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## **Working Paper Series**

### **Russia and the West: Reality Check**

#### **Russia-China Relations and the West**

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#### **Key theses**

U.S. domination in global politics provided a powerful incentive for the post-Cold War rapprochement between Russia and China. The worsening of Russia's relations with the West since 2014 made Moscow even more willing to offer significant concessions to Beijing. However, closer Russian-Chinese cooperation predates the Russian-Western crisis over Ukraine and reaches back to the 2008-2009 global economic crisis. Even the growing power asymmetry has not dissuaded Moscow from deepening its cooperation with China. This challenged widespread Western expectations that Russia would be eager to cooperate with the West in order to compensate for China's increasing advantage. Hence, a potential improvement of Russian-Western relations is highly unlikely to result in the weakening of Russian-Chinese ties.

Two long-term factors facilitate close Russia-China cooperation. First, their shared opposition to political values and norms promoted by the West creates a strong bond. Both reject the U.S. claim to primacy and Western domination in the world. Both jealously guard their sovereignty (which both understand as noninterference in domestic affairs) and suspect the West of plotting regime change under the banner of spreading democracy and/or human rights. Second, Moscow and Beijing feel certain that the other side in their duo would not subvert the ruling regime nor criticize the other's domestic political system.

There are three key obstacles to a long-term stable Russian-Chinese alliance. First, Russia and China avoid supporting each other in pursuing territorial claims (Crimea, South China Sea, East China Sea), even though they did lend support to one another regarding territorial integrity in the

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1990s and 2000s. Second, Russia and China have differing approaches to economic globalization and diverging assessments when it comes to anti-globalization trends. Third, as a consequence, both states see their contribution to global security and economic governance differently.

The Trump administration's opening towards Russia may, paradoxically, strengthen Russian-Chinese relations rather than weaken them. Better relations with the United States would partially compensate for the increasing power gap between Russia and China. Beijing, in turn, may be more willing to offer concessions to Moscow in order to maintain close cooperation.

### **The West-Russia-China Strategic Triangle and its Limitations**

U.S. domination in global politics has been a strong incentive for the post-Cold War rapprochement between Moscow and Beijing. U.S. policies pushed both states towards closer cooperation to the extent that pundits came to assume that the dyad was overly reliant on interactions each state had with the US. Yet, while the relevance of the American factor for Russia-China relations cannot be underestimated, developments taking place between Moscow and Beijing are not a mere reaction to the United States power and policies. The Ukrainian crisis and the related worsening of Russian-Western relations made Moscow more dependent on China's support and thus more willing to offer concessions to Beijing. However, Russia and China strengthened their cooperation in energy, security and defense, and arms trade prior to the Ukrainian crisis. Shared opposition to Western domination in international politics and fears of 'color revolutions' sponsored from abroad provides a long-term foundation for Russian-Chinese cooperation, regardless of the state of their current relations with the West. As a result, potential changes in U.S. or European policies toward either Russia or China can influence the Sino-Russian relationship only to a limited extent.

Russia aims to maintain a diversified foreign policy and wants to avoid dependence on either the West or China (this is a policy direction that has changed little since it was first proposed under the label of a 'multi-vector' foreign policy by Yevgeny Primakov in the mid-1990s). Russian rhetoric of seeking an 'alternative' should be regarded as a way of pressuring partners for concessions rather than genuine willingness to reorient its foreign policy to one side (be it the West or Asia/China). Similarly, China aspires to pursue a balanced foreign policy, with the United States, the EU, and Russia treated as key partners (the EU is seen as the major economic partner, Russia the major strategic/political partner).

The role of Europe in West-Russia-China triangle is limited. China sees Europe as the key *economic* partner and cooperation with Europe is necessary for Beijing to improve its position in the international economic and financial system, and in the realm of global governance. China, does not, however, recognize Europe as a strategic/geopolitical actor of significant relevance. Russia attempts to portray its cooperation with China as leverage it has over the European Union, especially in the energy sphere, but this policy has brought no tangible results.

This chapter analyses aspects of Russia-China relations most relevant for the strategic triangle comprising the West, Russia and China. I first discuss the intensification of Russian-Chinese

cooperation, which took place against the backdrop of increasing power asymmetry. I then analyze long-term drivers of Russian-Chinese cooperation and contrast them with what I identify as key obstacles to a stable long-term Russia-China alliance. Finally, I present possible changes in the West-Russia-China strategic triangle and offer recommendations for the West.

## **Close Russian-Chinese Cooperation Amidst Increasing Power Asymmetry**

The most characteristic feature in the Russian-Chinese relationship is the deepening of cooperation between the two states despite the growing asymmetry of power between them. Not only has Russia decided not to balance against China, it has opted for ever closer cooperation. This has been particularly visible in the energy realm as well as in security and defense spheres.

