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THE BEIJING-MOSCOW AXIS

THE FOUNDATIONS OF AN ASYMMETRIC ALLIANCE

Michał Bogusz, Jakub Jakóbowski, Witold Rodkiewicz

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MAIN POINTS

- Never in history have relations between Moscow and Beijing been as close and warm as they are today. This rapprochement has been produced by three decades of consistent efforts by the political leaderships of Russia and China to strengthen mutual ties and deepen their cooperation in politics, military affairs, economy and ideology. The relationship that has emerged can be called an informal alliance. This alliance is based on the deep conviction shared by the Chinese and Russian ruling elites of the fundamental coincidence of their strategic interests and the ideological proximity between their authoritarian regimes. Hence, the nature of this alliance goes well beyond mere tactical expediency, even if it is not devoid of internal tensions.
- The construction of this alliance was launched as early as the beginning of the 1990s, but its intensity has fluctuated since then. It accelerated every time Moscow entered into confrontation with the United States, and slackened off whenever it seemed that Washington was ready to indulge its geopolitical ambitions. The year 2012 marked an important watershed: the PRC became an indispensable and irreplaceable partner for the Kremlin after the latter concluded that the main aims of US policy towards Russia were democratisation and regime change. 2012 also coincided with Xi Jinping's assumption of the leadership of the Chinese Communist Party and setting a more totalitarian course in his internal policy and a more aggressive line in foreign policy. Ultimately, Chinese-Russian relations reached the level of an informal alliance between 2012 and 2018, when both powers entered into open conflict with the United States, and both of them realised the long-term nature and structural character of this conflict.
- For Russia the key and mutually reinforcing drivers fuelling its rapprochement with China were its desire to revise the US-centric international order which had emerged after the end of the Cold War, and the evolution of its political system from a 'façade democracy' towards full-fledged authoritarian rule. Russia's authoritarian regime, being conscious of the country's shrinking power on the international stage, believes that a *Pax Sinica* would offer it a much more hospitable environment than the one provided by the *Pax Americana*. Such a deal would *inter alia* enhance its chances to retain and consolidate its influence over other post-Soviet states. Nevertheless, it was only gradually, and after a long time, that the Kremlin elite reconciled itself to the idea that an alliance with the PRC was not a matter of

choice. For Beijing, in turn, good relations with Moscow have been essential for maintaining stability in Central Asia for years, thus making it possible for it to concentrate on the rivalry with Washington in the Indo-Pacific region and on preparing for a possible military conflict there. With Xi Jinping taking over the reins of power in Beijing, and with China's entry into a structural conflict with the West, the Russian Federation has become one of the main pillars of the nascent Sinocentric order being constructed by Beijing, which provides it with strategically important raw materials and key military technologies.

- The Russian-Chinese alliance is based on the two states' convergent strategic interests on the global stage. By engaging in simultaneous aggressive policies – Russia in Europe, and China in the Indo-Pacific – both countries can improve their strategic position by forcing the US to spread out its limited resources. The alliance is also rooted in a hierarchical and socially Darwinist paradigm of international relations which the ruling elites in both the Kremlin and in Zhongnanhai share. They also have a number of foreign policy objectives in common: to put an end to the dominant role of the United States and Western institutions on the international arena, and to create a favourable international environment for the survival of their authoritarian regimes. The Russian-Chinese alliance also involves close cooperation in the military and energy fields, as well as coordination and joint actions on some international global issues and within international organisations.
- Moscow and Beijing are also striving to loosen trans-Atlantic ties by bypassing the European Union and prioritising engagement with Germany and France. Whereas the Russian Federation is primarily active in the area of security, the PRC (at least so far) is primarily involved in the economic sphere. Moscow's objective is to neutralise Europe by trying to entice Berlin and Paris with the idea of 'strategic autonomy' (from Washington) and a vision of frictionless coexistence within the framework of a Europe which is divided into clear spheres of interest. Beijing is pursuing a similar objective in the economic realm, trying to prevent an emergence of a common economic strategy between the US and the EU by offering them mirages of market access and shared technology.
- The Russian-Chinese alliance is not without its contradictions and tensions. Each power would prefer to avoid excessive dependence on its partner, and is striving to create alternatives by developing relations with third parties. This is *inter alia* apparent in Moscow's policies in Asia (especially in its

relations with New Delhi and Hanoi), and in fleeting periods of rapprochement with the West, which in turn provoke unease in Beijing. Possible points of tensions between the two powers include Central Asia, as well as the rivalry between their economic integration projects in Eurasia (the Belt and Road Initiative versus the Eurasian Economic Union). However, such potential tensions have been successfully defused due to the dense network of contacts and consultations between the state institutions and frequent meetings between the political leaders. Both Moscow and Beijing regard those tensions as secondary in comparison with the importance of their shared strategic interests. The occasional mismatch of interests between the allies does not harm the relationship due to the flexible application of the different models of interaction between them, which takes due account of the varying stakes that each might have in any particular issue, as well as their asymmetries in power.

- The Beijing-Moscow axis is asymmetrical due to the growing economic and technological preponderance of China. The PRC is consistently working to transform the Russian Federation into a reliable and secure supplier of raw materials and an importer of Chinese industrial products, in line with the logic of a centre-periphery model. The main driver of the two countries' economic cooperation is Russia's exports of unprocessed raw materials (oil, natural gas, coal, timber, food), backed by Chinese state credits (which amounted to around \$83 billion overall between 2007 and 2020) and investments in the extractive sector and in agriculture (accumulated investments worth around \$12 billion). The Kremlin still sees such cooperation as beneficial to it since it reduces Russia's dependence on the European market. At the same time, however, Russia is trying to minimise its dependence on China, *inter alia* by restricting Chinese investments (preventing it from acquiring strategic assets), limiting its financial exposure (Chinese credits amount to less than 5% of foreign financing) and resorting to trade protectionism in the post-Soviet area (through the Eurasian Economic Union and national import substitution programmes). Beijing does not regard Russia as a significant economic competitor, however, and therefore appears to be reconciled with this situation. Even though both partners resort to trade protectionism, they have still managed to work out a mutually beneficial *modus vivendi* (even if it is still not devoid of tensions), which is based on their trade in raw materials.
- The asymmetry in the relationship in China's favour is partially compensated for by Russia's still extant (albeit shrinking) superiority in the military

sphere (nuclear weapons, some military technologies and the combat experience of its military), nuclear energy, aerospace technologies and diplomacy. Russia's bargaining power versus Beijing is also strengthened as it is a key source of strategically important raw materials for energy which can be imported by land, thus bypassing the maritime supply routes that US naval forces could blockade in a crisis.

- The alliance has different weight and significance for each partner. It is absolutely indispensable for Russia, since without China's backing it would have been incapable of continuing its confrontational policy towards the West. For China, on the other hand, the Russian Federation is a valuable ally in its rivalry with the United States, but this alliance is not an indispensable condition for its continued rise as a great power. Moscow accepts the asymmetrical nature of its cooperation with Beijing, because from its point of view it represents a 'lesser evil' when compared to the Western-centric international system, which it regards as a permanent threat to the stability of its internal political system. It also appreciates that as the Chinese-American conflict has harshened during the last few years, its value as an ally is growing because of its military and energy assets. Moscow is counting on this tendency to continue.
- The Western countries' policies towards the Kremlin will likely be significantly affected by their assessment of the nature of the Chinese-Russian relationship. If the Beijing-Moscow axis is deemed to be just a fragile 'marriage of convenience', this could encourage the West to adopt a policy of appeasement towards Russia intended to draw it away from the PRC. However, if their alliance is seen as a cohesive political-military bloc, this should lead the West to adopt a coordinated strategy of containment against both these authoritarian regimes. It should also persuade Western capitals to see both ends of the Eurasian landmass as intimately connected theatres of operation in any potential conflict. A mistaken diagnosis is bound to lead to the adoption of less effective or even counter-effective policies.
- The Russian-Chinese alliance is a stable and solid relationship, which has strong roots in the converging perceptions of their ruling elites and the commonality of their strategic interests. Possible actions by Western powers and institutions (particularly the United States and the European Union) intended to loosen it – for example, by attempts to draw Moscow away from Beijing – are bound to remain futile. The Kremlin would merely exploit them to extract one-sided benefits which would be used against the West.

It would be more realistic to acknowledge the vitality of the Russian-Chinese axis in order to design an effective reaction to the threats and risks that it poses to the West, such as: a coordinated escalation of tensions in Europe and the Indo-Pacific; attempts to drive a wedge into the trans-Atlantic relationship; and the construction of undemocratic and protectionist political and economic international structures rivalling those created with Western participation.

INTRODUCTION

The structural conflict between Beijing and Washington, which to a large extent is defining the shape of the international system, raises the strategic importance of the Sino-Russian relationship enormously. At the same time, this relationship is becoming closer and more comprehensive. It has been variously labelled as a “strategic partnership”, a “marriage of convenience”, a “quasi-alliance” or a “new *Entente Cordiale*”.¹

When deciding which term would best reflect the nature of current ties between Beijing and Moscow, it must be considered that, even though they have reached a historically unprecedented level, they are unlikely ever to take the form of a formal alliance. This is primarily due to the foreign policy doctrine of the People's Republic of China (PRC), which precludes it from entering into formal alliances (with the exception of the unique case of the Democratic People's Republic of Korea). In this way Beijing wishes to demonstrate its power and its ability not to rely on any external partners, irrespective of their strength. Instead of formal alliances, the PRC prefers to sign so-called ‘strategic partnerships’, of which it has more than eighty. For China, these partnerships form a clear hierarchy, in which the individual partners are ranked according to the degree of their closeness to Beijing.²

In this hierarchy, the relationship with the Russian Federation, which has been officially designated as an “all-encompassing strategic partnership in the New Era” occupies by far the highest place.³ According to an official Sino-Russian panel of experts, the relationship, “while not being an alliance, in many respects surpasses it in practice [...] in intensity, level of trust, depth and effectiveness”.⁴ Moscow is also convinced that the further formalisation of its alliance with Beijing would not bring any extra advantages (since each party will always prioritise its own interests anyway), but could facilitate Washington's task of consolidating and broadening a coalition for containing both China and Russia.

¹ A. Lukin, ‘The Russia-China entente and its future’, *International Politics*, vol. 58, 13 June 2020, after: link.springer.com; M. Kaczmarzski, *The Sino-Russian relationship: fellow travellers in the West-dominated world*, *China Quarterly*, vol. 236, December 2018, pp. 1197–1205; Bobo Lo, ‘The Sino-Russian partnership and global order’, *China International Strategy Review*, vol. 2, 8 December 2020, pp. 306–324, after: link.springer.com.

² Quan Li, Min Ye, ‘China's emerging partnership network: what, who, where, when and why’, *International Trade, Politics and Development*, vol. 3, issue 2, 10 July 2019.

³ *Ibid.*

⁴ И.С. Иванов (ед.), *Российско-китайский диалог: модель 2018*, доклад 9, Российский совет по международным делам, p. 22, Москва 2018.

Therefore, any examination of the foundations of this ‘alliance’, of its durability, and its political implications, demands an appropriately tailored approach. It should focus not so much on the formal attributes of the relationship, but rather compare long-term visions of the world order entertained by both powers, examine their interests, their attitudes to other powers, and the condition of their bilateral relations. It is those factors that will determine whether Moscow and Beijing will continue and intensify their strategic cooperation in the face of upcoming international challenges and crises, such as confrontation with the US, the possibility of the EU joining the US’s policy of ‘containing’ the PRC, or the potential conflicts of interests between the two countries’ different projects for economic integration in Eurasia, etc.

