



# Ten things everyone should know about the Sino-Russian relationship

By Bobo Lo

- ★ Sino-Russian relations have never been better. But despite some significant successes, their bilateral engagement continues to be partial and ambivalent.
- ★ Russia and China have contrasting world-views, different approaches to foreign policy and sometimes conflicting priorities.
- ★ There is no genuine ‘China card’ in Moscow’s energy relations with the EU. The threat to divert Russian gas eastwards is bogus.
- ★ The Sino-Russian partnership does not threaten western interests. Moscow and Beijing are more interested in engaging with the West than with each other.

## Introduction

It has become commonplace to speak of a new global order, in which a declining West is giving way to the emerging BRIC countries (Brazil, Russia, India and China). We are said to be living in an increasingly multipolar world. The United States and its European allies can no longer dictate the terms of engagement or insist on the universalisation of western political and economic norms. International relations have become more ‘democratic’.

The Sino-Russian ‘strategic partnership’ is one of the most publicised elements of this shift in global power. Over the past two decades, a once acrimonious relationship has evolved into one of the success stories of the post-Cold War era. This startling transformation has provoked polarised reactions. Unsurprisingly, Moscow and Beijing celebrate the progress in their relationship, both for its own sake and as an influential factor in world politics. But many outsiders see this apparent confluence of values and interests as inimical to the West. They warn of an ‘authoritarian alliance’ that would undermine the democratic and liberal achievements of the second half of the twentieth century. And, in an inversion of Marx’s famous appeal to the international proletariat,

they call for democracies of the world to unite against this resurgent authoritarianism.<sup>1</sup>

<sup>1</sup> Robert Kagan, *The return of history and the end of dreams*, 2008.

Such alarmism, although understandable, is hardly justified. For one thing, it exaggerates the decline and vulnerability of the West. Although George W Bush has presided over arguably the greatest relative loss of influence in America’s history, the US remains the sole global superpower – a position it is unlikely to relinquish for at least a generation. Conversely, it is easy to be dazzled by the rise of China (and India) and Russia’s resurgence and overlook their many weaknesses.

Most importantly, the notion of a Moscow-Beijing authoritarian alliance assigns to their relationship a degree of common purpose that does not exist. The ruling elites in Russia and China have starkly contrasting world-views and look for different things in the ‘strategic partnership’. Sometimes their objectives coincide, but often they do not. Policy-makers have managed to work around these difficulties to achieve some notable successes. But we should not mistake pragmatism for genuine affinity. This is a realpolitik relationship driven by concrete interests, not illusory ‘shared values’.

## Setting the record straight

Although the Sino-Russian partnership has elicited growing interest in recent years, it continues to be more a subject of polemic than reasoned analysis. This policy brief aims to set the record straight and to do so in the form of ten defining propositions. Each proposition focuses on a key aspect of the complex dynamic between Moscow and Beijing. Taken together, they encapsulate an interaction that is at once co-operative, ambivalent and much misunderstood.

### 1. Relations are better than at any time in history.

Russian and Chinese leaders routinely claim that bilateral relations have never been better. They are right. In every dimension, there has been significant progress over the past 20 years. Consider the following:

★ The 4,300-kilometre border was agreed in its entirety in October 2004, thereby resolving a territorial dispute dating back more than 300 years. The Chinese still lament the “lost one-and-a-half million square kilometres” transferred to the Russian Empire as a result of a series of ‘unequal treaties’ in the nineteenth century. But there is no interest in regaining these territories, least of all by force.

★ With the frontier now settled, there are no outstanding bilateral disputes. The once controversial issue of Chinese ‘illegal migration’ into the Russian Far East (RFE) has been largely defused. Beijing has co-operated actively with the Russian authorities to control cross-border movement – an important step in allaying Russian concerns about the demographic imbalance between China’s northeast (population: 110 million) and the RFE (6.6 million).<sup>2</sup>

<sup>2</sup> *Russia’s Far Eastern federal district extends from the Arctic Ocean to China, and from the Pacific to the eastern edge of east Siberia. It is administratively and historically distinct from Siberia.*

★ Trade is booming. After a period of stagnation in the 1990s, there has been an eight-fold increase over the past decade, from \$5.7 billion in 1999 to \$48 billion in 2007. This is projected to increase to \$60 billion by 2010.

★ The two countries are in substantial agreement on many international issues. Moscow subscribes fully to the one-China policy and supports Chinese mediation efforts in the Korean peace process. Beijing has consistently backed Russia on a long list of regional and international issues: Chechnya, Iraq, missile defence, NATO enlargement, Iran, Kosovo, the Middle East peace process.