### ***The growing gap in material power***

Prior to the 2008 financial crisis and ensuing Great Recession, China's GDP was more than two and half times bigger than that of Russia, but both economies grew at an impressive pace, 5-6% and over 10% respectively.<sup>2</sup> Global financial turmoil wreaked havoc on the Russian economy and increased the gap between the two states. Russia suffered a recession from which it has yet to recover; its economy rose around 2% per annum until 2014 when another recession hit. China has managed to maintain high-level growth, even if its pace of growth has decreased. As a result, prior to the Ukrainian crisis, in 2013, China's economy was four times bigger than that of Russia.<sup>3</sup> The fall in oil prices, coupled with Western sanctions following the annexation of Crimea, led the Russian economy into recession. China, meanwhile, maintained its growth level at around 7%. Consequently, by 2016, China's GDP had become 8 times larger than that of Russia.<sup>4</sup> In terms of GDP measured according to purchasing power parity, China's GDP was more than five times bigger than that of Russia.<sup>5</sup>

These differences in economic performance have translated into a growing asymmetry between the two states' military expenditures. In terms of military budgets, China used to spend twice more than Russia on its armed forces (which to some extent can be justified by the fact that the Chinese armed forces are twice the size of their Russian counterparts). In 2008 Russia's military expenditure amounted to \$61 billion; China's was \$106 billion. In 2013 Russia spent \$84 billion on defense, while China spent \$171 billion. In 2015, Russia spent \$66 billion and China \$214 billion, three times as much. What is even more important, China's military expenditures increased in absolute numbers but remained below 2 percent of GDP. In the case of Russia, the increase in the military budget has come at the cost of its rising share in GDP, from 3.3 percent in 2008 to 5.4 percent in 2015 and 6 percent in 2016.

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<sup>2</sup> In 2008 Russia's GDP was \$1.6 trillion and China's GDP \$4.5 trillion.

<sup>3</sup> Russia's GDP reached the level of \$2.1 trillion, while China's skyrocketed to \$9.1 trillion.

<sup>4</sup> Russia's GDP fell to the level of \$1.3 trillion, while China's skyrocketed to \$11.3 trillion.

<sup>5</sup> In terms of purchasing power parity in 2016, China's GDP was estimated at \$21.2 trillion and Russia's GDP at \$3.7 trillion (5.72:1 ratio).

These two indicators do not reveal the whole complexity of both states' material power, but they do reflect the key trend, i.e. the growing gap in material capabilities. Closer cooperation between Russia and China should be expected to further increase this gap.

### ***Energy cooperation – the economic pillar of Russia-China relations***

Energy cooperation has emerged as the economic pillar of the Russian-Chinese relationship. The combination of infrastructural ties and long-term contracts have made China a major recipient of Russian crude oil. While China maintains a diversified portfolio of oil imports, in 2016 Russia emerged as its number one provider, taking over from Saudi Arabia. Currently Russia sells only minimal amount of natural gas to China, but the construction of the *Power of Siberia* gas pipeline will make Russia an important exporter. The pipeline can be expected to go online around 2020 and achieve full capacity 2-3 years later. The existence of a direct overland connection between Russia and China gives a strategic dimension to Russian deliveries of natural resources.

The most important delivery route is the ESPO oil pipeline's branch Skovorodino-Daqing, agreed in 2008 and initiated in 2011. It binds both states into a long-term commitment. Russia agreed to supply China with oil in return for loans, enduring security of demand and prospects for entering a promising downstream market. At the same time, the ESPO branch to the Pacific coast was intended to guarantee that Russian exports to the Asian market would remain diversified. It was projected that Chinese companies would collect only half of the pipeline's oil in the first stage of its functioning and a little more than one-third following the pipeline's completion in 2018.

However, this formula of energy cooperation evolved further during the early part of this decade. China managed to convince Russia to renegotiate lower prices and to increase the volume of deliveries. In 2013 Russia's Rosneft agreed to a series of new multi-billion dollar contracts with Chinese companies. The Russian company affirmed its readiness to send an additional 10 million tons of oil to China via the Kazakhstani pipeline and agreed to double the amount of oil to be sent to China via the ESPO by 2018. Rosneft signed a contract with a leading Chinese energy company, CNPC, to deliver 15 million tons (300 000 bpd) of oil for 25 years, worth up to \$270 billion. In addition, both states agreed to build an additional pipeline, along the already existing Skovorodino-Daqing route, thus doubling the capacity of the pipeline (from 15 to 30 million tons). The pipeline is facing delays on the part of CNPC and its opening will probably be postponed beyond initially planned date of early 2018.

The combination of new contracts and the rise in demand of small Chinese refineries made Russia China's biggest oil supplier. Russia delivered 50 million tons of crude oil, or 1.05 million barrels per day. China purchased – in addition to all of the oil sent via the ESPO branch to Daqing – 70 percent from the ESPO Pacific coast terminal, effectively dominating Russian oil sales to the Asian market.<sup>6</sup>

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<sup>6</sup> "Russia emerged as China's biggest oil supplier in 2016, overtaking Saudi Arabia," Reuters, <http://www.reuters.com/article/us-china-economy-trade-crude-idUSKBN1570VJ>; "Analysis: China buys 70% of Russian ESPO cargoes from Kozmino in 2016," Platts, <http://www.platts.com/latest-news/oil/moscow/analysis-china-buys-70-of-russian-espo-cargoes-27753440>.