In order to determine the nature of the ties between Russia and China, this report examines the processes of the Beijing-Moscow axis’s formation and maturation, as well as how it functions on the international stage. The report accomplishes this by combining and confronting the perspectives of both powers; this approach has been made possible by the collaboration between two analysts specialising in China and one who studies Russia. The first chapter of the report identifies the approach to foreign policy and the visions of a desirable global order that are shared by the ruling elites at the Kremlin and in Zhongnanhai. The second chapter presents the thorny and uneven process which led Russia and China to their current *de facto* alliance. The next two chapters provide a detailed examination of two key aspects of the Chinese-Russian relationship: namely, their military and economic cooperation. The fifth chapter identifies and analyses different models of interaction between Moscow and Beijing on the international arena, which span the entire spectrum from condominium to soft rivalry.

The report’s most important conclusion is that the Beijing-Moscow axis is a stable and enduring relationship. It will last as long as both states continue to be ruled by authoritarian regimes determined to pursue revisionist policies vis-à-vis the existing international system. Their relationship is based on their common perception of threats and on their complementary views for the desirable shape of the global order. This involves close military collaboration, as well as the ability to defuse existing or latent differences of interests before they lead to open conflicts. The Russian-Chinese relationship thus has the features of an alliance, even if it is not an alliance from a formal, legal point of view. The formal agreements linking the two states do not include any explicit obligations to provide military assistance in the event of an attack by a third party. For the sake of clarity, it should be mentioned that the terms ‘alliance’

and ‘Beijing-Moscow axis’ are used interchangeably in the text, depicting the informal relationship defined above.

Despite certain similarities displayed by the authoritarian systems in China and Russia today, the study of their foreign policies, and especially their decision-making processes, requires different approaches. In the Russian Federation relatively unconstrained discussions of foreign policy are still possible (especially in narrow expert circles), as long as they remain within the rather broad and vaguely formulated official canon of foreign policy. The opinions and judgments expressed therein largely reflect the thinking of the decision-makers. In the case of the PRC, however, public discourse has been drastically curtailed and has been turned primarily into a channel for the promotion of the international agenda of the Chinese Communist Party (CCP). Therefore, reconstruction of the evolution of the CCP leadership’s thinking on relations with Russia is based on a retrospective analysis of foreign policy decisions and their assumed rationale, regular interviews with Chinese diplomats and experts, and an examination of official messages or (rare) leaks of official documents concerning foreign affairs.

Note on Chinese transcription. All Chinese names and phrases have been Romanised according to the rules of *hanyu pinyin*, the standard transcription of Mandarin, with the exception of names which are traditionally spelled in English using different Romanisation systems.

I. VISIONS OF THE INTERNATIONAL ORDER

Even though Russia and China have different political cultures and differ in their assessments of each other's motivations (see Chapters I.2 and II.2), they are fundamentally unified by a similar perception of international relations and their approach to foreign policy. Firstly, they are united by an obsessive focus on the role played in the global system by the United States, which the political elites of both countries regard as their main challenge, or even as an existential threat to them. Secondly, both the PRC and the Russian Federation consider hard power – military and economic might – to be the fundamental, decisive factor in international relations, which are understood primarily as a struggle between great powers. Thirdly, both countries share the common goal of building an illiberal alternative to a liberal world order. These similarities create an exceptionally strong bond between them, and also inspire them (at least in the short and medium term) to follow fundamentally **convergent policies designed to overhaul the existing global order**.

Paradoxically, despite their hostility towards the West (which they largely identify with the US) the elites of both countries demonstrate **a peculiar Americanocentrism**, in that they assume **most external and internal threats as being the result of US actions**, and as such have made it their main foreign policy objective to **undermine the international position of the US**. This phenomenon has two causes:

- 1) **A feeling of existential threat.** It is the shared belief of both Russian and Chinese elites that their existing authoritarian political systems are at risk from externally supported internal rebellions as long as liberal, democratic alternatives exist in the world. This is what motivates their struggle to replace the existing liberal international order with one based on the principle of absolute sovereignty of the great powers, and where the power of the US as the leading liberal power would be severely curtailed and weakened.
- 2) **An approach to international relations based on power politics, in realist terms.** This makes Moscow and Beijing appreciate the United States as the West's dominant power due to its military potential, technological sophistication and internal resilience. They also largely see the Western liberal order as a tool of the US's hegemonic power. Since the PRC and the Russian Federation are overly concerned with the stability of their regimes, they see the 'Washington-controlled' West as a constant, existential threat.

This does not prevent them from proclaiming the decline of the West due to its permanent internal crises.

As mentioned above, Zhongnanhai and the Kremlin adhere to **a crude version of a realist paradigm of international relations**, with the Darwinian struggle for survival defining the nature of inter-state relations. This leads them to **treat the existing liberal order in an extremely instrumental manner**, and to seek the neutralisation or even the dismantling of some of its constituent institutions, e.g. those concerned with protection of human rights. On the operational level, they are guided by ruthless pragmatism, while simultaneously putting much effort into disguising this by spurious appeals and the repeated invocation of moral and legal standards. Both ruling elites believe that selfishly defined national interest (which for them is identical with the interest of their political regimes) is the only proper criterion for the conduct of foreign policy. At the same time, they pay close attention to the international balance of power and its shifts. They also have a healthy respect for the firm and decisive use of force.

To an extent, these similarities in both elites' foreign policy approaches have the same roots. The CCP has adopted the Leninist dictum of 'кто кого?' [who is going to defeat whom?], which the Kremlin, despite formally renouncing Marxism-Leninism, has retained as part of its Soviet great-power legacy. And even though the Russian Federation also invokes the great power praxis of the Russian Empire and uses the geopolitical language of 19th-century Western imperialism, while China positions itself as the leader of the post-colonial states, this partly divergent ideological background has not led to a divergence of views.

The Russian and Chinese elites share a very **similar system of values and concepts**, such as anti-liberalism, the absolutisation of state sovereignty, an instrumental approach to international law, respect for force and its appreciation as the main instrument for earning respect (which they equate with fear), as well as thinking in terms of spheres of influence. Their *modus operandi* also shares many common features: a tendency to humiliate weaker partners (especially those who do not show respect due to the great powers), an ability to advance their narrow interests under the cover of altruistic slogans ('aid', 'the defence of the weak', 'the fight against (neo)colonialism', 'the defence of the global order', 'the fight against hegemony') and an instrumental approach to multilateralism and international law.

Both elites treat their relationship as a partnership based on the calculation of their interests, which is driven by an awareness of their 'strategic isolation', the consciousness that acting individually will be less effectively, and a shared hierarchy of perceived threats. To preserve this relationship, Moscow and Beijing are prepared to make concessions to each other on issues of secondary importance, while taking care to allow the partner to save face.

1. Russia's strategic vision and its perception of the PRC

To understand Moscow's strategy towards Beijing, we must bear in mind that the Russian ruling elite views international politics in Darwinian terms – as a zero-sum game between the great powers, where survival is at stake and the use of force is only subordinated to efficiency.⁵ Therefore, they consider the liberal international order that emerged after the break-up of the USSR to be a system of Western, or more precisely, American hegemony, in which liberal phraseology serves only as a cover. Since at least the mid-1990s, Russia has been positioning itself as an opponent of the *Pax Americana*, and proposing a so-called multipolar international order as an alternative to it.⁶ This new order would be based on a balance between the great powers, each of whom would exercise hegemony in 'their' region while together they would form a kind of new concert of powers. Russian diplomacy has portrayed the emergence of this order as an objective process which Washington has artificially obstructed.⁷ The concept of multipolarity has given Moscow ideological justification for its revisionist policy, which is aimed at limiting US power and weakening the liberal international order.⁸

In the 1990s, due to its own weakness, Russia could not afford an open confrontation with the West, whose help it needed to overcome its internal crisis. Therefore, until the mid-2000s, its foreign policy simultaneously sought to weaken the liberal order and signalled Russia's readiness to integrate with

⁵ Bobo Lo, *Russian Foreign Policy in the Yeltsin Era: Reality, Illusion and Myth-Making*, Palgrave Macmillan, 2002, pp. 98–122, particularly p. 99.

⁶ See Е.М. Примаков, 'Международные отношения накануне XXI века: проблемы, перспективы', *Международная жизнь*, October 1996.

⁷ A multipolar order appears for the first time as a goal of Russian foreign policy in the National Security Concept (17 December 1997). See Т. Шаклеина (ed.), *Внешняя политика и безопасность современной России. Хрестоматия*, vol. IV, Москва 2002, pp. 51–74, particularly pp. 51, 55, 59; see also *Концепция внешней политики Российской Федерации* from June 2000, after: *Независимая газета*, 11 July 2000, ng.ru.

⁸ See Е.П. Бажанов, *Роль и место России в современном мире*, Центр Стратегических Разработок, March 2000, published by the Centre for Strategic Research (established in December 1999 to prepare a programme of action for Vladimir Putin's presidency), csr.ru.

the West. From the Russian point of view, however, such ‘integration’ required the prior fulfilment of a number of conditions. The most important of these were the West’s acceptance of the Russian sphere of influence in the post-Soviet area and the establishment of a common European security system, which would give Moscow the right to veto the use of force in the Old Continent and to block the enlargement of NATO. The Kremlin has attempted to persuade the West to enter into such an arrangement on several occasions: at the 1994 OSCE summit in Budapest, in 2001–2 under the banner of the anti-terrorist alliance, in 2008 by proposing the signing of a European security treaty, and most recently in 2011 by suggesting the establishment of a joint security committee between the Russian Federation and the EU (the so-called Meseberg initiative).

None of these proposals were accepted by the West, which was aware that to do so would mean a far-reaching revision of the post-Cold War liberal order in Europe. The Kremlin’s disillusionment, combined with its fears of further enlargement of the European Union and NATO – which would have put a final damper on its regional ambitions – led it to abandon its strategy of ‘integration’ with the West on special terms. As early as the first half of the 1990s, Moscow made clear that it was not interested in rapprochement with the West, either under the conditions accepted by its former Warsaw Pact satellites or those imposed on the defeated Axis powers after World War II. However, the outright rejection of integration with the West⁹ and the open challenge to the ‘unipolar’ international order became possible for the Kremlin only after it had consolidated its authoritarian political system, and when the economic and budgetary situation improved after the first five to six years of Vladimir Putin’s presidential rule.¹⁰ This change was symbolised by the Russian leader’s speech to the Munich Security Conference in 2007.¹¹ At the same time, the Russian Federation’s policy towards the West became more assertive, or even confrontational.¹²

⁹ Dmitri Trenin wrote in 2006: “Until recently, Russia believed that in the Western ‘solar system’ [...] it is very far from the centre, but forms an integral part of it. Now it has moved into a completely different orbit: the Russian leadership has rejected the hope that the country can become a part of the West”. Д. Тренин, *Одинокое плавание*, Москва 2009, p. 164.

¹⁰ In August 2006, in a symbolic gesture, Russia repaid its debts to the Paris Club creditors ahead of schedule.

¹¹ See the transcript of [Putin’s speech of 10 February 2007](#); see also his [speech at a meeting with ambassadors on 27 June 2006](#), kremlin.ru.