★ Russia and China have reached a broad consensus on core principles of international relations. They assert the primacy of national sovereignty and oppose humanitarian intervention by outside states and supranational bodies. They defend each other against western charges of human rights abuses and

authoritarian rule. They talk up the United Nations, but conduct their foreign relations on the elitist basis of ‘the big players managing the big issues’. Finally, they challenge American ‘unipolarity’, and call instead for the ‘democratisation of international relations’ and a ‘global multipolar order’.

★ Institutionally, Moscow and Beijing are more tightly linked than ever before. Unlike the US-Russia relationship, which in recent years has been overly dependent on the personal dynamic between Vladimir Putin and George W Bush, Sino-Russian contacts take place on many levels – operational and ceremonial, official and non-official, civilian and military. The joint military exercises ‘Peace Mission 2005’ and ‘Peace Mission 2007’ represented significant steps forward between two countries which had fought each other as recently as 1969. On a human level, unprecedented numbers of Russians – 2 million in 2006 – have taken to visiting China.

Previously, the high-water mark of relations was the Sino-Soviet “unbreakable friendship” between Mao Zedong and Joseph Stalin (and later Nikita Khrushchev) in the 1950s. Yet the current interaction surpasses this in almost every respect. It is closer, less contentious, more equal and more multifaceted. For all the hyperbole, Russian and Chinese leaders are justified in talking up the development of their relationship. Considering where the two sides were in the mid-1980s, the improvement has been astonishing.

### 2. Russia and China have a limited partnership, not a strategic partnership.

The Sino-Russian relationship is officially described as a “strategic co-operation partnership”. But reality is more prosaic. If we understand a strategic partnership as implying a similar world-view, a shared vision for the bilateral relationship and the realisation of substantive co-operation, then the interaction between Moscow and Beijing falls well short of the mark.

Despite its impressive evolution in recent years, the partnership remains limited and equivocal. It relies heavily on the suspension of disbelief: both sides downplay their differences, claim that the relationship is more substantial than it is, and talk up its potential at every opportunity. However, such devices cannot hide the fact that, in relative terms, ties are modest indeed. In the economic sphere, for example, Russia accounts for less than 2 per cent of China’s foreign commerce; China’s share in Russia’s total trade is 6 per cent. Russian investment in China is negligible, while in 2007 Chinese investment in Russia was less than \$1 billion despite promising recent growth. Worryingly for Moscow, once strong areas of bilateral co-operation – arms sales, space, nuclear energy – are in decline, as Beijing looks elsewhere for cutting-edge technology and builds up indigenous Chinese capabilities.

The most significant obstacle to a real strategic partnership is that Russia and China have different priorities. For Moscow, the value of partnership is

essentially twofold. At an existential level, it is vital to the security of the Russian Far East, a vast, resource-rich, but demographically impoverished territory that comprises more than a third of the Russian Federation. During the Sino-Soviet freeze, the RFE was one vast military camp in which some 40 Soviet divisions were stationed. The border settlement simultaneously removes the most contentious issue from the bilateral agenda, minimises the security consequences of Moscow's neglect of the region, and opens up opportunities for large-scale resource development.

Internationally, engagement with Beijing is central to Moscow's pursuit of an 'independent', assertive foreign policy. At a time when Russia's relations with the US and Europe are at a 20-year low, the Sino-Russian partnership enables Moscow to lessen its reliance on the West and even to promote an alternative consensus to the western-dominated international system that grew out of the Second World War. The presence of China lends (a modicum of) credibility to the notion of the BRICs as a unitary construct. In this sense at least, China is a strategic ally to Russia.

By contrast, Beijing views Russia as a secondary bilateral partner – useful certainly, but not of the first importance. The bilateral relationship is merely one component in a larger foreign policy based on the principles of 'peaceful development' ('peaceful rise') and 'a harmonious world'.<sup>3</sup>

<sup>3</sup> *There is little conceptual difference between 'peaceful development' and its predecessor 'peaceful rise'. The latter was jettisoned because Chinese leaders thought it sounded threatening.*

Proceeding from the premise that China's modernisation and transformation into a global power requires stability at home and abroad, Beijing seeks good relations with all the major powers. Resolution of the border issue with Russia secures China's 'strategic rear' and allows it to

focus on more important priorities elsewhere, such as socioeconomic development and securing Taiwan's reunification with the mainland.