Russian-Chinese cooperation in the gas realm has failed thus far to produce as impressive results as those obtained in the oil sphere. In 2013, CNPC joined the Yamal-LNG project, operated by the Russian independent gas producer Novatek, along with the French energy company Total. CNPC acquired a 20 percent stake in the project, which equates to the production of 3 million tons of LNG, and signed a contract on additional gas deliveries from Yamal-LNG at a level of 3 million tons of LNG. In 2016, Chinese banks provided a \$10 billion loan for the project's development.<sup>7</sup> In 2014 Gazprom and CNPC agreed on the construction of the *Power of Siberia* gas pipeline and signed a 30-year contract on deliveries of 38 bcm of gas per annum, worth in total \$400 billion.

Both the gas pipeline and LNG export from the Yamal project will not be complete before 2020.<sup>8</sup> Nonetheless, the contract binds Gazprom in a long-term perspective to the Chinese market, even more so because the Russian company in practice abandoned its planned LNG project in Vladivostok, which would have given it access to other Asian customers. Given China's soaring gas imports, it is difficult to forecast Russia's share in the Chinese gas market. It will probably remain lower than China's imports from Central Asian states, but it provides China with a direct overland pipeline. Another proposed gas pipeline, *Altai*, remains Russia's political tool towards Europe and will probably remain on paper.<sup>9</sup>

The major weakness of energy cooperation is the absence of mutual investment in the oil and gas sectors. Chinese companies have not received major shares in Russia's upstream. Russian companies, in turn, do not have access to China's downstream, even though joint projects, such as the refinery in Tianjin, have been discussed over the course of the last decade. This illustrates both states' unwillingness to open up their markets for potential competition and, especially in the case of Russia, makes visible the fears of becoming too dependent on the other side.

### ***The deepening of security and defense cooperation, and the revival of arms trade***

Russian-Chinese cooperation in the realm of security and defense rests on two pillars: joint military exercises and Russian arms sales.

Both states started organizing joint land exercises, codenamed *Peace Mission*, in the mid-2000s, but only for the last five years they have been conducted on an annual basis. The exercises are conducted in two formats, either as bilateral Russian-Chinese drills or in a multilateral format under the Shanghai Cooperation Organization framework. Since 2012, Russia and China have begun conducting annual naval drills code-named *Joint Sea/Naval Co-operation*. These exercises

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<sup>7</sup> "Russia LNG Plant Gets \$12 Billion From China Amid Sanctions," Bloomberg, <https://www.bloomberg.com/news/articles/2016-04-29/russian-lng-project-gets-12-billion-china-loans-amid-sanctions>.

<sup>8</sup> "Power of Siberia Gas Pipeline to Start Delivering Russian Gas to China in 2020," Sputnik, <https://sputniknews.com/business/201610041045980213-pipeline-siberia-china-gas/>; "Gazprom's Power of Siberia pipeline set for 2019 launch," RBTH Asia, [http://rbth.com/news/2016/06/14/gazproms-power-of-siberia-pipeline-set-for-2019-launch\\_602753](http://rbth.com/news/2016/06/14/gazproms-power-of-siberia-pipeline-set-for-2019-launch_602753).

<sup>9</sup> The Altai pipeline would link Russian gas fields with the western parts of China, where it would have to compete with the Central Asian gas. Moreover, delivering Russian gas to eastern parts of China would require additional investment in cross-country pipelines.

took place mostly in the Asian seas, with the exception of one extra drill held in the Mediterranean in 2014. The latest edition, *Joint Sea 2016*, was staged in the South China Sea.

While the exercises have practical purposes, such as practicing joint operations or increasing interoperability, their primary goal is to send a political signal to the West. Joint exercises imply the possibility of both states being able to forge a genuine political-military alliance and help reinforce each state's great-power credentials. The switch in the center of gravity of Russian–Chinese security and defense cooperation from land to sea has met Beijing's strategic needs primarily, and reflected China's increased self-confidence in its security and defense relationship with Russia. China started playing the Russian 'military card' against the United States and American allies in East Asia.

Russian arms sales revived in the early-2010s, following a sharp drop in the mid-2000s. That drop reflected Moscow's disappointment with the scope of Chinese illegal copying of Russian equipment, relative saturation of the Chinese market, as well as overall Russian distrust. The revival resulted partially from technical deficiencies of the Chinese military-industrial complex, which, among other things, turned out to be unable to produce reliable jet engines. Sales reached around \$2 billion per annum. Only in 2016, however, did Russia decide to sell China complex weapon systems: the fourth-generation fighter jets Su-35 and S-400 anti-missile systems. Russia reversed its usual pattern of arms sales in Asia, according to which India always obtained slightly better equipment than China. Now, Russia will provide the same class of arms to the two strategic rivals, as India became the second customer for Su-35 and S-400.