¹² Russia *de facto* withdrew from the treaty on limiting conventional armed forces in Europe, blocked recognition of Kosovo’s independence at the UN, demanded reform of the IMF and put forward an alternative candidate for the post of its director, lost interest in reaching a new agreement with the EU, slowed down negotiations on accession to the World Trade Organisation, and began

The formation of the peculiar authoritarian system in Russia during Putin's first presidential term was another element of Moscow's rejection of the liberal international order. The 'colour revolutions' in Georgia (2003), Ukraine (2004) and Kyrgyzstan (2005), and especially the mass protests against Putin's return for a third presidential term (at the turn of 2012) convinced the Kremlin that the ideas of liberal democracy posed a permanent threat to the stability of the Russian political regime.¹³ Since Putin's return to the presidency in 2012, the Russian elite has seen its relations with the West in terms of a war-like conflict, primarily waged through information warfare.¹⁴

This context also determines how the Russian ruling elite perceives China, and influences the principles of Russian policy towards that country. The PRC is thus viewed primarily in the context of the ongoing struggle between the great powers for the shape of the future international system and their position in it. Moscow's strategy towards Beijing is based on two assumptions which concern both broader global trends and China itself.

- 1) **Global politics is at a turning point, defined by an advanced decomposition of the US-led order** and fundamental shifts in the balance of power to the disadvantage of the West. The latter is losing its economic, technological, ideological and especially military supremacy to non-Western powers, led by China. This is being accompanied by its gradual disintegration as a political and civilisational community.
- 2) The central **axis of international politics is the struggle for supremacy between the United States and the new pretender to the role of world leader – the PRC**. As a result, instead of the multipolar order advocated by Moscow (and still verbally supported by Beijing), a new 'bipolarity' is emerging, with the US counterbalancing a Russian-Chinese tandem in which the Russian Federation acts as the weaker partner. At the same time, it is evident that the Russian elite is ready to accept such a subordinate role, camouflaged by the use of the metaphor of Russia playing the role

to call into question or even sabotage the OSCE's election monitoring and human rights activities. See Т. Бордачёв, Ф. Лукьянов, 'Время разбрасывать камни', *Россия в глобальной политике* 2008, no. 2, globalaffairs.ru.

¹³ See Ф. Лукьянов, 'Читая мир, переоснащая институты', *Полит.ру*, 16 October 2008, polit.ru.

¹⁴ See А.С. Фадеев, В.И. Ничипор, 'Военные конфликты современности, перспективы развития способов их ведения. Прямые и не прямые действия в вооруженных конфликтах XXI века', Ministry of Defence of the Russian Federation, 7 November 2019, vm.ric.mil.ru; J. Darczewska, *The devil is in the details. Information warfare in the light of Russia's military doctrine*, OSW, Warsaw 2015, osw.waw.pl.

of an ‘elder sister’ in the relationship, i.e. that of a physically weaker, but respected and influential family member.¹⁵

Faced with a choice between American and Chinese hegemony, the Russian establishment regards the latter as the lesser evil. The prevailing belief in the Kremlin is that Putin’s Russia will be better able to secure its interests under a Sinocentric order than in a system where the United States acts as the hegemon. In Moscow’s assessment, Beijing is readier to take its interests into account than Washington.

Russian officials and commentators in the Kremlin-sponsored Russian media describe the relations between the PRC and the Russian Federation as “allied”, “close to allied” or a “*de facto* alliance”.¹⁶ A recent report by Russian and Chinese experts published by the RSMD, a think tank affiliated with the Ministry of Foreign Affairs of the Russian Federation, concludes that this partnership, “while not being an alliance, in terms of its intensity, level of trust, depth and effectiveness [...] practically surpasses it in many aspects”.¹⁷

Official and semi-official Russian foreign policy discourse asserts that China poses no threat to the Russian Federation, and argues that strategic cooperation with China is the only feasible policy course for Russia.¹⁸ A few years ago, justifications of the policy of rapprochement with Beijing with historical and civilisational-cultural arguments also began.¹⁹ At the same time, a shift to a strategy of balancing against the PRC has been ruled out in Moscow.²⁰

¹⁵ А.А. Дынкин, В.Г. Барановский (eds.), *Россия и мир: 2017. Экономика и внешняя политика. Ежегодный прогноз*, ИМЭМО РАН, Москва 2016, p. 93; for more on the ‘elder sister’ metaphor as a rhetorical strategy of camouflage (and a psychological mechanism of compensation) see А. Габуев, ‘Младший брат или старшая сестра?’, *Ведомости*, 27 June 2016, vedomosti.ru; А. Кортунов, ‘«Сейчас мы для Китая — „старшая сестра“», *Лента.ру*, 20 February 2015, lenta.ru.

¹⁶ See remarks by President Putin from 6 September 2019 and from 3 October 2019 (Президент России, kremlin.ru); В. Кашин, ‘Необъявленный союз. Как Россия и Китай выходят на новый уровень военного партнерства’, *Московский Центр Карнеги*, 18 October 2019, carnegie.ru; С. Караганов, ‘Куда идти и с кем идти’, *Российская газета*, 26 December 2019, rg.ru; А. Kortunov, ‘Why Should Putin Help Trump?’, Russian International Affairs Council, 25 February 2020, russiancouncil.ru/en; О. Степанов (director of the RF’s Department for Planning Foreign Policy), ‘Большая Евразия и новые контуры континентальной безопасности’, *Международная жизнь*, January 2020, p. 47.

¹⁷ *Российско-китайский диалог: модель 2018*, op. cit., p. 22.

¹⁸ For example, see President Putin’s article ‘Россия и меняющийся мир’, *Российская газета*, 27 February 2012, rg.ru, and an interview with him from 12 December 2007, Президент России, kremlin.ru.

¹⁹ С. Лавров, ‘Историческая перспектива внешней политики России’, *Россия в глобальной политике* 2016, no. 2, globalaffairs.ru; see also В. Егоров, В. Штоль, ‘Историко-культурные основания российско-китайского сотрудничества’, *Международная жизнь*, December 2019, interaffairs.ru.

²⁰ This was most forcefully expressed by former Foreign Minister Igor Ivanov: see ‘«Один пояс — один путь» ведет к новому мировому порядку’, *Независимая газета*, 4 July 2019, ng.ru. Putin distanced himself from pursuing a policy of countering China’s growing power back in 2011. See his interview with Russian media from 17 October 2011, Правительство России, premier.gov.ru.

Despite the deepening power asymmetry between the two countries and Beijing's growing assertiveness, Moscow still sees opportunities to strengthen its position vis-à-vis its partner and to maximise its autonomy through the following steps: (1) by creating and strengthening mutual dependence in the political-military and economic sphere, by leveraging the Russian Federation's position as a source of crucial raw materials and military technology and a trade corridor for China that the US cannot block;²¹ (2) by diversification, i.e. developing relations with other non-Western partners; (3) by multilateralisation, i.e. drawing the PRC into broader structures: RIC (Russia-India-China), BRICS (Brazil-Russia-India-China-South Africa), the SCO (Shanghai Cooperation Organisation), and most recently the Greater Eurasian Partnership (see Chapter V.1); (4) by coaxing Beijing to jointly formalise the 'fundamental rules of the game' which would apply in the new international order.²²

2. China's vision of the global order and its perception of Russia

In the case of a Leninist party-state like the PRC,²³ we should talk about how the world is perceived by the Communist Party, rather than about the perspective of the state as such. It is the interests and security of the CCP, or more precisely of its elite, that define Beijing's foreign policy. When international relations are discussed in contemporary China, the debate really concerns how a non-state entity such as the Communist Party can function in a state-dominated environment, despite the use of terminology and frames of reference familiar to the outside observer (see below: The CCP on international relations). The CCP sees itself and the PRC as qualitatively different from and incompatible with other international actors. This situation breeds a sense of insecurity and lack of acceptance in it, and renders the party incapable of finding a place for itself in the existing world order (even though the PRC used to be one of its major beneficiaries) that would suit its aspirations and security requirements. This perspective also determines the party's primary foreign policy objective – the survival and consolidation of the regime. The CCP's interests guide the state's foreign policy aspirations, while the Marxism and anti-Western nationalism typical of national liberation movements form its conceptual grid in the field of international relations.

²¹ В. Кашин, 'Тактическое партнерство или союз великих держав?', *Контрапункт*, no. 5, September 2016, pp. 2, 5, after: PONARS Eurasia, ponarseurasia.org.

²² See А. Кортунов, 'Кто будет строить новый миропорядок?', РСМД, 29 May 2019, russiancouncil.ru; И. Иванов, 'В поисках нового мира', *Российская газета*, 20 January 2020, rg.ru.

²³ See M. Bogusz, J. Jakóbowski, *The Chinese Communist Party and its state. Xi Jinping's conservative turn*, OSW, Warsaw 2020, osw.waw.pl.

The CCP on international relations

Three major debates on international relations have taken place in the PRC since the start of economic reforms in 1978:²⁴

- In the 1980s, the debate was about whether the world was dominated by 'war and revolution' or 'peace and development'. It pitted the 'reformists' against 'orthodox Marxists'; the latter quickly accepted the realist position which assumed that China had its own legitimate national interest.
- In the early 1990s, the discussion already focused on ways of defining the PRC's national interest: the 'liberals' and the 'realists', who included most former orthodox Marxists, argued over the choice between unilateral actions backed by the state's growing power and the use of international institutions & the existing global order.
- Early in the new century, a third stream of discourse emerged: the 'constructivists' together with the 'liberals' called for China's 'peaceful rise' to a superpower status, while the 'realists' argued that such status was impossible to achieve by avoiding confrontation.

By the early 2010s the ideological disputes within the CCP, including the discourse on international relations between states, had died out. The 'realists', who combined the Marxist theory of international relations with Hobbesian state egoism, ultimately seemed to have gained the upper hand. From Marxism they took the belief in the key role played by material, economic factors. If, as this doctrine holds, relations between states are determined by economic interest rather than abstract ideas of law, then conflict between Communist China and the capitalist world is inevitable. This conviction is reinforced by the growing competition with the developed countries for global high-end industrial markets and for the resources of the global South. From realism the party leaders took the notion that even in a relationship that is friendly and peaceful, it is natural and 'in the order of things' for the stronger party to be dominant. Although the CCP sees itself as a revolutionary organisation,

²⁴ Qin Yaqing, 'Development of International Relations theory in China: progress through debates', *International Relations of the Asia-Pacific*, vol. 11, issue 2, May 2011, pp. 231-257.

this no longer means the pursuit of global revolution, instead implying a revisionist foreign policy and a claim to the leadership of the developing countries.

During the tenure of General Secretary Xi Jinping (in office since 2012), a vision of Beijing's desired world order has matured in the CCP. This can be reconstructed from scattered fragments of speeches by the top leadership addressed to party cadres. The starting point of the party's analysis is the conviction that the PRC and its political system are incompatible with the existing international order. The Party ideologists and decision makers are convinced that the system established after World War II privileges US-led Western countries, while the defeat of the USSR in the Cold War only further disadvantaged the Global South (whose leader and advocate the CCP claims to be) by promoting a model of liberal democracy that merely perpetuates the political and economic dependence of developing countries on the West. In their opinion, China will not be recognised as a power equal to others in the present international system because of the Leninist nature of its regime and its emancipatory political and economic programme. From the Party's point of view, democratisation or even partial liberalisation of the regime would not only mean a loss of position for the ruling elite, but would also undermine the Chinese modernisation and emancipation project, since, allegedly, only the Communists can guarantee its success.