Beijing looks to Moscow for natural resources – not only energy, but also timber and non-ferrous metals. Yet its interest here is qualified. In oil, for example, Russia is one of more than thirty external suppliers and by no means the most important. Its exports of gas and electricity to China are minimal, despite ambitious plans for co-operation. There is Chinese interest in Russia as an expanding market for consumer and industrial goods, but Russia will remain of marginal importance compared to the huge markets in the West and the Asia-Pacific.

The two countries' interests appear nearly identical on many international issues and they frequently coordinate policy, especially in the UN Security Council. However, a crucial distinction separates them. Whereas Russia routinely employs the 'China card' in its relations with the West, Beijing sees no interest in using Russia as leverage against the US and Europe. It understands that crude attempts at balancing would narrow rather than widen its options, not to mention undermine the promotion of China as a constructive international player.<sup>4</sup> The differences in

Russian and Chinese thinking are reflected in Beijing's much less abrasive approach to foreign relations. The two sides may agree on the policy substance of many issues, but the harshness of Moscow's rhetoric is a source of mounting concern to Chinese leaders.<sup>4</sup> Or, to use Bob Zoellick's phrase, "responsible stakeholder".

It is also questionable how far Russian and Chinese attitudes coincide on matters of principle. Both assert the primacy of national sovereignty and 'non-interference' for reasons of state – regime legitimacy, an 'independent' foreign policy, the preservation of social stability, commercial deal-making. However, the shallowness of this consensus is periodically exposed, most notably during the Georgia crisis of August 2008. Russia's formal commitment to national sovereignty and territorial integrity was betrayed by Kremlin recognition of Abkhaz and South Ossetian independence. The Chinese were upset and, for once, expressed their concern publicly. Most damagingly, they ensured that the Shanghai Co-operation Organisation summit in Dushanbe, Tajikistan, gave only the most lukewarm response to Russian appeals for moral and political backing.

The Sino-Russian dynamic is less a strategic partnership than a traditional great power relationship. Moscow and Beijing have different perspectives on the world, contrasting approaches to foreign relations and competing interests in important areas (see below). They have managed to transcend these contradictions to develop a largely co-operative relationship. But this has been achieved not on the basis of a confluence of values (authoritarian or otherwise), but because it benefits them to contain and even air-brush their differences. If one can describe their relationship as an 'axis', then it is an axis of convenience based on opportunism and no little cynicism.

### 3. Russia and China attach more importance to the West than to each other.

At one level, the Sino-Russian partnership is an 'anti-relationship' in that much of its impetus comes from a common desire to contain American 'hegemonism'. This manifests itself in tactical alliances on various issues. It is not, however, an anti-Western alliance in the strategic sense.

This is because Moscow and Beijing look to the West for their main points of reference, not to mention new ideas and technology. Thus, the European Union accounts for 52 per cent of Russia's total trade, as well as over 60 per cent of its energy exports. Russia's oligarchs, nouveaux riches, professionals and students head for Europe, not China. And when the Kremlin wants to discuss the big issues of international security – strategic disarmament, nuclear non-proliferation, international terrorism and conflict resolution – it talks to the White House, Elysée Palace and the German Chancellery, rather than Zhongnanhai.<sup>5</sup> *The official compound of China's Communist Party leadership.*

Significantly, Russian policy-makers speak of a “common European Christian civilisation” and have resurrected Gorbachev’s notion of a “common European home”. Public opinion surveys indicate that Russians view China as the “most friendly country”, yet many fear Chinese economic penetration and strongly oppose the importation of Chinese workers to alleviate labour shortages in the RFE.<sup>6</sup> The Russian

<sup>6</sup> ‘Russians want to make friends with China, but from a distance’, All-Russian Centre for Public Opinion press release, April 16<sup>th</sup> 2007.

elite and public may have a very different notion of ‘European-ness’ from the EU’s post-modern, rules-based vision, yet they see themselves as European nonetheless.

The Chinese understand that their place in the Russian world-view is secondary, and that it also fluctuates according to the state of Moscow’s relations with the West. When these are healthy, as in the first year after September 11<sup>th</sup>, the Kremlin scarcely bothers to disguise its real affinities. But when things go sour, Russia enlists all the friends it can find. It is no coincidence that Dmitry Medvedev’s first overseas visit as new Russian president (in May 2008) was to Kazakhstan and China.