This element of Russian-Chinese cooperation can, however, be expected to diminish. The Chinese military-industrial complex is becoming self-sufficient and there are relatively few Russian types of weapons in which China is interested. There is a growing unwillingness on the part of China to maintain its dependence on Russia in terms of military imports. Chinese media boast of the new fifth-generation fighter jet, which is expected to make imports from Russia redundant.<sup>10</sup> It can be expected that servicing of existing Russian equipment in China will replace arms sales in the near future. In order to maintain a high level of cooperation in this sector, Russia and China would have to embark on joint production of weapon systems.

Meanwhile, a common response to U.S. missile defense could emerge as a new element of Russian-Chinese security and defense cooperation. Russia and China have consistently criticized U.S. plans and subsequent deployment of missile defense systems in South Korea. They declared their readiness to coordinate responses, even though still fell short of implementing any practical steps.

### ***Russia's failure to implement its 'Eastern pivot'***

Russia's failure to establish itself as an autonomous player in East Asia (mirroring Chinese advancements in Central Asia) limits Russia's possibilities to exert pressure and gain leverage over

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<sup>10</sup> "Air Force receives 4 of Russia's latest fighters," *China Daily*, January 6, 2017, [http://china.org.cn/china/2017-01/06/content\\_40049996.htm](http://china.org.cn/china/2017-01/06/content_40049996.htm).

China. This failure, especially when coupled with China's advances in Central Asia (see the next section), adds to the existing power asymmetry between the two states.

By declaring and implementing a turn to Asia, Moscow wanted to achieve two interrelated goals. First, it sought to make Russia a fully-fledged player in East Asian politics, a *sui generis* third party for the smaller states squeezed between the United States and China. Second it sought to avoid dependence on China in East Asian politics. Behind the pivot was the Kremlin's assumption that Russia was able to become a relevant actor in the East Asian region, in terms of politics, interstate relations, economic ties, energy deliveries, trade and investment. By becoming attractive to East Asian states, Russia could also revive its own Far East. There was also an implicit assumption that Russia had tools at its disposal that would make such a shift towards the East possible.

The implementation of Russian ideas in East Asia has, however, lagged behind, and Moscow's policy towards the region has remained Sinocentric. China has maintained its position as Russia's most important trade partner among East Asian states. In 2015 Russian-Chinese trade reached \$64 billion, three times as much as Russia's trade with Japan (\$20 billion) and four times as with South Korea (\$16 billion). The existing infrastructure is mostly bound for China, and China has increased its position as the number one customer for Russian crude oil. China purchases increasing amounts of Russian crude oil, using not only the pipeline to Daqing but also the Pacific terminal, which Russia assumed would serve as a tool of diversification, providing the resources for customers other than China.

Russia's close cooperation with China has seriously limited Moscow's ability to act as an independent player in the East Asian regional order. Sinocentrism has become a major structural obstacle to Russia's turn to the East. Instead of playing a third party role of balancer in the region dominated by China and the United States, Moscow is increasingly supporting Beijing. Russia failed to do in East Asia what China managed to do in Central Asia: become an equal participant in regional politics. As a result, Russia's turn to the East has not transformed the Russian-Chinese relationship in any meaningful way. Moscow has not won leverage over China. On the contrary, one can expect the reinforcement of the Sinocentric orientation in Russia's Asia policy, e.g. in the form of further support for China in the territorial disputes in the South China Sea.

### ***Reconciliation of Russia and China's conflicting interests in Central Asia***

Observers of Russian-Chinese relations tend to regard Central Asia as the most probable point of future tensions between Russia and China. Political and economic interests of the two states intersect in this region. Moreover, both are pursuing conflicting regional initiatives: the Eurasian Economic Union (Russia) and the Silk Road Economic Belt (China). Despite far-reaching power shifts in the region, Russia and China have so far demonstrated their ability to reconcile differences over Central Asia. This in turn has reduced the potential for conflict. The two states actively sought to avoid competition and even the U.S. partial withdrawal from Afghanistan - which implies a fading challenge to both states from U.S. political and military presence - has not led to any increase in Russian-Chinese rivalry.

China began to extend its influence in Central Asia after the end of the Cold War, and in the early part of this decade it gained the upper hand, mostly at Russia's expense. The new configuration has been far from optimal for either Moscow or Beijing but has nevertheless been satisfactory

enough to remove Central Asia from the list of pressing concerns. China has shown strategic restraint and expanded its presence mostly in energy and economic realms. Russia has remained dominant in the sphere of regional security.

China emerged as Central Asia's top economic partner in the late 2000s. It became the region's largest trading partner, the key provider of commercial loans and development aid, and a major investor in Central Asian states' infrastructure. China also gained pre-eminence in the energy sphere. It built a network of gas pipelines and signed a number of long-term contracts on the delivery of gas. The new pipelines deprived Russia of its monopoly on the transit of Central Asian gas. Three states – Turkmenistan, Uzbekistan and Kazakhstan – could export their production bypassing Russian territory. Second, China locked in Central Asian gas supplies for its own needs, replacing Russia in this role.