The West's lack of genuine recognition and acceptance of the importance and aspirations of the PRC, coupled with what Beijing sees as Western socio-cultural and ideological pressure, leads the Party's decision-makers to believe that China – as an outsider – has limited ability to change the global order within its existing rules. This perpetuates the confrontational nature of China's relations with the West, and has resulted in growing aggressiveness on the part of Beijing's diplomacy in recent years. Unlike during the four decades following China's opening to the world in the early 1980s, Beijing now sees no advantage for itself in further developing liberal international institutions, and increasingly treats them as constraints imposed by the West. The solution sought by the CCP is based on the creation of a Chinese-dominated global subsystem, which would include an array of Global South countries that have adopted (or would in the future adopt) an authoritarian political model, develop deep economic ties to the PRC, and become hostile to the West. In this way a buffer zone would be created around China, as would a bloc of China-led countries promoting an alternative development model to those of Europe and the US.

To realise this vision, it will be necessary to gain technological independence, achieve military superiority in East Asia and push the US out of the Indo-Pacific region, as well as to change China's model of economic development. State-stimulated domestic consumption is intended to create a growth engine autonomous of the outside world. Sovereignty in the high-tech field is another priority. The PRC is also striving to build economic structures independent of the West which will allow for close economic and technological integration with developing countries, including its closest authoritarian partners. This is to be pursued by such means as expanding those states' access to the Chinese market, synchronising development and industrial policies, building PRC-oriented infrastructure, and seeking a dominant position for the yuan in trade settlements. Another of the most important instruments to implement this vision is the Belt and Road Initiative (see Chapter V.5), which is primarily targeted at countries of the Global South.

This evolution in the CCP's perception of international relations has also been accompanied by a profound change in its approach to Russia. From Beijing's perspective, this change was triggered by Russia's fall from the position of a global superpower (and potential competitor) to that of a regional or at best multiregional great power, following the disintegration of the USSR. In the Party's view, the collapse of the Soviet Union was caused by its economic inefficiency coupled with a disastrous attempt to liberalise the authoritarian political system. The CCP's decision-makers are convinced that post-1991 Russia has no realistic grounds to consider itself a player in the same weight category as China. After the collapse of the USSR, Beijing regarded Moscow primarily as a regional power, dominant in Central Asia. It was only after the so-called Third Taiwan Strait Crisis (1995-6), which marked a turning point in PRC-US relations, that the Party elite began to think of the Kremlin as a potential partner not only in the Central Asian region, but also globally (see Chapter II.2).

Chinese experts currently see three levels of functional cooperation with the Russian Federation. Although these areas partially overlap and influence each other, they remain autonomous, which adds flexibility to bilateral relations and prevents the existing differences of interest from compromising the foundations of the cooperation itself.

- 1) **Bilateral relations.** In Beijing's view, in this area Moscow shares China's belief about the necessity of ensuring peace 'in the hinterland' by maintaining friendly relations with its neighbour, hence its readiness to settle all border disputes (see Chapter II.1). In the PRC's opinion, the Kremlin

still remains concerned about hypothetical Chinese expansion in the Russian Far East,²⁵ but it has neither the resources nor the ability to develop it on its own. Beijing believes that these fears of Chinese economic superiority present the greatest obstacle to the development of bilateral relations. In its eyes these fears explain Moscow's inconsistency, in that it first concludes investment-facilitating agreements with China and then fails to implement them fully (see Chapter IV.2). Beijing sees further barriers in the inefficiency of the Russian administration, widespread corruption²⁶ and the Russian national character (perceived as indolence and a lack of 'entrepreneurial flair'). Nevertheless, the importance the PRC attaches to developing economic ties as the basis of international relations (see Chapter II.2) means that – despite understanding its neighbour's fears in this matter – its expectations that Russia will increasingly open up to Chinese investment will only grow. Beijing also hopes that the development of military cooperation will neutralise Moscow's fears and increase its sense of security.

- 2) **Mutual support in global competition with the West.** The main factor strengthening the Chinese-Russian rapprochement is the prevailing feeling among the ruling elites of both countries that they are threatened by what they perceive as an aggressive West, identified with the US. They believe the West is seeking – through so-called colour revolutions and other 'regime change' methods – to overthrow all the governments (principally China's and Russia's) that pursue independent, sovereign policies in line with their national interests. Beijing is aware that Moscow understands that it cannot resist US economic and political pressure without China's support. Zhongnanhai has long hoped to see a definitive breakdown in the Kremlin's relationship with the West, which would force it to recognise that it has no alternative to a rapprochement with its neighbour, including at a global level. The Russian aggression against Ukraine in 2014 was a key moment here. In the CCP's view, it was the subsequent international isolation and economic sanctions suffered by the Russian Federation that led to its real economic reorientation towards East Asia. Admittedly, Moscow announced a 'turn to the East' back in 2010, but from Beijing's perspective it finally came to terms with its consequences (i.e. accepted

²⁵ The reality is that the Russian Far East – due to its long distances, underdevelopment and sparse population – is not an attractive region for Chinese investors.

²⁶ Although corruption is widespread within the PRC itself, this phenomenon in the Russian Federation poses a problem for Chinese business, which stems from poor knowledge of local political life and the realities of the Russian regions.

the asymmetrical nature of their bilateral relations) only in the wake of the war with Ukraine. However, Chinese experts differ in their assessment of how durable this reorientation will be: some of them argue that ‘natural Russian occidentalism’ will prevail in the long run, but most are convinced that while the Russian elites still seek recognition from the West and feel a sense of belonging to the European civilisation (which Russians understand in their own way), the West cannot meet their expectations to the extent that would satisfy them. This, in turn, means that although the ‘turn to the East’ has been adopted by the Russian establishment without enthusiasm and under the pressure of circumstances, it will continue in the foreseeable future. Moreover, Russia’s growing economic dependence on the PRC (see Part IV) gives Beijing the additional guarantee that Moscow will not choose to make an abrupt U-turn.

- 3) **Cooperation in other regions of the world.** This is the area of greatest differences between the partners, in which they can even openly compete with each other as they pursue their own individual interests. However, this happens largely without damaging the integrity of their relations. Central Asia occupies a special place in their relationship, since it is the immediate strategic hinterland for both. Therefore, even though the region is the object of their competition, they coordinate their actions here to a greater extent than anywhere else (see Part V). Chinese experts believe that the Russian Federation only pursues an active policy in those parts of the world where it can use its only asset i.e. military power. Since Beijing prefers a strategy based on economic expansion, the partners can pursue complementary activities, as was the case with the 2019 crisis in Venezuela. In some cases, Russian security involvement is concurrent with the PRC’s economic interests, as in the Central African Republic: although from the point of view of the CCP elite, the line between Moscow offering its ‘security services’ in the Third World and deliberately creating a demand for it is blurred.

The Chinese recognise that the Russian Federation is trying to increase its value as a partner by exploiting its relative advantage in the area of military technology and know-how. They suspect that this was the rationale, for example, behind Moscow’s military operation in Syria, as well as the actions of the Russian ‘security advisors’ in the Central African Republic. However, as already mentioned, Beijing sees the economy as the basis of international relations, which is why it seeks above all a level of economic integration with Russia – on its own terms, of course – that will guarantee the durability of their mutual

ties. At the same time, the CCP leaders realise that Russia's economy cannot serve as a substitute for European and US markets, although the Russian Federation can play an important complementary role to the Chinese economy in such sectors as agriculture or natural resource extraction. Beijing is also interested in finding synergies between the Belt and Road Initiative and the Eurasian Economic Union (EEU). Although this latter, a Russian-led project, was initially seen in the PRC as a way to contain its economic expansion in the post-Soviet area, Beijing now appears to perceive the EEU as an indispensable element to integrating and stabilising the former Soviet republics situated on the main transport routes to Europe or the Middle East.

Moscow plays an important role in the CCP's long-term plans. Although the Chinese elite is convinced that the growth of the PRC's power is 'deterministic' and unstoppable, they also recognise that cooperation with other authoritarian regimes can accelerate and facilitate this process. The Russian Federation is the largest player in this group, with formidable military potential as well as an extensive network of influence and diplomatic expertise that Beijing still lacks. Russia is expected to secure the north-eastern parts of Eurasia, keep the United States in check militarily, and absorb the attention of the West with its aggressive behaviour, thus giving China greater space for manoeuvre in the Indo-Pacific. In return, Moscow can hope to be Beijing's first and most important client.

II. THE MATURING ALLIANCE

Russia and China have different interpretations of the chronology and the turning points of their rapprochement, which took off in 1991 at the latest, and has led them to the current alliance. This is primarily due to varying aspirations regarding their own positions in the international system and their different expectations from the bilateral relationship. Beijing, as currently the stronger party, believes that its leadership in the Chinese-Russian tandem is natural and indisputable, and that the current relationship is not a matter of choice for the other side. From its perspective, the development of relations has been a process during which the 'junior' partner has gradually matured to accept the reality of its inferior status. For the PRC, the value of the relationship with Moscow increased significantly after Xi Jinping took power in 2012, when China embarked on the path of building its own global order and entered into open conflict with the West. For the Russian elite, the path towards the current relationship with China was much more difficult, as it meant having to give up the ambitions of acquiring a key role in a concert of (more or less equal) great powers, and having to accept the position of playing a major, but nonetheless merely subsidiary role in the formation of a new Sinocentric order.

Initially, the rapprochement between the two countries was facilitated by **the similar lessons they had drawn from the Sino-Soviet confrontation during the Cold War era**. Their first shared lesson was that the conflict between Moscow and Beijing contributed significantly to the collapse of the Soviet Union and the weakening of the PRC's position, thus facilitating US global hegemony. This lesson, fundamental to the CCP's and the Kremlin's thinking about their bilateral relations, taught them that they must avoid a two-front conflict at all costs, and should therefore spare no efforts to secure their strategic hinterland. This diagnosis drove the process of normalisation of bilateral relations as well as the creation of political and military confidence-building measures in Central Asia after 1991.

First of all, however, it must be noted that **all the twists and turns in Chinese-Russian relations have been a function of each country's relations with the United States**. It should be emphasised that what pushed Moscow and Beijing towards closer cooperation was the very existence of Western democracy, and not just the specific policies of the US or the West more broadly (such as the interventions in Kosovo or Iraq). Regardless of the Western states' policies towards Moscow and Beijing, the Russian and Chinese authoritarian regimes

perceive their very existence and their political systems as an existential threat. **Embarking on a path of open confrontation with the United States**, which Russia did in 2012–13 and China since around 2018, has ultimately cemented their alliance. What generates certain differences in Moscow’s and Beijing’s perceptions of the alliance are their conflicting expectations concerning the pecking order in the relationship and their different levels of ambition in the international arena. These differences even cause some friction, which external observers may mistakenly see as a harbinger of the alliance’s break-up. The Russian Federation is desperately trying to retain its status as a global power, but its sub-optimal political system and economic stagnation mean that the Kremlin’s ability to influence even the former Soviet states will diminish in the medium term. The only path to reversing this trend leads through the cultivation of close ties with the emerging superpower (in the opinion of Russian analysts) and eking out a sphere of influence in its shadow. For the CCP, the alliance with the Kremlin is a useful, but not an essential element in its great game for establishing hegemony in East Asia, building a dominant global economic position and neutralising the United States. This attitude of the party elites stems from their deterministic perception of China’s place in the world and the associated conviction that the establishment (or “re-establishment” as they see it) of China’s global leadership is ineluctable, as it merely means a restoration of the natural order of things.