Beijing’s sanguine attitude towards this cupboard love owes much to the fact that it is even more western-oriented than Russia. Despite the growth of bilateral economic ties, these pale into insignificance compared to China’s trade with the EU (\$356 billion in 2007) and the US (\$302 billion). Whereas in the 1950s, China relied heavily on Soviet aid, today Russian enterprises are being squeezed out by western firms whose superior technology is much more highly prized. Meanwhile, Chinese are studying in their tens of thousands at western educational establishments in

<sup>7</sup> The Central Party School in Beijing, once headed by Hu Jintao, was the institutional home of China’s ‘peaceful rise’ doctrine.

the US and Europe. Not for nothing is Harvard’s School of Government known unofficially as the ‘Second Party School’.<sup>7</sup>

Similarly, on questions of international security and economy, Beijing turns to the West, not Moscow. Russia may have undergone a renaissance in recent years, but this is only relative to the dismal 1990s. Judged by most criteria of ‘great power-ness’ – international political standing, usable military capabilities, economic development, technological advancement, cultural and normative influence – Russia compares poorly with the US, Europe and Japan. To the Chinese elite and especially public, Russia reeks of second-rate, while the West, despite its current financial crisis, represents the key to China’s future as well as present.

#### 4. China poses no military or demographic threat to Russia.

One of the paradoxes in the Sino-Russian relationship is the contrast between the talking-up of strategic partnership and the persistent under-current of a ‘China threat’. Russian commentary is much more

positive than in the 1990s, but this threat remains implicit. It is evident, for example, in the denial of access to Chinese investment on the same terms as western companies; in the image of Russia as ‘raw materials appendage’ to a predatory Chinese economy; in panicky calls to develop the Russian Far East lest this should fall into Chinese hands by default;<sup>8</sup> in concerns that the build-up of the People’s Liberation Army (PLA) will translate eventually into designs on Russian territory; in the lack of enthusiasm for Chinese membership of the G-8; and in the fear that instability in China may lead to a mass influx of rootless peasants from across the border.

<sup>8</sup> ‘If ... we do not undertake real efforts to develop the Russian Far East, then in a few decades the Russian population will be speaking Japanese, Chinese and Korean’, Putin speech in Blagoveshchensk, July 21<sup>st</sup> 2000. Medvedev reiterated similar sentiments during a trip to the RFE in September 2008.

These fears reflect Russian xenophobia rather than reality. Despite the PLA’s impressive modernisation over the past 15 years, it poses no meaningful threat to Russia. Leaving aside the vast disparity in nuclear weapons capabilities between the two countries, the PLA has neither the will nor the capacity to launch an effective assault in the Far East or Central Asia. Modern Chinese strategic planning has quite different priorities: to develop “comprehensive national power”;<sup>9</sup> to strengthen Beijing’s negotiating position vis-à-vis Taiwan; and to project power in the South China Sea and protect the shipping lanes through which more than 80 per cent of Chinese energy imports pass.

<sup>9</sup> ‘Comprehensive national power’ encompasses military might, territorial extent, natural resources, economic strength, social factors, domestic governance, foreign policy and international influence.

Similarly, there is no demographic threat. Claims of several million Chinese in the Russian Far East are absurd; most reliable estimates put the range at

<sup>10</sup> The latest (2002) official census gave a figure of 35,000 for the total number of Chinese living in the Russian Federation. In 2004, Putin’s foreign policy advisor, Sergei Prikhodko, estimated the number of Chinese in Russia at 150,000-200,000 – ‘We should not be afraid of China’, *Izvestiya*, March 21<sup>st</sup> 2004.

250,000-400,000 in the whole of Russia.<sup>10</sup> Only a tiny proportion of these are long-term residents. Since the opening up of the RFE in 1992, Chinese ‘migration’ has comprised mainly cross-border (‘shuttle’) traders dealing in consumer items, and workers on short- to medium-term contracts (1-2 years). There is very little sense in China of the RFE (or of Russia in general) as a desirable place to live; the emphasis is on earning quick money and then leaving. Moreover, the number of Chinese has actually been declining as a result of restrictions on foreign market traders, the tightening of Chinese passport regulations, and the growing ambition of Chinese business, which is looking farther afield. The real problem in the RFE is not Chinese migration or territorial designs, but years of neglect by Moscow that have left the region as one of the most politically corrupt, economically backward and socially dysfunctional in the Russian Federation.

## 5. The Sino-Russian relationship is becoming increasingly unequal.

The notorious 2003 Goldman Sachs report on the BRICs placed Brazil, Russia, India and China in the same basket. This was conceptually convenient, but seriously underestimated their very distinct developmental paths. The BRICs may all be emerging powers, but the shift in global gravity to the east (and south) is neither uniform nor concerted. Other than in the speed of their economic growth, they differ from each other in virtually every respect.

