

Russia and China: The Potential of Their Partnership

Russia and China are celebrating their “strategic partnership”, and have been vastly expanding their cooperation since 2014. Their close alliance is based on economic and geopolitical considerations. While it is mutually beneficial, it also has its limitations. However, in the mid-term, both China and Russia appear to be willing to overlook potential fields of tension, for instance in Central Asia.

By Jeronim Perović and Benno Zogg

Russia is increasingly orienting itself toward Asia. President Vladimir Putin's vision of a “Greater Europe”, which pictured a free-trade zone from Lisbon to Vladivostok, has given way – at least since the Ukrainian crisis of 2014 and the subsequent Western sanctions and Russian counter-sanctions – to the idea of a “Greater Eurasia”. Moscow now tends to highlight its position of power at the center of the Eurasian landmass and the new importance of Asia for Russian foreign policy. China plays a crucial role in this context. There is no other head of state whom Putin has met more often than President Xi Jinping. Pro-government media outlets in Russia depict China in a very positive light, and public perceptions of the neighboring country have also improved.

With their “strategic partnership”, Putin and Xi are demonstrating more than just symbolic unity. Trade between the two countries has rapidly increased in the past years. The two national economies appear to be mutually complementary: Russia supplies energy and raw material, while China exports technology, industrial goods, and consumer goods. There is potential for further expansion in the areas of agriculture and tourism. Russian farming produce is in increasingly high demand in China, and Russia has become a popular travel destination for Chinese tourists. Moreover,



Vladimir Putin and Xi Jinping discussed their cooperation and made *bliny*, Russian pancakes, at the Eastern Economic Forum in Vladivostok in September 2018. *Anadolu Agency / kremlin.ru*

after long hesitation, Russia has begun selling latest-generation arms to China, and in 2018, for the first time ever, a Chinese troop contingent participated in Russia's large-scale *Vostok* (“East”) military maneuvers.

This intensification of their cooperation is based on a wide range of common interests. At a fundamental level, the fact that both powers lack other allies favors their

partnerships with the respective other veto and nuclear power. At the international level, the two states are united by their opposition to the influence of the US and its allies in international bodies such as the UN. Russia and China both reject “interference” by the West in the internal affairs of sovereign states. They favor the notion of a “multipolar global order” and the coexistence of multiple value systems as an alternative to the emphasis on a “liberal”

order and universal values by the democratic countries of the West.

Their partnership may have far-reaching effects on the global balance of power. Experts disagree, however, over the sustainability of this close relationship. Both powers seem to be willing, however, to deepen their relations, even though their relationship is to some extent asymmetric and they have certain divergent interests.

From Hostility to Cooperation

The very fact that Russia and China are even celebrating such a close strategic partnership today is remarkable, considering that they were engaged in a hostile standoff from the late 1950s onwards and actually fought an armed conflict in 1969 on the Ussuri River, which marked the border between the two states. Geopolitically, the Soviet-Chinese conflict served the interests of the US. However, already shortly before the demise of the Soviet Union, their relations began to improve, gradually and incrementally. In 1996, the two sides emphasized their “strategic partnership” for the first time, and the border dispute along the Ussuri was finally resolved in 2005.

Thus, the rapprochement between the two powers had already begun long before the latest tensions between Russia and the West. Russia realized early on that Asia was gaining economic weight, and was intent on intensifying its relations with the Asian states, including with the ascendant economic power of China. From 2014 onward, if not before, geopolitical interests came to the fore. By emphasizing the strategic partnership with China, Putin introduced an ostensible alternative to the West.

Since then, Xi and Putin have used every occasion to affirm their close friendship. The two heads of state have so far met 28 times and have signed many communiqués and treaties – most recently, on the occasion of Xi’s extended state visit to Moscow in June 2019, confirming a “comprehensive strategic partnership of coordination for a new era”.

Despite their rapprochement, cultural differences and reservations remain. The two cultural spheres remain alien to one another. In the 1990s, Russia had feared that its territory would be overrun by Chinese migrants – a specter that has not materialized. Nevertheless, in the Russian Far East, bordering on the population-rich neighboring

territories of China, the demographic imbalance remains striking. To be sure, in a 2018 survey, three quarters of the Russian respondents perceived China in a positive light, and Russia is trying to position itself geopolitically as a *Eurasian* great power. Nevertheless, despite its anti-Western rhetoric, Russia views itself as linked to Europe in cultural terms and as partaking in a shared pan-European past.

