drachevsky and China Council for the Promotion of International Trading (CCPIT) Wan Jifei. The meeting sets up 13 working groups in charge of basic lines of cooperation, including one for resolving business disputes.

**Oct. 19-29, 2004:** The Joint Supervision Group on disarmament consisting of China, Russia, Kazakhstan, Kyrgyzstan and Tajikistan, all members of the Shanghai Cooperation Organization (SCO), hold its 11<sup>th</sup> meeting in China. Since 1999, the group has met twice a year to supervise and implement an agreement on the reduction of military forces and confidence building along China's 7,000-km-long border.

**Oct. 20, 2004:** China asks Russia for assistance in the construction of the fourth stage of the uranium enrichment plant in Lanzhou in Gansu Province, according to acting head of Russia's Federal Service for Ecological, Technological and Atomic Monitoring, Andrey Malyshev. In 1992, Russia and China signed a contract to build the plant, with the first three stages launched in 1998, 2000, and 2001.

**Oct. 30-Nov. 6, 2004:** Maj. Gen. Sergei Bunin, chief of staff of the Russian Interior Ministry Force (RIMF), leads a RIMF delegation to three cities in China (Beijing, Shanghai, and Guilin).

**Nov. 4, 2004:** A jury in Russia's Krasnoyarsk (Territorial) court finds physicist Valentin Danilov guilty of spying for China and embezzlement. The verdict is final and not open to appeal.

**Nov. 8, 2004:** Foreign Ministers Sergey Lavrov and Li Zhaoxing discuss Russian-Chinese relations on the telephone; topics included implementation of agreements reached at the Russian-Chinese summit in October 2004, and the Iranian nuclear issue.

**Nov. 10, 2004:** Wang Jiarui, head of the Chinese Communist Party Liaison Department, starts visit to Russia at the invitation of the United Russia Party.

**Nov. 20, 2004:** President Putin holds a working meeting in Chile with President Hu during the 12<sup>th</sup> annual APEC meeting.

**Nov. 29, 2004:** FM Li and Russian counterpart Sergey Lavrov hold talks in Vientiane, Laos during the eighth summit between ASEAN and China. They discuss Iraq and SCO.

**Nov. 29-Dec. 1, 2004:** Dalai Lama visits Russia, the first time since 1992. In 1996, he passed through Russia on his way to Mongolia.

**Dec. 4, 2004:** Three Chinese citizens – naval officers and Kuznetsov Military Naval Academy students – are attacked by eight Russian hooligans in St. Petersburg. Local police detain two.

**Dec. 8, 2004:** Representatives of the financial intelligence agencies of Russia, China, Tajikistan, Belarus, Kazakhstan, and Kyrgyzstan meet in Moscow for the first session of the Eurasian group for counteracting money laundering and the funding of terrorism (EAG). The EAG's key objectives are countering money laundering and the funding of terrorism. Observers include the UK, the U.S., Georgia, Italy, Uzbekistan, Ukraine, France, World Bank, IMF, the CIS, SCO, the Collective Security Treaty Organization, the Eurasian Economic Community, Interpol, and the UN office on drugs and crime.

**Dec. 10, 2004:** SCO anti-drug agencies met in Dushanbe, Tajikistan, to coordinate efforts against narcotics and psychotropic substances.

**Dec. 12-15, 2004:** Russian DM Ivanov visits Beijing to attend the 11th session of the bilateral intergovernmental commission on military-technical cooperation. The two sides work out details on 2005 joint military exercises and sign document on military-technology cooperation for five years. Ivanov meets Chinese Defense Minister Col. Gen. Cao Gangchuan and Deputy Chairman of the Central Military Council Col. Gen. Guo Boxiong and on Dec. 13, meets President Hu, who states that China-Russia strategic coordination “has attained an unprecedentedly high level.”

**Dec. 15, 2004:** Faina (Epatcheva Vahaleva) Chiang, the Russian-born widow of the late Taiwan President Chiang Ching-kuo (1978-1988), dies in Taipei at 88. She met Chiang at the Ural Heavy Machinery Plant in Siberia where Stalin exiled the young Chiang to work after his father, Generalissimo Chiang Kai-shek, purged leftists from China’s Nationalist Party in the late 1920s.

**Dec. 31, 2004:** Russian government gives long-awaited approval for a major oil pipeline to the Pacific, enabling exports to Japan and the U.S., and finally dropping the idea of a route to China.