1. Milestones in Russia’s rapprochement with the PRC

The establishment of a ‘strategic partnership’ in the 1990s

Since the collapse of the USSR in late 1991, the Russian Federation has continued and developed the policy of normalising relations with Beijing initiated in the late 1980s by the last Soviet leader Mikhail Gorbachev, the first step of which was to withdraw from military confrontation and eliminate border disputes. This was based on two premises:

- 1) China is a desired partner for creating a geopolitical counterweight to US hegemony and an ally in contesting the unipolar order;
- 2) Russia cannot afford a conflict with the PRC, and it is in its interest to settle border disputes and demilitarise the border as soon as possible.

The policy of leaning on Beijing against Washington was already reflected in the declaration issued at the first Russian-Chinese summit meeting in 1992,

which rejected “all forms of hegemonism and power politics” in a thinly veiled opposition to US primacy.²⁷ The vision of Russian-Chinese relations outlined in this declaration went further than the vision of a “strategic partnership” between the Russian Federation and the US, announced at around the same time by Boris Yeltsin and his “friend Bill [Clinton]”.²⁸ Its most important part was the commitment not to enter into alliances and agreements that could harm the interests of the other party. The declaration also defined the areas that later became the foundation of the political partnership between Moscow and Beijing: border demilitarisation, political dialogue and inter-ministerial consultations, military and military-technical cooperation.

Another important moment in bilateral relations was the adoption of two declarations in 1996 and 1997. The first of these introduced the term “trust-based partnership aimed at strategic cooperation in the 21st century”, which still serves as the official definition of Chinese-Russian relations today.²⁹ The other stated that the main goal of this partnership was to build a new, “multipolar” international order and proclaimed that relations between Moscow and Beijing represented a “new type” of interstate relationship.³⁰

The signing of these declarations came as a result of the policy of strengthening the eastern vector in Russian foreign policy under Yevgeny Primakov, Russian Foreign Minister from January 1996, in order to correct what he considered Russia’s excessive focus on relations with the West. Rapprochement with China was to serve as one of the instruments for curbing US power and building a so-called “multipolar world”, operating on the principle of a concert of great powers.

On border issues, Moscow continued Gorbachev’s policy, which culminated in May 1991 in an agreement on the tracing of almost the entire so-called ‘Eastern’ section (over 4200 km) of the future Russian-Chinese border.³¹ The tracing of the so-called western section (54 km) was agreed upon in 1994, and the demarcation of the entire border was completed in 1999, with the exception of

²⁷ ‘Совместная декларация об основах взаимоотношений между Российской Федерацией и Китайской Народной Республикой’ [in:] *Внешняя политика...*, op. cit., pp. 465–468.

²⁸ See *Karta rosyjsko-amerykańskiego partnerstwa i przyjaźni* (17 June 1992) and *Deklaracja z Vancouver* (4 April 1993) [in:] *Внешняя политика...*, op. cit., pp. 442–452.

²⁹ ‘Совместная российско-китайская декларация о стратегическом взаимодействии в XXI в.’ (25 April 1996) [in:] *Внешняя политика...*, op. cit., pp. 471–476, particularly p. 473.

³⁰ ‘Российско-китайская совместная декларация о многополярном мире и формировании нового международного порядка’ (23 April 1997) [in:] *Внешняя политика...*, op. cit., pp. 484–486.

³¹ See Л. Сяоин, ‘Советско-китайские пограничные переговоры (1964–2004 гг.)’, *Вестник ЮУрГУ. Серия Социально-гуманитарные науки* 2018, vol. 18, no. 3, p. 35.

three disputed islands which were set aside for further negotiations. As a result, Russia handed 1281 border river islands with a total area of 851 km² over to China, which showed its determination to finally settle the location of the border.³²

In 1996 Russia and China, together with the post-Soviet Central Asian states bordering the PRC (Kazakhstan, Kyrgyzstan, Tajikistan), signed a multilateral agreement demilitarising the former Soviet-Chinese border and creating a system of military confidence-building measures (exchange of information on the deployment of armed forces and exercises, inspections, exchange of delegations, sports and cultural events).³³ In order to implement the agreement, the signatory countries established the so-called Shanghai Forum, which in 2001 was transformed into the Shanghai Cooperation Organisation (SCO), with Uzbekistan joining later (See Chapter V.1).

Intensification of cooperation in the early years of Putin's presidency

Putin's assumption of the presidency in 2000 brought a marked intensification of contacts between Russia and China. While still acting president, Putin met the Chinese defence and foreign ministers in Moscow.³⁴ At the very beginning of his term in office in June 2000, he declared that the Russian Federation "intends to further develop relations of strategic partnership with the PRC" and was "ready to enhance coordination and cooperation with China on major issues of international strategic stability and security".³⁵ During his first official visit to the PRC (July 2000), he pointed out that Russia and China were united "above all by our desire to promote and strengthen a multipolar world". He identified the concept of "interference in the internal affairs of other states on so-called humanitarian grounds" as the main common threat.³⁶

³² Н.Г. Паламарь, 'К вопросу о формировании государственной границы Российской Федерации с Китайской Народной Республикой в постсоветский период', *Вестник Саратовского государственного социально-экономического университета* 2008, no. 5 (24), pp. 143-144, after: cyberleninka.ru; В. Воробьев, 'Договор 2001 года и урегулирование пограничных вопросов между Россией и КНР', *Международная жизнь*, 2011, no. 8, interaffairs.ru.

³³ А.Н. Королёв, 'Насколько близки Россия и Китай? Военно-стратегическое сотрудничество в международных отношениях', *Россия и АТР* 2019, no. 3, pp. 145-146.

³⁴ 'Исполняющий обязанности Президента, Председатель Правительства России Владимир Путин встретился с министром обороны, заместителем председателя Центрального военного совета КНР Чи Хаотянем', Президент России, 18 January 2000, kremlin.ru; 'Владимир Путин встретился с министром иностранных дел Китая Тан Цзясюанем', *idem*, 1 March 2000.

³⁵ 'Состоялся телефонный разговор Владимира Путина с Председателем КНР Цзянь Цзэмином', Президент России, 8 June 2000, kremlin.ru.

³⁶ 'Интервью китайской газете «Жэньминь жибао», китайскому информационному агентству Синьхуа и телекомпания РТР', Президент России, 16 July 2000, kremlin.ru.

At the same time, he dispelled Russian fears about China's economic growth, arguing that it represents an opportunity rather than a threat for the Russian Federation.³⁷

A symbolic breakthrough for the Russian policy of rapprochement with the PRC came with the signing of the Treaty of Good Neighbourliness and Friendly Cooperation on 16 July 2001.³⁸ The impression of a breakthrough was reinforced by the announcement the day before the decision to transform the Shanghai Forum into the SCO, thus formally institutionalising the cooperation between Moscow and Beijing in Central Asia.

The main provisions of the Russian-Chinese Treaty of Good Neighbourliness and Friendly Cooperation

The treaty first of all reiterated – now in legally binding form – the mutual pledges previously made: not to enter into alliances, and not to take other actions that could undermine “the sovereignty, security and territorial integrity of the other [...] party” (Article 8); to renounce the “first use” of nuclear weapons against the other party (Article 2); to hold regular meetings, “primarily at the high and supreme levels”, for purposes such as “agreeing positions on [...] important and topical international problems” (Article 10).

Two new provisions were also included in the treaty, broadening mutual security commitments and opening up the possibility of bringing relations between the two countries closer to the level of an alliance. The first one provides for the “immediate” establishment of contact and for holding consultations in a situation which, in the view of either of the parties, “may endanger peace, disturb peace, or affect its security interests, and also in the event of a threat of aggression”, with the aim of such consultations being “to remove the threat” (Article 9). The other provision obligates both

³⁷ ‘Заявление для прессы по итогам российско-китайских переговоров’, Президент России, 18 July 2000, kremlin.ru; ‘Ответы на вопросы российских журналистов по окончании официальной части визита в Китайскую Народную Республику’, *idem*, 18 July 2000.

³⁸ The full Russian name of the document is the Treaty on Good Neighbourliness, Friendship and Cooperation between the Russian Federation and the People's Republic of China. The English translation published by the Chinese side was chosen for use in the present text. See Договор о добрососедстве, дружбе и сотрудничестве между Российской Федерацией и Китайской Народной Республикой, The Ministry of Foreign Affairs of the Russian Federation, mid.ru; Treaty of Good-Neighbourliness and Friendly Cooperation Between the People's Republic of China and the Russian Federation, Ministry of Foreign Affairs of the PRC, fmprc.gov.cn/mfa_eng.

countries to cooperate in establishing “multilateral coordination mechanisms on issues of security and cooperation” in “regions adjacent to their territory” (Article 14).³⁹

Moscow as Beijing’s ‘elder sister’

The thaw in relations between Moscow and Washington that followed the Kremlin’s backing of the US military operation in Afghanistan and the global ‘war on terrorism’ (2001) slowed down the process of Russian-Chinese rapprochement. However, the US military operation in Iraq (2003) and the wave of ‘colour revolutions’, which also affected Central Asia (Kyrgyzstan), put Moscow and Beijing back on the same side of the geopolitical barricade, and their relations were further tightened in 2004–5. Firstly, the last disputed section of the border was finally settled.⁴⁰ Secondly, the Russian Federation and the PRC made a qualitative leap in military cooperation in December 2004 by resolving to hold regular joint exercises (see Chapter III.3).⁴¹ Thirdly, they established a new mechanism for regular consultations on ‘strategic security’ issues in early 2005.⁴² For Russia’s part, this involved the Security Council (represented by its secretary), the *de facto* main decision-making body in foreign and security policy matters, composed of Putin’s most trusted associates. The Russian Federation is the only country with which China has established such a mechanism.

Around 2005, the metaphor of Russia as China’s ‘elder sister’ appeared in Russian discourse on relations with the PRC. The metaphor signified a partner who, while physically weaker, enjoys high status and influence in the family due to her valuable life experience (in the case of the Russian Federation, its experience of conducting a global great-power policy). It was also intended to suggest that closer ties with China did not risk relegating Russia to the role of a ‘younger brother’. It was also at that time that Beijing’s formally neutral, but in practice sympathetic attitude to the Kremlin’s growing authoritarianism

³⁹ ‘Договор о добрососедстве, дружбе и сотрудничестве между Российской Федерацией и Китайской Народной Республикой’ [in:] *Внешняя политика...*, *op. cit.*, pp. 521–527.

⁴⁰ The relevant document was signed on 14 October 2004. Л. Сяоин, *Советско-китайские пограничные переговоры*, *op. cit.*, p. 35.

⁴¹ ‘В 2005 году впервые пройдут китайско-российские совместные военные учения’, Китайский информационный Интернет-центр, 14 December 2004, russian.china.org.cn. Earlier, in 2003, Russian and Chinese troops participated in the multilateral SCO anti-terrorism exercise Soyuz-2003.

⁴² See ‘Выступления Президента России В.В. Путина и члена Государственного совета Китая Тан Цзясюаня в ходе российско-китайской встречи’, Ministry of Foreign Affairs of the Russian Federation, 2 February 2005, mid.ru.

first became an important aspect of its attractiveness as an ally for the Russian ruling elite. Unlike the West, the PRC did not challenge Russia's claims to the role of a great power, nor in particular its treatment of the post-Soviet area as its (albeit not exclusive) sphere of interest. Moreover, cooperation with Beijing allowed Moscow to resolve some of its important domestic policy problems.⁴³

The Kremlin's 'turn to the East'

The next stage of the Russian-Chinese rapprochement took place under the banner of the 'turn to the East',⁴⁴ which was proclaimed in 2010 by Kremlin-associated experts working under the aegis of President Dmitri Medvedev. The new slogan was intended to provide propaganda cover and political & ideological justification for the attempt to intensify relations – primarily economic – with the Asia-Pacific countries and strengthen the position of the Russian Federation as a Pacific power. The 'turn to the East' was based on the conviction that the global economy's centre of gravity was inevitably shifting from the West to the East, and that the PRC would catch up economically with the United States relatively quickly, and even surpass it in the not too distant future.⁴⁵ Russia should therefore, as Putin put it in 2012,⁴⁶ "catch the Chinese wind in the sails of our economy".