Trade and Energy

It is in the economic sphere that the closer relations, but also the asymmetry between the two powers are most prominent. Over the past decades, Russia and China have continuously reinforced their trade relations. Not only did the volume of trade in 2018 increase by 25 per cent compared to the previous year, to over USD 100 billion, but an increasing share of the bilateral trade was conducted in yuan and rubles, rather than US dollars. Already, more than one sixth of the Russian central bank’s foreign currency reserves are held in yuan.

Bilateral trade has increased not only in quantitative, but also in qualitative terms. China is a major customer of Russia’s defense industry. Before 2014, Russia had refused to export its latest-generation weapons technology, fearing that China might copy it. These concerns must have been as-

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suaged since: For instance, Russia sold the Chinese armed forces its S-400 air defense system in 2018 and its Su-35 fighter in 2019. Then again, in many other areas, Chinese technology is superior to Russia’s, and it can therefore fill the gap left by Western companies. Chinese telecom giant Huawei is building a 5G cellular network in Russia, and Chinese face recognition technology is used in Russian cities such as Moscow.

The energy sector accounts for a significant share of Russian exports to China. Since 2016, Russia has been China’s main oil supplier ahead of Saudi Arabia. State-owned Chinese energy corporations already own one fifth of Russia’s Arctic liquefied natural gas projects and supply half of the equipment needed for oil drilling in Russia. Given the increasing energy consumption and China’s diminishing domes-

tic extraction, Russia is likely to gain importance as an energy supplier in the coming decades.

For Russia, China as a consumer is an important alternative market to Europe. It was no coincidence that Putin traveled to China just weeks after the annexation of Crimea to sign a gigantic trade agreement on Russian gas exports to China worth USD 400 billion over the next 30 years, following nearly 20 years of unsuccessful negotiations.

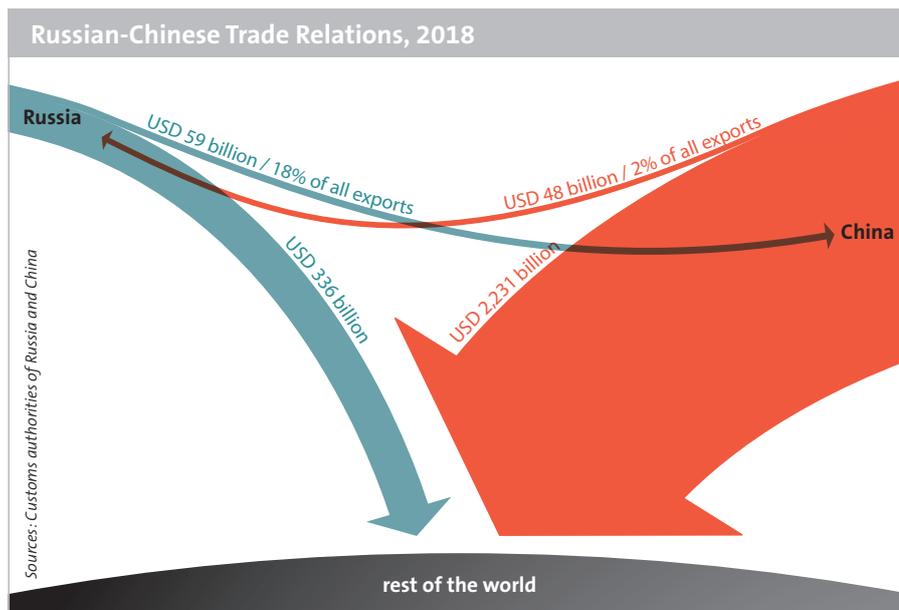
However, the increased trade volume carries different weight for the two sides. Apart from the EU as a whole, there is no single country with which Russia does more business than with China. Although the two countries were roughly on par in terms of economic performance when the Soviet Union collapsed, China’s GDP today is six times larger, and nominally even eight times larger than Russia’s.

There is therefore still a degree of reticence on the Russian side that manifests itself in the gas trade. Russia does not want to become dependent on a single buyer. Plans have long been underway for an “Altai Pipeline” that would link gas fields in Eastern and Western Siberia, providing access to markets in China or Europe, depending on supply and demand. However, such projects require enormous investment. The degree of involvement of Chinese companies here will be an important indicator for the future of Russian-Chinese energy relations.