The gulf is especially evident in the comparison between Russia and China. Although both have enjoyed substantial growth in recent years, China's performance has been vastly more impressive, quantitatively and qualitatively. Despite 6-7 per cent annual growth since 1999, the Russian economy has only recently attained its 1992 level, while the energy sector accounts for a greater proportion of GDP than at any time since the fall of the USSR. There are serious concerns about Russia's technological lag and its global competitiveness ranking has fallen steadily in

<sup>11</sup> Julian Cooper, 'Of BRICs and brains: Comparing Russia with China, India, and other populous emerging economies', *Eurasian Geography and Economics*, vol.47, no.3, May/June 2006.

<sup>12</sup> Andy Rothman, 'Retooling China: Moving manufacturers up the value chain', *CLSA report*, May 2008.

These contrasting approaches to national development have altered the economic balance in favour of Beijing. Not only does China now enjoy a substantial trade surplus with Russia – remarkable given its resource hunger and the boom in oil and commodity prices of recent years – but bilateral trade is also thoroughly lopsided. The share of Russian manufacturing exports to China has fallen from 28 per cent in 1990 to 1.3 per cent in 2006, while imports of the same have grown from almost nothing to 40 per cent over the same period. This imbalance might matter less if China depended heavily on Russian energy. However, Russia is a niche rather than strategic supplier of Chinese oil imports, 75 per cent of which come from the Persian Gulf and Africa.

The global financial crisis has only underlined the disparity between the two economies. Russia is suffering from plummeting oil and gas revenues, huge capital flight (more than \$100 billion in the period May-October 2008), failing banks and a crisis of regime as well as corporate confidence. China has incurred massive losses in domestic equity and western stock markets, and faces a severe decline in exports to the West. But it is much better equipped to bounce

back. Not only are its gold and currency reserves far greater (\$1.9 trillion versus \$450 billion), but it is already reorienting consumer production to the domestic market, investing massively in infrastructural development, and benefiting from falling energy and commodity prices.

The growing asymmetry in the bilateral relationship represents a long-term strategic threat to Russia. Although Beijing is not seeking to convert economic superiority into military advantage, China's transformation from middling regional actor into global player will inevitably place it at the forefront of international decision-making. And much of this will come at Russia's expense. Notwithstanding the circumspection of its leaders, China is acquiring the confidence and assertiveness befitting its growing importance in the world. Over time, this will make it less inclined to respect 'red lines' in its relationship with Russia and more tempted to sideline its largest neighbour in areas as diverse as Central Asia, the Asia-Pacific, energy and global politics. As China rises, Russia will find it increasingly difficult to sustain the illusion that it is an influential global player.

## 6. Russia and China are competitors as much as partners in Central Asia.

The neo-conservative depiction of Russia and China as an authoritarian axis focuses specifically on their alleged likemindedness in Central Asia. They are accused of undermining the American strategic presence and of conspiring to expel it altogether. However, here as elsewhere, there are critical differences in their objectives and overall approach.

Russia's perspective on Central Asia is that of the former imperial master. While it does not aim to re-establish the Soviet Union – a practical impossibility – it retains a strongly patrimonial mindset and views the region as a prime sphere of influence. Since September 11<sup>th</sup> Russian primacy has been challenged from all sides: by a reassertive America, a newly confident China, and the increasingly independent-minded Central Asian states. Russia has lost its former pre-eminence, and others are ill-disposed to seeing this restored. Nevertheless, while circumstances have changed, Russia's sense of strategic entitlement has not. It continues to see itself as the 'regional superpower', with paramount political, security and economic interests.

Like Russia, China is concerned by the American presence in Central Asia, which it views as an extension of Washington's hegemonic power as well as a source of regime instability through the propagation of 'alien' values. However, it differs fundamentally in its vision of a post-American regional order. In contrast to Russia's hegemonic aspirations, China seeks a more equal strategic arrangement. This does not reflect a sense of entitlement as much as recognition that it cannot rely on Russia to promote its interests. This truth was rammed home in the aftermath of September 11<sup>th</sup> when Putin endorsed the US force presence in Central

Asia without advising, let alone consulting, Beijing beforehand. More recently, China's growing interest in the energy resources of Central Asian states such as Kazakhstan (oil) and Turkmenistan (gas) has spawned a quiet, but increasingly intense competition with Russian energy concerns.