A new accent in the rhetoric accompanying the 'turn to the East' policy was a call for a deep reorientation of the Russian identity: to abandon 'Eurocentrism' and transform the Russian Federation into a 'Euro-Pacific' country.⁴⁷ Experts working with the official state structures claimed that modernising the economy and maintaining Russia's great-power position on the international stage would depend on its relations with the Asia-Pacific region, primarily China.⁴⁸ This was accompanied by holding up the East Asian countries as political and economic models⁴⁹ and emphasising the "objective advantages of the Asian model of state governance and socio-economic development",

⁴³ For example, it was only the cooperation of Chinese banks that allowed the Kremlin to complete its takeover of the private oil company Yukos. Д. Тренин, 'Россия между Китаем и Америкой', *Pro et Contra*, November–December 2005, pp. 49, 50.

⁴⁴ W. Rodkiewicz, *The turn to the East. The flawed diversification of Russian foreign policy*, OSW, Warsaw 2014, p. 7, osw.waw.pl.

⁴⁵ See among others [Putin's speech from 10 December 2012](http://kremlin.ru), Президент России, kremlin.ru.

⁴⁶ 'Россия и меняющийся мир', Российская газета, 27 February 2012, rg.ru.

⁴⁷ В. Никонов, 'Тихоокеанская стратегия России', *Стратегия России*, no. 8, August 2010, fondedin.ru.

⁴⁸ С.А. Караганов, О.Н. Барабанов, Т.В. Бордачев, *К Великому океану, или новая глобализация России*, Международный дискуссионный клуб «Валдай», Москва 2012, valdaiclub.com.

⁴⁹ 'Тихоокеанский вектор внешней политики России', *Индекс Безопасности* 2011, no. 2 (97), p. 90, after: pircenter.org.

contrasted with the crisis-ridden “traditional economic and political institutions of the West”.⁵⁰ The ‘turn to the East’ (which turned out to be primarily a turn towards Beijing) opened a new chapter in Russian-Chinese relations. In 2013, PRC oil companies signed landmark long-term contracts worth several hundred billion US dollars with the state-owned Rosneft, headed by Igor Sechin, considered one of the most influential people in Putin’s inner circle. The foundations were thus laid for Russia’s future rise to become one of the two main oil suppliers (alongside Saudi Arabia) to the Chinese market. Military cooperation has also been further intensified: the scale of military exercises has increased and the area of joint naval manoeuvres has expanded (see Chapter III.3).

It should be stressed that the geopolitical context of the ‘turn to the East’ policy changed significantly at the turn of 2012. The mass protests against electoral fraud and Putin’s third presidential term were interpreted in the Kremlin as a result of the US desire for ‘regime change’ in the Russian Federation. Consequently, the Russian-US ‘reset’ initiated by Barack Obama’s administration in 2009 broke down and tensions between Moscow and Washington rose sharply. This was fuelled by the Kremlin’s belief, reinforced by its observations of the Arab Spring and especially the Western intervention in Libya, that the United States was waging an information and political war against Russia. In this situation, a further strengthening of relations with China became a strategic imperative for the Russian Federation, and the PRC duly became an ‘indispensable’ strategic partner.

Open conflict with the West and its consequences

Further rapprochement between Moscow and Beijing, especially in the military sphere, was prompted by the Russian Federation’s open confrontation with the West, provoked by its aggression against Ukraine in 2014. As a result, it has been claimed that Russian-Chinese relations have already evolved into an informal military alliance. Moscow has *de facto* given up on building a multipolar order in favour of seeking an optimal place in the bipolar system, defined by the axis of conflict between Washington and Beijing. At the same time, it is trying to mask the growing asymmetry in its relations with Beijing and its acceptance of its status as Beijing’s weaker partner by putting forward a new ‘geopolitical’ project, the Great Eurasian Partnership (see Chapter V.5), which however is purely rhetorical in nature.

⁵⁰ С.А. Караганов, О.Н. Барабанов, Т.В. Бордачев, *К Великому океану...*, *op. cit.*, p. 16.

The Russian-Chinese rapprochement was also aided by the increased assertiveness of US policy in East Asia after Donald Trump became president in 2017. The escalation of the US-PRC conflict and its descent into an open trade war in July 2018 made the Kremlin feel that Moscow and Beijing were in the 'same boat'. Therefore, in 2019 Russian diplomacy started suggesting that changes should be made to the treaty between the two to reflect a new level of cooperation.⁵¹

The consequences of the pandemic for Russian-Chinese relations

Although the pandemic caused by the SARS-CoV-2 virus at the turn of 2020 was accompanied by incidents and friction between the 'strategic partners', it did not undermine their alliance in any significant way. On the contrary: politicians on both sides demonstrated a strong desire to preserve it. Unilateral decisions taken by Russia and the PRC on border closures were followed by gestures (such as phone calls between the leaders) intended to clarify any misunderstandings and neutralise the negative effects of the measures. The two countries quickly took joint steps (including a trip by Russian experts to Wuhan in the early stages of the pandemic) and carried out goodwill operations (sending aid planes). At the same time, Russian diplomacy and the information warfare machine launched a demonstrative defence of their Chinese ally as it faced accusations – formulated primarily by Washington, but also by some other Western governments and the general public – of having made mistakes early in the pandemic.

2. The development of relations with the Russian Federation from the PRC's perspective

Tsarist Russia was the first major 'Western country' (at least from the Chinese perspective) which China came into direct contact with, but it was long seen only as a rival and adversary in Central Asia or Siberia. It did not inspire the reforms undertaken late in the imperial period, nor was it viewed as a link to the West. This only changed after the Bolshevik coup, when the nationalists of the Kuomintang began to cooperate with the new masters of Russia. Moscow also initiated the creation of the CCP and supported it after the split between the Communists and nationalists in 1927. After the former emerged victorious and proclaimed the PRC in 1949, the USSR became the main model for its modernisation. When the Sino-Soviet split occurred in the early 1960s,

⁵¹ These suggestions were not implemented. The Treaty was extended with no changes in July 2021.

the PRC initiated the 'Cultural Revolution' period and attempted to build a socialist state model which would serve as an alternative to that of the Soviet Union. The USSR remained a point of reference, but was now more an opponent to be outpaced than a model to be emulated. From its very beginning until its collapse, the Soviet Union was also an important factor in the PRC's global strategy: first as the patron of Communist liberation movements in East Asia, and after the Sino-Soviet split as a competitor for leadership in the global South and an enemy posing a strategic threat that pushed Beijing towards rapprochement with the US. **The collapse of the Soviet Union meant that the Kremlin ceased to be a strategic rival for the CCP, and its standing in Chinese perception was reduced to the role of a regional power in Central and North-East Asia.** At the same time, however, the Russian Federation has gradually gained importance in the eyes of the PRC leadership since 1991 as a useful factor in the growing rivalry with Washington.

Immediately after the collapse of the USSR, relations with Moscow were important for Beijing primarily for two reasons:

- 1) after the Tiananmen Square massacre in 1989, a Western embargo on arms exports was imposed on the PRC, so the Russian Federation became the sole source of modern armaments for the People's Liberation Army (PLA; see Chapter III.2);
- 2) Moscow was the key to stabilising Central Asia and Xinjiang, as well as settling the border issue with the former Soviet republics, i.e. (apart from Russia) Kazakhstan, Kyrgyzstan and Tajikistan.

Although the border issue was pressing, a solution was found only after the outbreak of the so-called **Third Taiwan Strait Crisis** (1995–6), which alerted the PRC to the prospect of a strategic confrontation with the US in Asia. China then tried to influence the presidential election in Taiwan by carrying out a series of military manoeuvres in the Strait. Its provocations met with a response from Washington, which sent aircraft carriers there. The consolidation of democracy on the island and the attitude of the United States convinced the CCP's leadership that the prospect of a peaceful annexation of Taiwan was unrealistic, and that a successful military intervention would require a simultaneous weakening of the US and the significant strengthening of the PRC. This prompted the party leadership to make concessions, and paved the way for a lengthy process of resolving the border issues with the former Soviet

states, which unfolded differently with individual partners.⁵² The aim of this process was to secure a strategic base in Central Asia and on the northern border, and to build a system of collective security in the region through the establishment of the so-called Shanghai Five. In April 1996, the leaders of the PRC, the Russian Federation, Kazakhstan, Kyrgyzstan and Tajikistan held their first summit meeting, signing an agreement on the mutual reduction of armed forces in the demarcation line area. Cooperation in the fight against the ‘three evil forces’ of separatism, terrorism and Islamic extremism was also established quite quickly. From Beijing’s point of view, the new format helped to neutralise Russia as a potential adversary in Central Asia, but also as a threat that could have destabilised the situation in Xinjiang. The rivalry remained, but the CCP felt that it had ascended to such an economic level that time would work in China’s favour. At the same time, the Russian Federation was drawn into the process of stabilising a region crucial to the security of the PRC’s western borders.

From Beijing’s point of view, another landmark moment in its cooperation with Moscow was the outbreak of the so-called **war on terrorism after the 11 September 2001 attacks in the US**. Initially, relations loosened despite the establishment of the Shanghai Cooperation Organisation back in June 2001, which included Uzbekistan in addition to the members of the Shanghai Five. Although the US’s arrival in Central Asia and the creation of American bases in Uzbekistan (Karshi) and Kyrgyzstan (Manas) aroused great concern in the Chinese military, the CCP leadership under Jiang Zemin concluded that the situation could be used to improve relations with Washington. Beijing withdrew its criticism of NATO enlargement, and in December 2002 entered into dialogue with the Alliance. There was also an overall improvement in relations with the United States.⁵³ For the PRC, which became a member of the World Trade Organisation (WTO) in 2001, modernisation and economic development became a priority, and since these were impossible to achieve without cooperation with the US, the Communists decided to set aside their military concerns. This did not mean abandoning collaboration with Russia, whose main forum

⁵² The delimitation process was completed with Kazakhstan in 2002, with Russia in 2008 (when it formally transferred the disputed islands in the Amur), and with Kyrgyzstan in 2009. Tajikistan, meanwhile, only ratified the 1999 border agreement (along with an annex that followed three years later) in 2011. It is worth noting that, in the Chinese view, the delimitation of the border with the post-Soviet states in this form was a concession, because it meant that it gave up its claims resulting from the ‘unequal treaties’ signed with Tsarist Russia between the 17th and 19th centuries.

⁵³ Relations with the US deteriorated further after the bombing of the PRC embassy in Belgrade in 1999, and as a result of the so-called Hainan incident, a collision between a Chinese fighter jet and a US spy plane over the South China Sea.

was the SCO, which was focused on slowly pushing the Americans out of Central Asia. However, the process of deepening mutual relations with Moscow became less important.