BRI Without Russia

The emerging shape of the Belt and Road Initiative (BRI) underlines China’s status as a dominant economic power. The initiative, a geo-economic megaproject promoted by China, comprises ongoing and future development and infrastructure projects worth approximately USD 1 trillion in more than 60 countries. Russia has lobbied for BRI trade corridors to transit its territory and hopes that this will help develop a high-tech industry. From the Russian perspective, as spelled out in a memorandum of understanding between the two countries in 2016, strengthening production and infrastructure in the underdeveloped and thinly settled Far East would be especially desirable.

However, Russia only plays a minor part in the BRI. As described above, the energy sector is the only business sector where China has invested significantly in Russia. Kazakhstan, which is one-tenth the size of



Russia in economic terms, has received a greater share of the BRI investments than Russia (see [CSS Analysis No.249](#)). The limited direct Chinese investment in Russia has often benefited businesspeople with good connections to the Kremlin, but only a fraction of it has reached the far eastern territories of Russia. Chinese companies seem to see little economic value in investing in Russia due to concerns over a lack of legal certainty or new sanctions prompted by the Kremlin's unpredictable foreign policy.

In addition to economic considerations, there are also political concerns that prevent a greater integration of Russia into the BRI. On the one hand, China sees greater opportunities for gaining influence and a greater need for stabilization in the smaller countries along this east-west route than in Russia. On the other hand, given Russia's self-image, it cannot afford to give Chinese companies and Chinese workers too great a role in the construction of its domestic infrastructure. Since Russia views itself as a great power and emphasizes its independence and ability to shape its own destiny, it cannot afford to submit to a strategy dictated by China. It has no wish to be just one of many BRI countries. Conversely, China could not, in the final analysis, realize the BRI against the wishes of Russia, which still exerts considerable influence in the post-Soviet space.

Given this state of affairs, Xi and Putin decided at a summit in 2015 on the

symbolic step of linking up the land-based dimension of the BRI and the Eurasian Economic Union (EAEU), even though the rationales of these two bodies differ to a certain degree: While Russia created the EAEU as an internal market shielded against external actors, the BRI is conceived as a flexible project that is open to all states and designed to overcome trade barriers. Nevertheless, Beijing and Moscow are eager to develop the two projects in harmony and to emphasize their equal status. In May 2018, the EAEU and China signed a preparatory agreement to the future establishment of a comprehensive free-trade zone.

Influence in Central Asia

The divergent aspirations of Russia and China come to the fore in the regional contexts, especially in Central Asia. The region is a "backyard" to both countries due to its significance for their own internal security as well as for the BRI. They have an interest in maintaining the relative stability of the region and keeping it free from US influence.

Russia has long played an important role in the five former Soviet states of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. Their historic, cultural, linguistic, and military ties remain strong. Russia continues to exert considerable soft power through the media, and the hotline to the Kremlin remains the main channel of influence for Central Asian governments. In the sphere of economic and security policy,

Russia exercises power through regional alliances, mainly the EAEU and the Collective Security Treaty Organization (CSTO).

Although Russia still retains considerable influence in Central Asia, China's clout is growing rapidly. By constructing two important pipelines for Kazakhstani oil and Turkmen gas, China managed in 2009 to break the Russian pipeline monopoly. Overall, China has risen to become the most important trade partner and investor in the region.

In view of this new constellation, the two sides have arrived at something like a functional division of labor: China is taking on an increasingly important economic role, while Russia remains the preferred partner in the security realm. Russia has stationed troops in Kazakhstan, Kyrgyzstan, and Tajikistan and supports the local armed forces with equipment and training. However, it is ultimately not sustainable for a cash-strapped Russia to essentially protect Chinese investments, or for China to have to rely on a foreign power in this regard. The increasing security cooperation between China and the Central Asian powers, as seen for example in the construction of a small Chinese military base in Tajikistan, is evidence of such deliberations.