China is also loathe to spoil its relations with the West. It has no interest in allowing Sino-Russian accommodation in Central Asia to assume the radical guise of an anti-American alliance. Consequently, it has promoted the pan-regional ideal of a 'prosperous neighbourhood' and called for common approaches in combating the 'three evils' of terrorism, separatism and extremism. (The problem of Uighur separatism in the far western province of Xinjiang has gained renewed prominence following several terrorist incidents prior to the Beijing Olympics.)

The tension between Russia's predominantly geopolitical agenda and China's concrete security and economic concerns is evident in their attitudes to the Shanghai Co-operation Organisation (SCO). For Moscow, the SCO's main utility is to help counterbalance the American (and NATO) presence in Central Asia. For Beijing, on the other hand, it is principally a multilateral instrument for the projection of Chinese influence. With its message of positive pan-regionalism, the SCO helps legitimise China's re-entry

<sup>13</sup> *Large parts of Central Asia were once tributary lands belonging to the Qing Empire.*

as a major player in Central Asia<sup>13</sup> – a goal that runs directly counter to Russian ambitions of regional leadership.

Moscow recognises this, which is why it has worked within the SCO to stymie Beijing's attempts to take the organisation in a more economic direction – an area where China enjoys a clear comparative advantage. It has also turned to the Collective Security Treaty

<sup>14</sup> *The CSTO comprises Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan. Like the SCO, it focuses on "new security threats and challenges," such as terrorism, narcotics and transnational crime. Unlike the SCO, it has a mutual defence capability – a rapid reaction force of 4,000 troops.*

Organisation (CSTO) as its multilateral agent of influence.<sup>14</sup> The abiding virtue of the CSTO, of course, is that China is not a member and so cannot contest Russian primacy. It is no coincidence that Russian diplomats vigorously promote the CSTO as a security partner to NATO, while virtually ignoring the claims of the SCO.

The SCO/CSTO dichotomy is a metaphor for growing Sino-Russian competition in Central Asia. This rivalry is tacit, with neither Moscow nor Beijing showing any inclination to publicise their differences; preserving the wider relationship matters far more than openly challenging each other. For China, in particular, Central Asia is a secondary priority, much less important than domestic modernisation or Taiwan. Nevertheless, this covert competition has ensured that Sino-Russian co-operation in Central Asia remains limited and ineffectual. Notwithstanding occasional diatribes against

American hegemonism, there is neither the commitment nor the ability to act in concert against western interests.

## 7. Russia has no 'China card' in its energy relations with Europe.

Against a background of growing tensions with the West, Moscow has raised the spectre of diverting gas exports to the Asia-Pacific. Although Russian policy-makers speak of interdependency with the EU, they operate on the assumption that they hold the whip-hand. They claim that the EU has few alternatives to Russian gas at a time of rising global demand, while Moscow can always tap into the rapidly expanding markets of East Asia, China in particular.<sup>15</sup>

<sup>15</sup> *This applies only to gas, since oil is a much more fungible commodity; 90 per cent of the world's oil is sold on the spot market.*

This argument is self-serving – and bogus. First, Moscow has always preferred to do business with established customers. It has been exporting gas to Western Europe for four decades, a business relationship that has grown steadily even during the height of the Cold War and the disintegration of the Soviet Union. The Chinese, on the other hand, are a relatively unknown quantity, whose business practices continue to mystify and disconcert.

The problem of unfamiliarity is compounded by major disagreements over price. The Europeans pay top dollar – upwards of \$350 per 1,000 cubic meters – whereas the Chinese have always insisted on much cheaper gas, pegging it to the cost of extracting domestic coal. Although Beijing has shown some recent signs of flexibility, it will not pay anything like European prices. Gazprom and the Russian government are unwilling to give the Chinese discounted gas, reasoning that sooner or later Beijing will have to move from coal (which accounts for 70 per cent of Chinese primary energy consumption) to cleaner forms of energy.

Energy co-operation is hampered by considerable logistical difficulties. Most of Russia's existing gas (and oil) deposits are in northern Russia and west Siberia. There are substantial reserves in eastern Siberia, but these are almost entirely undeveloped. Due to their physical remoteness, extracting such resources would require massive additional investments, far above those already needed to develop more accessible fields in the western part of the country. There are no signs this is forthcoming – especially given the impact on Russia of the global financial crisis. Gas exploration in general suffers from chronic under-investment, with Gazprom preferring to buy downstream assets overseas rather than sink funds into upstream development in Russia. Meanwhile, an increasingly difficult investment climate means that foreign companies will not pick up the slack. The bitter public dispute over the management and business orientation of TNK-BP indicates that the large Kovykta gas field north of

<sup>16</sup> Although the TNK-BP dispute has been resolved for the time being, the outcome favours BP's Russian partners, AAR, who have committed themselves to overseas downstream acquisitions at the expense of upstream development, such as Kovykta.