China began to attach renewed importance to its alliance with the Kremlin in 2008. **The outbreak of the global economic crisis** radically changed the CCP's perception of the West.⁵⁴ The Party concluded that the West was entering a phase of decline, and that instead of defending itself against Western interference in China's internal affairs, it should become more assertive in the international arena and gain more global influence. The anti-liberal and revisionist nature of its actions made Moscow more attractive as a partner. However, the PRC did not give unequivocal support to Moscow's aggressive moves (including the invasion of Georgia in August 2008) for fear of destabilising the international situation. At the same time, Putin's second and constitutionally final presidential term in Russia came to an end, but he took over as prime minister, thus remaining the most important person in the country. From the point of view of the decision makers in Beijing, it meant that the process of establishing authoritarian rule in the Russian Federation was a consistent trend that would naturally bring the two countries closer together. Therefore, they concluded that Russia was predisposed to become a useful ally of the PRC in its implementation of the new international strategy. Xi Jinping assumed the post of CCP General Secretary in October 2012, a few months after Putin's return to the presidency. The Chinese leader expedited changes in foreign policy and, owing to his authoritarian inclinations, was able to create an effective working relationship with the Russian leader.

Faced with the collapse of the Kremlin's relations with the West after its 2014 aggression against Ukraine, the PRC adopted an attitude of benevolent neutrality. On the one hand, it shared the Russian Federation's view of the sources of the conflict, which had supposedly been 'provoked' by the West by sparking another 'colour revolution' and overthrowing the government of Viktor Yanukovych. Beijing also welcomed its neighbour's 'turn to the East': it offered substantial financial support to Russian companies and signed economic contracts with them. On the other hand, it refrained from formally recognising the annexation of Crimea and some Chinese economic entities, out of fear of

⁵⁴ The lack of transparency in the PRC's political system means that in addition to watching Beijing's practical actions, external observers have to rely on analyses of official positions that often conceal the real motives behind the CCP's activities. The few exceptions include the so-called Document 9 from 2013, leaked by the media, whose authenticity has never been either confirmed or denied by the authorities. See '[Document 9: A ChinaFile Translation](#)', ChinaFile, 8 November 2013, chinafile.com.

Chinese companies being covered by US sanctions (although this did not have a negative impact on the overall Russian-Chinese economic relationship).⁵⁵ Despite the overall rapprochement in relations with Moscow, it was still the CCP's clear priority to avoid open confrontation with the West.

The Chinese-Russian alliance was finally consolidated and enhanced during the Trump presidency, which took the PRC's structural and multifaceted conflict with the US to a new level. As a result, it found itself among the isolated countries subject to US restrictions: Russia had already joined this category in 2014. Faced with open conflict with the United States, China began pursuing a more aggressive international policy, resembling the Russian Federation in this respect. This included launching an intensive information war, a wider use of economic sanctions, military operations in the neighbourhood, assertive diplomatic tactics, etc. The political rapprochement between the two countries was reflected in the Joint Communiqué of the PRC & the Russian Federation on the Development of a Comprehensive Strategic Partnership in the New Era signed in 2019.⁵⁶ It is worth noting that from the CCP's point of view, Moscow's adoption in this document of terminology taken from 'Xi Jinping's Thought on Socialism with Chinese Characteristics for the New Era' – a doctrine enshrined in the party's statute – marked the final recognition of Beijing's leading role in the alliance and a reversal of the situation from the 20th century, when Russia had been the source of ideological inspiration for the Chinese communists.

The PRC envisages its alliance with the Kremlin as a 'strategic' relationship, meaning that it will primarily have a global dimension and focus on the most important issues, i.e. the rivalry with the United States (see Chapter V.3) and – to a lesser extent – relations with the European Union (V.4), energy cooperation (IV.3) and security policy (III.1). This also means that no universal model of relations and of resolving differences between the partners over peripheral issues will be developed: problems will be settled on an *ad hoc* basis. This stems from the CCP's conviction that time is working in the PRC's favour and that its advantage over its ally will only keep growing. Therefore, Beijing avoids implementing any formal solutions that could restrict its freedom of action in the future. The CCP wants to decide freely about the directions and methods of China's activity in the international arena and whether to coordinate it with

⁵⁵ This was especially true of large corporations with a global reach, including financial ones. Selected Chinese companies have arrived in Crimea, for example, see '[Beijing has nothing against Chinese companies' presence in Crimea – deputy FM](#)', TASS, 20 August 2015, tass.com.

⁵⁶ '中华人民共和国和俄罗斯联邦关于发展新时代全面战略协作伙伴关系的联合声明', Xinhua News Agency, 6 June 2019, xinhuanet.com.

Russia (see Chapter V.2). However, such an informal format of cooperation requires intensive consultations, especially at the highest level. The latter are indispensable since in both these authoritarian systems impulses from the top are necessary for the bureaucratic structures to coordinate. Permanent talks seem to be Beijing's recipe for avoiding tensions with Moscow and reducing the risk of being caught off guard by its actions. In practice, this translates into a large number of meetings and visits, and gives the partnership a dynamic character.

III. MILITARY COOPERATION

In no other area has the Russian-Chinese partnership taken on such a concrete dimension as the military sphere. Their relations in this area have the hallmarks of a classic military alliance, even though the two countries are not bound by a formal defence treaty. However, the Treaty of Good Neighbourliness and Friendly Cooperation does provide for immediate consultations if, in the opinion of either party, there is a threat of aggression, a breach of its security interests, or a danger to peace. Admittedly, there are some areas, such as international arms trade, where Beijing and Moscow do compete with each other to a limited extent, but even here we can speak of a certain complementarity. At the same time, opportunities for cooperation remain limited on many fronts, as both partners suffer from similar shortcomings in certain technologies.

But most importantly, the alliance in the military sphere is aimed at defending both regimes from what they consider to be the main threat, namely Western (mainly US) influence. In practice, this means that the parties are preparing for:

- 1) a major conflict between superpowers – therefore, in addition to joint exercises and exchanges of expertise, they are also developing mechanisms for strategic coordination of actions on very distant fronts and in different regions of the world;
- 2) interference in countries recognised as their common sphere of influence, if they believe that one of them is slipping out of their control.⁵⁷

⁵⁷ In the 1990s, the PLA stopped preparing detailed plans for war with Russia; and since 1993, with regard to any potential major conflict between superpowers, it has concentrated on a clash with the US and its allies in the Western Pacific. However, it has also been preparing general plans in case the situation in the neighbourhood destabilises. See T. Woodrow, 'The PLA and Cross-Border Contingencies in North Korea and Burma' [in:] A. Scobell, A.S. Ding, P.C. Saunders, S.W. Harold, *The People's Liberation Army and contingency planning in China*, Washington 2015, pp. 205–223. It can be assumed that such an intervention could be carried out in Central Asian states or the DPRK together with or in coordination with Russia. On the likelihood of a joint military intervention in the event of a collapse of the DPRK regime, see A. Lukin, 'The North Korea Nuclear Problem and the US-China-Russia Strategic Triangle', *Russian Analytical Digest*, no. 209, 24 October 2017, p. 4.

1. Military diplomacy, planning, strategy

The PLA (People's Liberation Army, *Zhongguó Rénmín Jiefàngjun*) was built in the 1950s with the Soviet Army as its model,⁵⁸ so the officer corps of both countries have a similar strategic culture, which facilitates cooperation. In addition, Beijing and Moscow have learned similar lessons from the Cold War. These include the belief that the split which occurred between 1960 and 1989 had negative consequences for both the USSR and China.⁵⁹ Moreover, Russia and the PRC developed a system of mutual confidence-building measures in the military sphere in the 1990s. In 2005, their armed forces began holding regular joint land and sea exercises (see Chapter II.1). The two countries have also created an extensive consultation mechanism, ensuring that they remain in constant contact despite the absence of any formal alliance (see below: The system of military consultations between the PRC and the Russian Federation). The military cooperation itself is governed by an agreement concluded between their defence ministries in 1993. Specific areas of cooperation are defined in an annex containing 27 points. This provides for consultations and exchange of expertise in the following areas: the implementation of war doctrines; the development of the armed forces; operational and combat preparation of staffs, troops and military command; supplying the armed forces with personnel and equipment; operational, rear and technical supply of troops; combat use of weapons and military technology; the automation of military command processes; war economics and finances; the meteorological and hydrological security of the troops; military education. Other forms of cooperation listed in the annex include: cooperation between the staffs of individual services; the establishment of direct ties between neighbouring military districts and military schools; exercise and combat test firing by China's air and missile defence forces at Russian training grounds; landings of military transport aircraft at the other side's airfields, with servicing and refuelling; joint scientific and research work; the development of joint activities for the operation, repair and modernisation of weapons and military technology; the training of military and military-technical personnel; cooperation in the organisation of troop transport; cooperation in the fields of communications, topogeodesy, meteorological surveys and war medicine. The agreement requires the

⁵⁸ There are also many indications that China's naval strategy is based on Soviet assumptions of naval warfare against the West. J. Goldrick, 'Does Soviet naval strategy provide a template for China's maritime ambitions?', ASPI, 21 January 2021, aspistrategist.org.au.

⁵⁹ See E. Meick, *China-Russia Military-to-Military Relations: Moving Toward a Higher Level of Cooperation*, U.S.-China Economic and Security Review Commission, Staff Research Report, 20 March 2017, uscc.gov.

parties to draw up annual cooperation plans, and provides for the possibility of expanding it into new areas and new forms by mutual agreement.⁶⁰

The system of military consultations between the PRC and the Russian Federation⁶¹ includes:

- **the mechanism of regular meetings of defence ministers** (since 1993) – held annually, alternately between Moscow and Beijing, and dealing mainly with the political aspects of military cooperation;
- **the mechanism of annual strategic consultations between the Chiefs of General Staff** (since 1997) – meetings that primarily discuss the practical dimension of cooperation;
- **consultations on national security issues** (since 2004) – delegations meet on an *ad hoc* basis to discuss global and regional security issues with an emphasis on information security, efforts to prevent ‘colour revolutions’ and resisting ‘unilateral’ economic sanctions;
- **the Chinese-Russian security dialogue on Northeast Asia** (since 2014) – consultations are held every two months at the deputy foreign minister level, focusing on increasing the effectiveness of joint security operations in the region referred to as Northeast Asia (this name includes the Korean Peninsula and the basins of the Sea of Japan, the Yellow Sea and the East China Sea).

The system is completed by a number of lower-level mechanisms, such as regional security consultations, talks within the SCO framework, and specialised bodies, such as the mixed intergovernmental commission on military-technical cooperation. In total, 20–30 high-level meetings are held each year. In addition, numerous contacts and joint ventures take place at the level of military districts, garrisons and military schools.⁶²

⁶⁰ [Соглашение между Министерством обороны Российской Федерации и Министерством обороны Китайской Народной Республики о военном сотрудничестве](#), 11 October 1993, [pravo.gov.ru](#). Only a minute document (a draft) was posted on the Russian government’s official legal information portal, with no date of signature.

⁶¹ See A. Korolev, ‘Beyond the Nominal and the Ad Hoc: The Substance and Drivers of China-Russia Military Cooperation’, *Insight Turkey* 2018, vol. 20, no. 1, pp. 25–38.

⁶² For example, the PRC reported in 2018 that the border town of Hulun Buir (Inner Mongolia) had a regular cooperation mechanism between the Chinese town’s Public Security Administration and the Russian Interior Ministry’s oblast Drug Trafficking Control Board, which included internships and exchanges of officers in addition to regular consultations. [‘Китайский город Хулунбуир](#)

The similarities between the PLA and the Russian army mean that Chinese military officers can easily draw on their partners' experience as they overhaul their armed forces. The PLA's modernisation programme, launched in 2015,⁶³ is largely modelled on the so-called Serdyukov reform (named after the Russian defence minister in 2007–2012).⁶⁴ Also, Russian arms exports to the PRC (see Chapter III.2) involve the transfer of strategic thought, as Russian systems are designed to be deployed according to a specific doctrine. By importing this equipment, the PLA must also inevitably absorb both the associated technical concepts and philosophy of weapons development, as well as the organisational and doctrinal models. This is how, for example, the reform of China's strategic forces emulated the overhaul of Russia's nuclear arsenal and its reliance on a combination of fixed and mobile launchers.⁶⁵ Beijing is also interested in the Russian Federation's concept of non-nuclear deterrence,⁶⁶ especially the possibility of using land-based anti-ship missiles to build up the so-called Anti-Access/Area Denial (A2/AD) zone in the Western Pacific.⁶⁷ Moscow, in turn, can draw on the experience its ally gained from the restructuring of its arms industry in the 1990s and 2000s.