Russia and China's influence in the security and defense realm differs significantly. Russian influence rests on four pillars: the presence of troops, the formal alliance in the form of the Collective Security Treaty Organization (CSTO), military-to-military cooperation and military equipment supplies. China, in turn, has no military presence on the ground and it cooperates with Central Asian states within multilateral (SCO) rather than bilateral frameworks. China has shown tangible restraint with regard to the security realm and maintained its practical engagement in security issues at low levels. Bilateral security and defense ties have remained limited and China has not expressed ambitions to deploy its troops in the region or to lease any military facilities. In addition, concern about the possible destabilization of the Central Asian regimes, shared by Russia and China, pushed both states towards cooperation rather than competition. The Central Asian states themselves have facilitated Russia–China relations in the region.

It must be noted that this *sui generis* division of influence takes place in an informal way. Although the creation of Shanghai Cooperation Organization (SCO) reflected the willingness to limit competition, different visions of the organization's future development held by Moscow and Beijing led to a stalemate as early as the mid-2000s. SCO turned out incapable of fostering closer economic or political collaboration in Central Asia, except in the internal security sphere, where cooperation is driven by a shared fear of 'color revolutions'. SCO's enlargement to include India and Pakistan will probably deepen the deadlock rather than generate any genuine cooperation.

Against this backdrop, Russia and China can be expected **to** reconcile their key regional initiatives, the Eurasian Economic Union and the New Silk Road. Not only do Moscow and Beijing appear to be aware of possible tensions, they undertake steps aimed at lowering this risk. Russia turns out to be unable to prevent China's project from being implemented in Central Asia. China's focus on tangible economic goals, coupled with limited political aims, helps avoid a direct confrontation or open competition. Despite close economic ties, Beijing has not embarked upon political domination of Central Asia. China has framed its project in such terms to prevent Russia's resistance by making it a stakeholder in the New Silk Road. In addition, the implementation and the final shape of Russia's project are far from certain. The Russian project does not offer any explicit concession to China, although it could facilitate China's trade with the bulk of the post-Soviet area by removing trade barriers between the EEU's member states. Moreover, Russia's



focus on the symbolic impact of its project can be reconciled with China's economy-focused approach.

Russian and Chinese leaders have recognized the potential for competition. They have been undertaking intentional attempts to reconcile their projects since the Shanghai summit in May 2014, when the two states openly declared their willingness to accommodate the two initiatives. A year later, at the May 2015 summit in Moscow, Russia and China adopted a separate document on the two projects, entitled "Joint statement on co-operation in the construction of the Eurasian Economic Union and the Silk Road Economic Belt." The two sides declaratively supported one another's projects and China proclaimed its readiness to conclude an agreement on economic co-operation with the EEU. Moscow and Beijing both expressed willingness to co-ordinate their regional efforts and named several priorities, such as trade and investment collaboration, investment facilitation and cooperation on transport infrastructure. The two sides also announced the establishment of a working group, tasked with coordination of the two projects. Although Russia and China recognized the Shanghai Cooperation Organization as one of key platforms for coordinating the two projects, the subsequent SCO summit in Ufa in July 2015 brought no further developments in this regard. The working group talks at the level of deputy ministers took place only in late 2015. Still, Russian and Chinese representatives continue to assure that the two projects are not in direct competition with one another.

## **II. Long-Term Drivers of Russian-Chinese Cooperation**

Regardless of the growing power asymmetry between Russia and China, the two countries are finding greater common ground with regard to opposition towards political norms propagated by the West, and their mutual concern for domestic regime survival.

### ***Shared opposition towards Western primacy and Western political norms***

Russia and China share opposition towards Western primacy in the global order. Both awaited the dusk of U.S. preponderance, and regarded unipolarity as a temporary aberration of international politics. The global economic crisis validated their claims that Western domination in the international order was fading away. Russia and China oppose political values and norms promoted by the West. They guard their sovereignty and suspect the West of plotting regime change under the banner of spreading democracy and human rights. They remain skeptical of the idea of humanitarian intervention, regarding it as a pretext for Western interference. Russia and China stress their special roles and special responsibilities in international politics. Both states believe strongly that the international order is undergoing transformation from Western dominance to multipolarity. They both depict international security as indivisible, which in practice means granting them a veto over the West's decisions, e.g. with regard to any potential enlargement of existing military alliances. They defend the central role of the UN Security Council and the UN as a whole.

This similarity of views on global politics has been reflected in Russia and China's cooperation in international fora, in particular the UN Security Council and the UN Human Rights Council. Both

states tended to coordinate their positions. They often jointly veto resolutions proposed by the West, especially when such projects envision diplomatic and political pressure, sanctions against regimes violating human rights, or allow for the use of force.

Given the similarity of their views on international politics, Russia and China need each other's support, which cannot be offered by other states. Both states share a great-power identity. Their partners in BRICS – India, Brazil or South Africa -- or among non-Western states cannot offer either Russia or China substantial political support on the international stage. These states fall behind in terms of material (military potential) and institutional (a permanent seat in the UN Security Council) capabilities. Moreover, they often lack determination to challenge or resist U.S. primacy.