Lake Baikal will not become a source of gas to East Asia anytime soon.<sup>16</sup>

Problems of physical distance are accentuated by the lack of pipelines going east. The East Siberian-Pacific Ocean oil pipeline has suffered constant delays and is not expected to be

completed until 2017 at the earliest, while the future of a branch line to the main Chinese oil terminal in Daqing is highly uncertain. The mooted Altai-Xinjiang and Kovykta gas pipelines remain notional propositions. Gazprom and the Russian government attach much higher priority to expanding the existing network of westward-oriented pipelines. Although Nordstream and especially South Stream are a long way from completion, these projects are still well in advance of the Asian pipelines.

Finally, the 'China card' in Russia's energy relations is illusory because the Chinese themselves have diminishing interest in Russia as a supplier. Oil imports are down from previous years, while the outlook for gas imports is uncertain. Natural gas accounts for only 3 per cent of Chinese primary energy consumption, and although this could conceivably rise to 8 per cent by 2020, additional demand is expected to be met mainly from Turkmenistan and Australian liquefied natural gas (LNG). Russian gas exports to China are negligible and this will not change until price, reliability and infrastructure issues are resolved.

Russia's leverage against Europe is psychological, not concrete. Moscow is adept at exploiting the nervousness of EU member-states, whose short-sighted pursuit of national energy security undercuts half-hearted attempts at solidarity. In fact, while Russia and the EU need each other, Russia depends more on the EU as a market than the EU depends on Russia as a supplier. China is not only an unviable alternative destination for Russian gas, but energy exports account for around 65 per cent of Russia's total external trade, and more than half of federal budget revenue. The EU is also by far Russia's largest trading partner and source of foreign direct investment. Conversely, the extent of EU dependence on Russian gas has been greatly exaggerated. In most member-states, Russian gas accounts for less than 10 per cent of total primary energy consumption, while the vulnerability of even the most dependent could be substantially alleviated by an integrated EU pipeline network and a genuine commitment to energy diversification.

## 8. Russia and China have different visions of the 'new world order'.

The superficial likemindedness of Moscow and Beijing on many international issues has fostered the perception that their partnership is largely motivated by a desire to challenge America's global leadership and replace it with a more equitable international architecture. This interpretation appears plausible.

The rise of Russia and China has been assisted by the failures of Clintonian liberal internationalism in the 1990s and Bush's 'global war on terror' post-September 11<sup>th</sup>. And both countries benefit from a global context in which the authority (although not the primacy) of the US is under serious question.

However, the similarities end there. Russia and China have very different visions of a post-unipolar world. Moscow aspires ultimately to a tripolar system in which the US, Russia and China are strategic equals and where Russia acts as the natural bridge between East and West. In the meantime, it strives to recreate the nineteenth century concert of great powers in place of the western-dominated institutions formed at the end of the Second World War. Like the original, such a concert would be a de facto condominium of great powers – 'a multipolar world order' – that would collectively manage the world's affairs. Russia would reclaim its 'birthright' as a leading global player.

Beijing, on the other hand, believes that the US will remain the sole superpower for the foreseeable future and that a multipolar world is a distant prospect.<sup>17</sup> Iraq and Afghanistan have inflicted severe damage on American prestige, but there is still no centre of power remotely comparable to Washington. Ironically, the current global financial crisis reinforces this point: when

America sneezes, the world catches cold. Beijing also sees the concert of great powers as a largely western construct. The G-8 exemplifies this: it includes Russia and Japan (an honorary western power), but excludes China, India and Brazil. Moscow's lack of enthusiasm for expanding the G-8 into a G-13/G-14 highlights the western-centric essence of concert ideas even today.

Another area of divergence arises from the rapidly changing balance of power within the bilateral relationship. Beijing scarcely envisages Russia as a strategic equal in a future world order. Its longer-term vision is based more on a new bipolarity between China and the US – either a condominium or a growing rivalry. Russia will continue to occupy an important place in international affairs, but as a secondary great power, along with Japan, India and the EU. Russia's ambition to become the "interface" between East and West<sup>18</sup> is dismissed as fantasy.