China's ability to increasingly assert itself in Central Asia, both economically and in the security sphere – which will inevitably result in greater political influence – cannot, in the long term, be reconciled with Russia's view that Central Asia is part of its own sphere of influence. The open structure of the BRI and China's enormous financial resources are attractive, and to some extent in competition with the integration projects dominated by Russia. The countries of Central Asia are aware of these potential frictions and seek to exploit them for their own interests. By balancing their relations with Russia and China, respectively, they create opportunities for curbing the influence of either. Furthermore, the Central Asian states continue to be interested in good relations with the West. However, Russia and China will not be prepared to let these Central Asian countries play them off against each other so easily. The notion that long-term divergent interests will result in open Russian-Chinese competition in the region is mere wishful thinking on the part of the West.

(Geo-) Political Cooperation

Regardless of how Russian-Chinese relations will play out in the long run with re-

spect to Central Asia, their partnership may have far-reaching effects on the global geopolitical balance. This can be seen in international organizations, in the emphasis of shared political positions, and in increased military cooperation, most recently in the joint air-force exercise in the East China Sea.

At the international level, the two powers support each other in bodies such as the UN Security Council, where they emphasize the right to non-interference in domestic affairs and their opposition to excessive sanctions policies. China in particular seeks to gain influence in and through international institutions. China and Russia agree over many local hotspots, for instance with respect to Iran, North Korea, or Venezuela.

There is even a convergence between the two authoritarian systems in terms of norms and values. For instance, they are engaged in coordinated efforts to re-frame the concept of “terrorism” to include any acts of violence or sabotage, and thus to extend it to the activities of political opposition groups or separatist movements. This understanding also underpins the Shanghai Cooperation Organisation (SCO), which is dominated by Russia and China. Moreover, the Kremlin has patterned its own legislation on a draconian Chinese law on “internet sovereignty”, while Beijing has taken recourse to Russian vocabulary by referring to the protests in Hong Kong as an attempted “Color Revolution”.

However, in the geopolitical sphere, too, there are limits to the partnership between Russia and China. Even though Russia often refers to the relationship as a de-facto alliance, the two countries cannot, per their

own self-perception as great powers, enter into firm alliances with all the obligations that would entail.

Russia has been intent on fostering links with other Asian countries, in particular with Japan, South Korea, India, and Vietnam. The latter two are key purchasers of Russian arms, and all of them have a tense relationship with China. Given the asymmetry vis-à-vis China, these relations are gaining importance for Russia. With re-

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spect to China’s aggressive stance in the South China Sea, Russia remains neutral and is trying to stay aloof from escalation dynamics. As it strives for balanced foreign relations, Moscow’s current orientation toward Asia should not be understood to mean that it is giving the West the cold shoulder. In the longer term, Russia is interested in normalizing relations with Europe.

China, for its part, wants to diversify its energy sources and transport corridors – for energy and goods alike – and aims to prevent Russia from playing an overly dominant role. Generally speaking, China is critical of Russia’s adventurism in foreign policy and has not officially recognized the Russian annexation of Crimea.

Challenge to the West

Looking forward, frictions between Russian and China, especially in Central Asia, cannot be excluded altogether. In economic and geopolitical terms, too, the partnership between the two states has its limitations. Under Putin or a similarly-minded successor, however, it looks likely to remain stable

in the mid-term. As the two veto powers and nuclear-armed states jockey for more influence on the international stage, good relations between them are vital and indispensable. The state of affairs in Central Asia indicates that neither Russia nor China are willing to give free rein to their long-term differences and thus expose their vulnerabilities to the West. Russia will accept asymmetry in terms of economic and other matters as long as the overall balance does not become too lopsided and China agrees to treat Russia as an equal.

The Western states would do well to adjust to these new geopolitical realities. Sanctions against Russia and the US-Chinese trade war have contributed in the past years to facilitating the rapprochement between China and Russia. Against this background, it is worth considering whether it might not be desirable in the longer term to bind Russia closer to Europe again, even if Crimea remains controlled by Russia for the foreseeable future. Culturally, Russia is still more closely oriented toward Europe than toward China. French President Emmanuel Macron offered arguments to this effect on the occasion of a visit by Putin in August 2019. Such an approach should in no way be geared toward building an alliance between the West and Russia against China, nor should it be understood as acceptance of Russia’s violations of international law and agreements. However, it would require a degree of pragmatism and long-term thinking on the part of European politicians and observers.

Prof. Dr. Jeronim Perović is professor at the University of Zurich and director of the Center for Eastern European Studies (CEES).

Benno Zogg is Senior Researcher at the Center for Security Studies (CSS) at ETH Zurich.

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Feedback and comments: analysen@sipo.gess.ethz.ch
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