### ***Mutual concern for regime survival***

The political systems of Russia and China evolved in different ways. Russia's political regime has transformed into a personalized system, while China's has taken on an institutionalized form. What links them is their increasingly non-democratic nature. Vladimir Putin's third presidential term is marked by authoritarian and conservative tendencies. Xi Jinping's first years led to the reversal of certain political reforms in China and to increasing crackdown on any opposition. The similarity of views on international politics presented above is embedded in the non-democratic nature of political systems and reflects underlying fears of 'regime survival.'

Domestic politics is conducive to close Russian-Chinese cooperation in two basic ways. First, the ruling political-economic coalitions in both states support close cooperation and do not regard their counterparts as threatening to their interests. Thus Moscow and Beijing lack domestic incentives to portray the other side as threatening. China's rise undermined neither the Russian domestic balance of power nor the position of the incumbent regime. For most of the key actors able to influence domestic politics, China's rise presented an opportunity rather than a threat. Members of the winning coalition preferred engagement and regarded deeper cooperation with China as favorable to their political and economic interests. Similar process took place in China. Second, neither state threatens the survival of another's political regime. The West, on the contrary, is regarded both in Russia and China as a potential threat to the regime survival.

### **Key Obstacles to a Russian-Chinese Alliance**

Obstacles to the long-term stable cooperation between Russia and China include the lack of mutual support for territorial claims, differing responses to economic globalization and anti-globalist movements, and distinct approaches to global governance. These obstacles prevent both states from concluding a fully-fledged alliance.

### ***Lack of mutual support for territorial claims***

In the 1990s, mutual support for sovereignty and territorial integrity was fundamental to forging the post-Cold War relationship between Russia and China. Domestically, China and Russia encountered strong separatist movements fueled by the collapse of the communism and the break-

up of the Soviet Union. Internationally, China and Russia felt threatened by Western liberal ideology. Towards the late 2000s, the importance of the territorial integrity issue for the mutual relationship faded away.

In this decade, issues of sovereignty and territorial integrity have taken on a new form. Russia and China began to pursue offensive territorial claims, attempting to secure new territories and redefine the scope of their sovereignty. Russia annexed Crimea from Ukraine and included it into the Russian Federation as two new federal subjects. China has been incrementally increasing effective control over the islands in the South China Sea and embarked upon a program of mass land reclamation. In the East China Sea, Beijing has intensified political and military pressure on Japan over the contested Senkaku (Diaoyu in Chinese) islands. In all of these cases, Russia and China have not supported each other's territorial claims, maintaining what could be termed as 'benign neutrality.'

China reacted in a reserved way to the annexation of Crimea and Russia's undeclared intervention in Ukraine. Beijing carefully avoided a for-or-against choice and preferred not to air its opinions. It neither supported Russia openly, nor condemn its actions. Chinese representatives abstained in the UN Security Council and the General Assembly. Beijing explained its neutral position concerning Crimea with reference to specific historic circumstances, but declared support for Ukraine's territorial integrity. In addition, China opposed Western sanctions against Russia. China recognized that Russia's behavior may fuel separatism and rejected the form of Russia's support for Crimean separatism, i.e. a declaration by its inhabitants expressed in a referendum. At the same time China considered the Maidan revolution to be a Western-led conspiracy which overthrew the legal government (in a similar way to the 'color revolutions' of the mid-2000s). China perceived the protests in Tibet in 2008 and in Xinjiang in 2009, as well as in Hong Kong in 2014, as having been inspired from abroad. From this perspective, Russia's intervention in Crimea was interpreted as a 'proper response' to Western subversion.

In case of the South China Sea, Russia maintained strict neutrality with regard to the territorial disputes. Moscow's position did, however, evolve over the last two years. In terms of rhetoric, Russia declared at several occasions that outside powers should not interfere with the disputes, thus repeating and reaffirming the Chinese position. The *Joint Sea-2016* naval drills took place in the South China Sea. Their scenario envisioned amphibious landing and taking over the islands. As such, Russia's participation in the exercise was a way of subtle support for China's claims. Russia's policy is incrementally moving from strict neutrality to tacit, or even unintentional, support for China's position. Still, in the East China Sea Moscow has managed to stay away from the ongoing Sino-Japanese dispute.

### ***Differing responses to economic globalization and anti-globalist movements***

Reluctance and resistance towards the West's domination in global politics has fueled Russian-Chinese relations for the past two decades. Yet the responses of Russia and China to anti-globalist movements and global populism differ significantly, as do their long-term expectations related to the future of globalization.

Russia appears to relish the West's internal difficulties, embracing and propping up the populist, anti-globalization turn. The Russian president has depicted globalization as a project in crisis, led

by a selfish elite who left the majority impoverished and frustrated. The Russian elite did not hide its satisfaction in Trump's victory in the U.S. election. Russia also cheered the Brexit result and the United Kingdom's decision to leave the European Union, seeing it as the first step to a further unraveling of Europe's post-war political and economic project. Over the years Russia has established a network of contacts with Europe's far-right and, to a lesser extent, far-left political parties.