In the meantime, the Chinese leadership has no interest in allowing multipolarity-speak to get out of hand. Beijing understands that Moscow's pursuit of a 'new world order' is at once a stick with which to beat the Americans and a way of reasserting Russia's great power credentials. Confrontational in spirit, it is the antithesis of Beijing's emphasis on a 'harmonious world' and 'peaceful development'. Chinese interests

<sup>17</sup> '[T]he Chinese projection of the 'inevitability of multipolarity' does not prevent them from noting ... the 'tide of the day' is otherwise – the United States will remain the only global hegemonic power for decades to come.' Wang Jisi, 'China's Changing Role in Asia', Atlantic Council paper, Washington DC, January 2004.

<sup>18</sup> Sergei Lavrov, 'The rise of Asia, and the Eastern vector in Russia's foreign policy', *Russia in Global Affairs*, July/September 2006.

benefit from stability rather than tension, and from strategic flexibility instead of overt geopolitical rivalry. For Russia, the multipolar myth is promoted to obscure the painful reality that it has never been more isolated internationally. For China, it is a largely formalistic device that cannot be allowed to disrupt engagement with its one truly indispensable partner – the US.

### **9. The long-term outlook for Sino-Russian relations is problematic.**

Over the past two decades, Moscow and Beijing have managed to transcend centuries of historical mistrust, contrasting world-views and significant policy differences to identify many common interests. The development of the China relationship has been the greatest Russian foreign policy success of the post-Soviet period, while the ‘strategic partnership’ counts among the worthier achievements of Chinese diplomacy post-Mao.

Relations will continue to be good in the short to medium term. Despite obvious contradictions, both countries have a vital interest in concentrating on the many positives in their engagement. Crucially, there is no deal-breaker on the horizon. The Chinese have exhibited unusual sensitivity towards Russian aspirations and vulnerabilities. Beijing will continue to act with discretion, if only because China’s rise requires a good neighbour and comfortable strategic rear. For its part, Moscow will be careful to retain China as one of the few major nations with whom it has good relations. Russia needs all the friends it can get – and China, along with Kazakhstan, is the closest approximation to one.

The long-term prognosis is less promising. Many of the fault-lines in the relationship are likely to widen over time. The most serious problem is a growing asymmetry. As China becomes a genuinely world power, with the confidence and assertiveness to match, we can expect power-shifts in East Asia, Central Asia and globally. The PLA will not invade the RFE or throw its weight around Central Asia; the problem will be one of indifference rather than confrontation. However, Russia will become increasingly peripheral to Chinese interests, a marginalisation it will resent strongly. Both sides will continue to do business with each other, but co-operation will become increasingly ineffective and declaratory. Even with Chinese leaders exercising restraint, ‘facts on the ground’ – the changing realities of international power – will generate a state of strategic tension between Moscow and Beijing. This will be manageable, but uncomfortable.

### **10. Sino-Russian ‘strategic partnership’ is not a threat to western interests.**

This unpromising long-term outlook is the main reason why western observers should take a more

sober and relaxed view of Sino-Russian partnership. While this has made great strides in recent years, to portray it as a threat to the West is a gross misreading of both its capabilities and intentions.

In Moscow and Beijing, the West will continue to supply the key benchmarks: strategic, political, economic, technological, cultural and normative. Indeed, the growing inequality of the Sino-Russian relationship will strengthen the case for more, rather than less, engagement with western powers and institutions. Moscow has already shown signs of moving away from the BRICs to a model that redefines the West to include Russia as a leading player. For its part, Beijing has no interest in tying itself too closely to a partner whose confrontational behaviour tars China with a guilt by association.

A strategically revanchist Russia could one day threaten the West, while a globally confident China would represent an all-encompassing challenge to the world. Together, however, these two emerging powers are considerably less than the sum of their parts. Neither has an interest in the other being too successful; an overly confident Russia makes it more difficult for Beijing to balance good relations with East and West, while an increasingly powerful China will extend its influence at Moscow’s expense.

The key question is not whether Moscow and Beijing will undermine existing international institutions and norms to create a new world order, but whether their unequal partnership can stand the test of time and changing circumstance. Indeed, critics of the relationship should be careful what they wish for, namely, a reversal of the rapprochement of recent years. Paradoxical though it may seem, it is in the West’s best interests for Russia and China to have good, or at least functional, relations. For there can be no security and stability on the Eurasian continent (and beyond) without some measure of entente between them. The history of the twentieth century showed up Sino-Soviet confrontation as a major source of international tension. There is little reason to suppose that the current century would be any different.

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