

# China Politics Weekly

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## Another Bear hug

Events this week were dominated by Xi's trip to Moscow to attend Russian President Vladimir Putin's Victory Day celebrations. The visit- which represented the ninth meeting between Xi and Putin in two years- resulted in the signing of series of cooperation deals on energy, transportation, space, finance, media exchanges, high-speed railway, infrastructure construction and military interaction. Highlights include:

- A cooperation agreement between the Russian Direct Investment Fund (RDIF) and China Construction Bank to attract up to USD 25 billion in Chinese investment into Russia in the next 2-3 years.
- An agreement between the government of Heilongjiang, RDIF and the Russia-China Investment Fund (RCIF) to create a USD 2 billion fund for agricultural products.
- An agreement between Russia's Federal Space Agency and China's Satellite Navigation Office to jointly exploit the Chinese BeiDou system with Russia's Glonass navigation system.
- An agreement between the Three Gorges Corporation and Russia's hydropower company RusHydro to jointly develop a hydropower project in Russia.
- An agreement among Chinese and Russian investors to create a leasing company to promote the sale of Russian Sukhoi Superjet-100 (SSJ-100) passenger planes in the Chinese and Southeast Asian markets over the next three years. The consortium of investors includes the Sukhoi Civil Aircraft Company, the United Aircraft Corporation, the RCIF, the Management Committee of the Xi'an District and the Chinese company New Century International Leasing.

The visit, and the deals, highlight the fact that the Sino-Russian relationship is at an historic high point. Many analysts predict that relations will regress to their historical mean of suspicion and competition. This may be true in the long run, but there is no reason to believe that ties between the two countries will weaken any time soon. The reasons are simple: cooperation between the two is mutually beneficial economically, politically and diplomatically.

Economically, Russia needs Chinese money and China needs Russian oil, gas, agriculture and technology. Politically, the two share a concordance of views on information control, “internet sovereignty” and restriction of foreign NGOs. Diplomatically, both are seeking to counter Western influence in their respective regions. It also doesn’t hurt that the two leaders seem to genuinely respect each other. None of the above looks likely to change in the near term; if that’s the case, it is unlikely that bilateral ties will weaken.

Many have noted that China’s rising influence in Central Asia- Russia’s traditional backyard- could strain the relationship. This looks less likely after Xi’s visit. Xi and Putin agreed to coordinate their strategies for the region, and have signed an agreement to integrate Russia’s Eurasian Economic Union (EAEU) and China’s Silk Road Economic Belt. Following the signing of the agreement, Chinese Minister of Commerce Gao Hucheng said that China is ready to introduce institutional arrangements to facilitate trade with the EAEU and eventually build a free trade zone with it.

A free trade zone encompassing China and Russia is still a long way off, but the fact that the two countries are moving in that direction should be taken as further proof that the two leaders are serious about further enhancing cooperation. Ties between the two are likely to get stronger, not weaker.

### Grey zones

Back at home, Premier Li continued his push to reform China’s unwieldy bureaucracy. Wednesday’s State Council meeting announced that all non-administrative approvals would be abolished or turned into explicit administrative approvals. The aim, said Li, is to “clarify the limits of government powers”.

Li’s dedication to reducing government interference in the economy is clear. However, local officials are loath to cede authority and serious doubts remain about the center’s ability to push through its agenda across the country.

## PBSC Week in Review

**Xi Jinping**

**May 10**

**[Xi flew from Russia to Minsk, Belarus.](#)**

**May 9**

**[Xi attended a ceremony celebrating victory in World War II.](#)**

**[Xi met with Russian Prime Minister Dmitry Medvedev.](#)**

**[Xi laid a wreath at the Tomb of the Unknown Soldier in Moscow along with other visiting dignitaries attending Russia’s Victory Day commemorations.](#)**

*Other attendees included UN Secretary-General Ban Ki-moon, President of Kazakhstan Nursultan Nazarbayev, President of Azerbaijan Ilham Aliyev, President of Armenia Serzh Sargsyan, President of Kyrgyzstan Almazbek Atambayev, President of the Czech Republic Milos Zeman, President of the Council of State and President of the Council of Ministers of Cuba Raul Castro, President of Venezuela Nicolas Maduro and President of Mongolia Tsakhiagiin Elbegdorj.*

Xi exchanged congratulatory messages with Swedish King Carl XVI Gustaf on the 65th anniversary of China-Sweden relations.

**May 8** Xi held talks with Russian President Vladimir Putin.

Xi met with Russian World War II veterans.

Xi met with a group of Russian experts who once worked in China.

Xi flew from Astana, Kazakhstan to Moscow, Russia.

Xi met with met with Kazakh Prime Minister Karim Masimov.

**May 7** Xi held talks with President of Kazakhstan Nursultan Nazarbayev.

Xi arrived in Astana, Kazakhstan.

Xi left Beijing for Kazakhstan.

**May 6** Xi exchanged congratulatory messages with European Council President Donald Tusk and European Commission President Jean-Claude Juncker on the 40<sup>th</sup> anniversary of China-EU relations.

**Li Keqiang** **May 8** Li sent a congratulatory message to a concert in Moscow by a Chinese-Russian youth orchestra.

*This is China-Russia Youth Friendly Exchange Year.*

Li sent a congratulatory message to British Prime Minister David Cameron on the success of the Conservative Party in the British elections.

**May 7** Li visited Zhongguancun and the Chinese Academy of Sciences.

*Said government will increase funding for basic research.*

**May 6** Li chaired an executive meeting of the State Council.

Li met with Federica Mogherini, EU High Representative for Foreign Affairs and Security Policy.

*Said China is willing to push forward talks on a bilateral investment treaty built around pre-establishment national treatment and a negative list. Big question remains how long the negative list will be...*

Li met with Malaysian Senate President Abu Zahar.

Li exchanged congratulatory messages with European Council President Donald Tusk and European Commission President Jean-Claude Juncker on the 40<sup>th</sup> anniversary of China-EU relations.

<b>Zhang Dejiang</b>	May 7	Zhang met with Volkmar Denner, chairman of the board of management of Bosch.
	May 6	Zhang exchanged congratulatory messages with European Parliament President Martin Schulz on the 40 <sup>th</sup> anniversary of Sino-EU relations.
<b>Yu Zhengsheng</b>	May 8	Yu met with a delegation of Japanese congressmen led by Fukushima Nukaga, head of the Heisei Kenkyukai, a faction under the co-ruling Liberal Democratic Party (LDP). <i>Yu is reported to have said, "If Japan does not feel sorry for having caused tremendous misfortune to other countries, we have no choice but to show concern that it may repeat the same mistakes."</i>
	May 7	<b>Yu chaired a biweekly CPPCC symposium.</b> <i>Meeting focused on development and integration of traditional and new media.</i>
<b>Liu Yunshan</b>	May 8	<b>Liu met with president of the Malaysian Chinese Association Liow Tiong Lai.</b>
<b>Wang Qishan</b>	May 7	<b>Wang met with U.S. members of the U.S.-China High Level Political Party Leaders Dialogue.</b> <i>U.S. side led by Former US Trade Representative Ronald Kirk and former Secretary of Veterans Affairs and former Republican National Committee Chairman Jim Nicholson.</i>

## Zhang Gaoli

### About CPW

China Politics Weekly aims to keep business leaders, investors, diplomats, scholars and other China hands up to date on important trends in China. It is produced by Trey McArver, a London-based consultant providing advice and intelligence to firms and investors engaged in China and the region. You can find out more about Trey and CPW in [this interview](#).

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