China, on the other hand, is emerging as a staunch supporter of globalization, viewing the turmoil in Western political landscape with a mixture of *Schadenfreude* and genuine concern. Chinese leader argued that globalization cannot be blamed for all the world's problems and warned that a reversal of globalization is unachievable. China has opted for stability and incremental change. Beijing was in favor of the UK remaining in the EU. Having repeatedly declared its support for European unity, China denounced the rise of populist forces throughout Europe. Regarding the US presidential election, voices in China remain divided. State media presented Trump's controversial campaign and his subsequent victory as the ultimate proof of democracy's inherent weaknesses. Although Hillary Clinton was not particularly liked in Beijing – due to her contribution to the U.S. “pivot to Asia” policy – her election victory would have brought much more predictability to Sino-American relations.

China needs international stability more than Russia does. China's economic growth – which is the ultimate means of legitimizing the power of the Chinese Communist Party – relies on open trade and stable markets, as well as on the wealth of Western consumers. China needs a conducive external environment in order to sell its whole range of goods, from low- to high-end, such as high-speed trains, to export the overcapacity of its industry, and to invest its currency reserves. Russia counts on potential chaos beyond its borders as a way of relatively upgrading its position in the international realm. The instability inside the West not only makes it easier to blame the outside world for Russia's own failures, but also helps Russia divide the Western community by cherry-picking potential partners.

This varied attitude towards globalization is also reflected in Russia and China's regional initiatives. For China, the creation of the Silk Road Economic Belt is a way to increase China's ties with a broader world and deepen mutual interdependence. China aspires to reinforce openness generated by globalization and to prevent other powers from building closed regional blocs. China's goal behind the New Silk Road is to foster greater extra-regional integration and offer a new version of globalization. For Russia, the Eurasian Economic Union is a way to fence off the post-Soviet space from global influences and to introduce protectionist measures.

### ***Different approaches to global governance***

The differences presented above lead to Russia and China pursuing divergent approaches to global governance. China appears to be genuinely interested in contributing to political and economic stability. Russia aims first and foremost at the symbolic confirmation of its great-power status and does not mind the role of an occasional spoiler.

In the realm of global economic governance, China pursues a dual policy of reinforcing its position in the existing institutions and establishing its own parallel institutions. China's share increased both in the IMF and the World Bank. The IMF included the yuan as a reserve currency. At the

same time, China established the Asian Infrastructure Investment Bank (AIIB), despite the open opposition of the United States, and convinced a number of American allies from Europe and Asia to join (it is worth noting that Russia and India are among the founding members of the Bank). In the BRICS framework, China supported the establishment of the New Development Bank and the Contingent Reserve Arrangement, which duplicate the functions of the IMF and the World Bank. Making Shanghai the seat of the new bank symbolically confirmed China's leadership within the BRICS. Russia's role in global economic governance remains marginal. Moscow usually follows China in this realm. China has a sufficient economic basis to upgrade its position within international financial institutions, while Russia is forced to defend its 'status quo' position.

Russian and Chinese approaches to global security governance vary. Russia continues to stand out as the West's major interlocutor and a challenger in the global strategic realm. Moscow compensates for its economic weakness with intensified political activity, particularly with regard to international crises. Russia played the key role in the Iranian nuclear crisis, especially giving support to the 2010 sanctions adopted by the UN Security Council, and in the civil war in Syria. Not only did it prevent the U.S. military intervention in 2013, it was also able to intervene militarily on its own and uphold the regime of Bashar Assad.

China maintains a low profile with regard to international crises, in spite of its growing material capabilities and increasing global ambitions. China's limited engagement in the Syrian civil war illustrates that Beijing tends to acquiesce to Russia's engagement in particular crises, but refrains from active support. China joined Russia several times in vetoing UN Security Council resolutions proposed by the Western states. The Chinese state media presented Russia's military intervention in Syria in a positive way, as a fight against terrorism, but China did not join Russia in the intervention.

At the same time, China has significantly increased its role in multilateral crisis management. Chinese armed forces regularly participate in UN peacekeeping missions, such as Mali or South Sudan. In 2013 Chinese combat troops were deployed in a peacekeeping role for the first time ever. This policy serves the dual purpose of securing economic interests in areas in which Beijing has become engaged and creating the image of a responsible stakeholder. In 2015 China promised to establish a 10-year, \$1 billion China-UN peace and development fund, offered \$100 million to the African Union for the purpose of establishing a rapid reaction force, and committed itself to the creation of a special police unit of up to 8,000 troops for UN peacekeeping operations.

The fundamental difference in Russia and China's approaches towards global governance illustrates that both states agree on which norms, promoted by the West, they reject, i.e. liberal democracy, rule of law, or human rights. Russia and China do not, however, agree what alternative norms they would like to promote instead. China aims to support globalization and the openness of global markets as it has been a major beneficiary.

### **The West's Possibilities to Influence the Relationship**

Russia's cooperation with China remained an important element of Moscow's policy towards the West. Close ties with Beijing prevented Russia's isolation by the West after the Ukraine crisis and helped partially offset economic losses. Russia's conflict with the West strengthened its relations with China as well as weakened Moscow's bargaining position toward Beijing and made it even more willing to grant concessions to Beijing. The underlying trends, however, had been in place well before the sanctions, e.g. the key oil contract was signed in 2013. This implies that even if Russian-Western relations improve, the intensity of Russia's cooperation with China will not necessarily decrease.

Russia attempted to 'switch sides' after the terrorist attacks against the United States in 2001. After 9/11 Moscow put aside its previous cooperation with China and embraced the prospects of a strategic partnership with the United States. The subsequent failure made Russia more cautious towards Washington. The Russian-American reset (2009-2011) included a new nuclear disarmament treaty, redrawing of U.S. missile defense plans, and the reduction of political support for post-Soviet states. But during that period Russian-Chinese relations did not deteriorate – on the contrary, Russia intensified its cooperation with China.

Following the annexation of Crimea, Russia needed to demonstrate its good relations with China to the United States. This weakened Moscow's bargaining position towards Beijing and prompted Moscow to make concessions.

The scenario in which the United States reaches out to Russia, trying to appease it, while it is confronting China, is probable. But the Trump's administration opening towards Russia may paradoxically strengthen the Russian-Chinese relationship by balancing China's upper hand over Russia and strengthening Moscow in its dialogue with Beijing. Fearing Russia's 'defection', China may turn out to be more eager to offer some concessions. Thus the improvement of Russian-American ties may strengthen Moscow's position vis-à-vis Beijing. There are, however, scarce indications that the United States would be able to seriously undermine the Russian-Chinese relationship.

The potential influence of Europe on the Russian-Chinese relations remains limited. In case the European sanctions against Russia are lifted, Moscow's position vis-à-vis Beijing will improve. But, similarly to potential alterations in U.S. policy, this does not need to result in a weakening of Russian-Chinese ties. It can rather be expected to diminish the scope of the Russian-Chinese power gap. At the same time, numerous factors prevent Russia and China from transforming their relationship into a fully-fledged alliance.

#### **Common recommendations for the United States and the EU:**

- It will be difficult, if not impossible, for either the United States or the EU to weaken the long-term foundations of Russian-Chinese cooperation. As the two states reject Western political norms and suspect the West of interference in what they deem to be their domestic affairs, even cooperative policies can be insufficient. At the same time, the United States and the EU should exploit existing differences between Russia and China with regard to global governance and economic globalization.

- From the Western perspective, China is a more cooperative partner in global governance, both in terms of economy and security. Given China's pragmatic interest in global and regional stability as well as its support for the existing economic order, China's upper hand in its relationship with Russia is potentially beneficial for the West. China may turn out to have more influence than Western states have over Russia and thus mitigate to some extent Moscow's assertive behavior. The United States and the EU should avoid efforts to balance the Russian-Chinese relationship by strengthening their relations with Russia. Instead, the West should take advantage of China's interest in international stability and direct economic gains it receives from open global economy, and reinforce their cooperation with China on these issues. Engaging with China's international initiatives, such as the Belt and Road Initiative, offers the West an opportunity to genuinely influence Beijing's foreign and economic policies.
- Consistent Western opposition to the annexation of Crimea and support for Ukraine's territorial integrity correspond to China's unwillingness to recognize Crimea as part of the Russian Federation. A change in Western policy towards accommodating the Kremlin's demands could lead China to reconsider its policy and to openly support Russia's aggressive policy in the post-Soviet space. This, in turn, could push Russia to support China's territorial demands in the East and South China Seas. Thus, it seems of particular relevance that the United States and the EU maintain the policy of not recognizing territorial annexations and territorial claims, either of Russia or of China.

#### **Recommendations for the United States:**

- Russia's foreign policy remains diversified – the Kremlin aims to avoid dependence on *any one* external partner, be it the United States, Europe or China. It is thus highly unlikely that Russia would seriously limit its engagement with China, even if the United States improved its relations with Russia. On the contrary, a Russian-American 'grand bargain' is more likely to strengthen Russia's hand in dealings with Beijing and thus reinforce rather than weaken Russian-Chinese relations. Similarly, the worsening of American-Chinese relations would also strengthen Russia, making it a more relevant partner from China's perspective.

#### **Recommendations for the EU:**

- While China does not regard the EU as a relevant strategic actor, it is nonetheless interested in close economic cooperation with Europe. In particular, China has a stake in the success of the New Silk Road initiative and in the smooth functioning of the land corridors linking its economy with the EU. As the shortest route goes through Russia, stable and cooperative Russian-European relations are of value for Beijing. The EU could use China's interest in the stability of trade and transit in order to mitigate Russia's assertiveness.
- Russia has limited options to switch its gas sales from Europe to China, especially given China's lack of interest in the implementation of the *Altai* gas pipeline project. Thus there is little reason for the EU to bend down under Russia's threats to redirect its gas export away from Europe, even if Russia increases its gas exports to China.