The two parties' similar outlook on many global and regional issues, the ties between their armed forces and the high intensity of their political relations do not, however, eliminate the differences between how they perceive the role of the army in foreign policy, which stem from their different potentials. The PRC – a rising superpower with global economic interests – is intent on developing expeditionary forces operating far from its own borders, and is therefore particularly focused on expanding its navy and naval air forces to make them capable of gaining air and sea superiority and conducting airborne and naval amphibious operations.⁶⁸ From the Chinese point of view, Russia is

сотрудничает с Российской Федерацией в сфере борьбы с наркотиками', Синьхуа Новости, 29 June 2018, russian.news.cn.

⁶³ See I.E. Rinehart, *The Chinese Military: Overview and Issues for Congress*, Congressional Research Service, 24 March 2016, pp. 4–8, sgp.fas.org/crs.

⁶⁴ See J. Nichol, *Russian Military Reform and Defense Policy*, Congressional Research Service, 24 August 2011, sgp.fas.org/crs.

⁶⁵ See M.S. Chase, *PLA Rocket Force Modernization and China's Military Reforms. Testimony before the U.S.-China Economic and Security Review Commission on February 15, 2018*, RAND, Santa Monica 2018, rand.org; E. Heginbotham, M.S. Chase, J.L. Heim et al., *China's Evolving Nuclear Deterrent: Major Drivers and Issues for the United States*, RAND, Santa Monica 2017, rand.org.

⁶⁶ See *Non-Nuclear Strategic Deterrence of State and Non-State Adversaries. Potential Approaches and Prospects for Success*, DFI International, October 2001, hsdl.org.

⁶⁷ See R. Haddick, *Fire on the Water: China, America, and the Future of the Pacific*, Annapolis 2014; J. McReynolds (ed.), *China's Evolving Military Strategy*, Washington 2017, pp. 102–140.

⁶⁸ It would be a mistake to interpret this direction of the PLA's development solely in terms of the need to seize Taiwan, thus ignoring the PRC's real global aspirations.

a declining power trying to maintain its position by developing tactical and strategic nuclear forces and expanding the operational capabilities of its land and air forces.⁶⁹ Theoretically, both sides could seek a certain level of complementarity in the military sphere, but – despite the extensive interoperability and compatibility of their armed forces and the possibility of conducting operations under joint command (see Chapter III.3) – there is no indication that they are interested in doing so. It should also be assumed that not even advanced military cooperation would induce Moscow and Beijing to give up preparing contingency plans for an armed conflict against each other. However, such plans remain very general, and primarily involve the scenario of a sudden and hostile political turn or a collapse of the neighbour's political regime.⁷⁰

2. The arms trade

The arms trade is another sector that shows the complex nature of Chinese-Russian relations. To a certain extent, the two countries are competing for the same customers, but they also offer complementary products based on similar Soviet-era technological designs, and actually help rather than hinder each other (see below: Complementary markets). At the same time, China, despite a reported decline in its demand for Russian weaponry (see Chart 1), is still one of its most important and regular buyers.

Complementary markets⁷¹

Since the beginning of this century the PRC has been increasing its arms exports. Sales increased by a record 195% between 2004 and 2008. Then the growth rate slowed down, but the trend continues. China has also expanded its customer base, from 44 countries in 2000–9 to 67 in 2010–19. As many as 70% of its customers are in Asia and Oceania, and 20% in Africa. Pakistan has remained the largest client since 1991, accounting for 38.8% of Beijing's arms sales over the entire 2000–19 period. The other partners do not place significant orders; as a result, none of them account for more than a few per cent of exports.

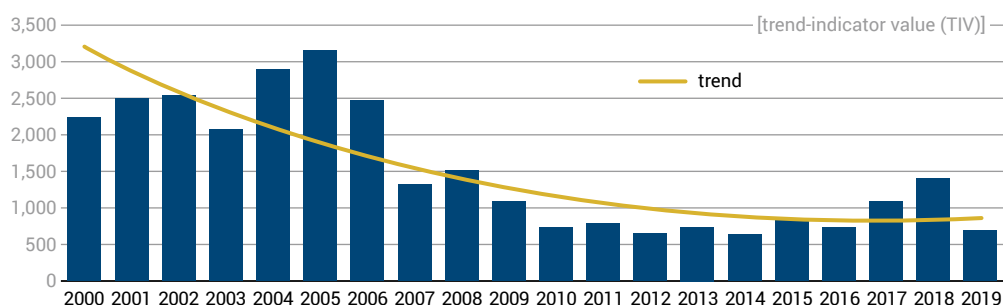
⁶⁹ Despite its success, the intervention in Syria's civil war that has been underway since 2015 has revealed Russia's limitations in conducting a long-term, large-scale operation far from its borders.

⁷⁰ See B. Lowsen, 'Like a Good Neighbor: Chinese Intervention through the Shanghai Cooperation Organization' [in:] A. Scobell *et al.*, *The People's Liberation Army...*, *op. cit.*, pp. 251–275.

⁷¹ Based on 'SIPRI Arms Transfers Database', Stockholm International Peace Research Institute, sipri.org.

In the same time frame – between the periods 2000–9 and 2010–19 – Russia recorded a 23.2% increase in foreign arms sales, despite a decline in demand from its two main customers, India (by 42% in 2009–18) and Venezuela, which still accounted for 13% of its exports in 2009–13 before reducing its purchases by 96% in 2014–18. The Russian Federation registered the highest growth rate in the 2009–18 period, when exports to Iraq surged by 780% and to Egypt by 150%. Asia & Oceania is still the region that buys the most Russian arms (60%), followed by Africa (17%), the Middle East (16%) and Europe (5.8%). Between 2000 and 2019, 63% of total exports went to the three main customers, namely India (28.8%), the PRC (24.8%) and Algeria (9.4%).

Chart 1. Arms imports from Russia to the PRC (in TIV)⁷²



Source: ‘SIPRI Arms Transfers Database’, Stockholm International Peace Research Institute, sipri.org.

The relative success of China’s arms exports and the country’s rise to fifth place in the world among arms traders should be linked to the PRC’s economic expansion, which is opening up new markets for its investments and has also made it possible to win arms sale contracts. Apparently, these are often package deals – hence the numerous but minor purchases made by countries where Beijing invests heavily. Another source of growth is the market niche of unmanned combat aerial vehicles (UCAVs), which are mostly sold to the

⁷² Arms transfers are described using trend indicator values (TIV), a model developed by SIPRI that allows for a realistic comparison of arms flows without distortions due to inflation-related exchange rate differences, etc. See P. Holtom, M. Bromley, V. Simmel, ‘Measuring International Arms Transfers’, SIPRI, December 2012, sipri.org. However, it is safe to assume that the data on Russian arms exports provided by SIPRI for recent years is significantly underestimated, as it does not take into account the part of cooperation involving the execution of orders by local design bureaus. Such cooperation is less spectacular and more ‘dispersed’, and therefore more difficult for external observers to capture. The SIPRI statistics also do not cover another important sector of the market – the servicing and supply of spare parts.

Middle East.⁷³ However, this is an exception; generally, in this tandem, it is Russia that offers more advanced systems while China provides simpler and cheaper solutions. This division satisfies the main group of customers for Russian and Chinese products, which is made up of developing countries.

Despite its spectacular economic growth, the PRC remains dependent on technology imports, including entire weapons systems and components for the development of domestic designs for its navy and air force, the two key branches of its armed forces. Currently, much of Moscow's military-technical cooperation with Beijing involves design work and component supplies. The same is true of the aerospace industry, which relies heavily on engines from Russia. The biggest change, however, is that China is buying fewer and fewer off-the-shelf weapons systems, using imports only to make up for shortages of the key components needed for indigenously developed projects. In this respect, the Russian Federation claimed in the early 2000s that the PRC was illegally copying its military technology. The dispute was resolved in 2008 when Beijing signed an agreement on intellectual property issues. The extent to which Russia can fill the technological gaps of China's defence industry varies depending on the type of product. For example, it can only supply some components for warships, while it is a genuine partner for Beijing in the expansion and modernisation of combat aviation and air defence (see below: Air defence cooperation).⁷⁴ The current joint projects also involve space technology, satellite navigation and electronics manufacturing. Since 2014, the two countries have also been working together on the development of a wide-body transport aircraft and a heavy helicopter.

⁷³ See B. Yenne, *Drone Strike!: UCAVs and Aerial Warfare in the 21st Century*, Forest Lake 2017, pp. 132–138; S. Weinberger, 'China Has Already Won the Drone Wars', *Foreign Policy*, 10 May 2018, foreignpolicy.com.

⁷⁴ This state of affairs has been going on for years despite the PRC's ever-increasing arms spending and development of new models of weaponry. See D. Shambaugh, *Modernizing China's Military: Progress, Problems, and Prospects*, Berkeley 2002, p. 243 et seq.; K. Crane, R. Cliff, E. Medeiros, J. Mulvenon, W. Overholt, *Modernizing China's Military. Opportunities and Constraints*, RAND, Santa Monica 2005, pp. 135–190; Annual reports to Congress: *Military and Security Developments Involving the People's Republic of China 2019*, Office of the Secretary of Defense, pp. 31–67, defense.gov; *Military and Security Developments Involving the People's Republic of China 2018*, *idem*, pp. 59–78; *Military and Security Developments Involving the People's Republic of China 2017*, *idem*, pp. 49–63; *Military and Security Developments Involving the People's Republic of China 2016*, *idem*, pp. 56–74; *Military and Security Developments Involving the People's Republic of China 2015*, *idem*, pp. 31–47; *Military and Security Developments Involving the People's Republic of China 2014*, *idem*, pp. 27–39; *Military and Security Developments Involving the People's Republic of China 2013*, *idem*, pp. 29–43; *Military and Security Developments Involving the People's Republic of China 2012*, *idem*, pp. 5–10; *Military and Security Developments Involving the People's Republic of China 2011*, *idem*, p. 6; *Military and Security Developments Involving the People's Republic of China 2010*, *idem*, p. 6.

Air defence cooperation

In 2017, Russia sold 10 Su-35 fighters to China as its first foreign customer, and more orders have been reported by the media.⁷⁵ Beijing also acquired seven Kamov Ka-32A11VS maritime-version helicopters in 2016, and bought another two fire-fighting aircraft in 2017. The 2016 contract also included the supply of equipment for maintenance facilities and training in the Russian Federation for pilots and ground support staff.⁷⁶

What is crucial for the combat capabilities of the PLA air force, however, is the supply of Russian engines. The PRC is struggling with jet engine production for the fifth-generation Chengdu J-20 fighter jets. It was supposed to purchase a total of 1000–1200 Saturn AL-31FN engines⁷⁷ (officially for Chengdu J-10 fighters) and 10 Saturn AL-41F-1S (to replace those in the acquired Su-35s). The fifth-generation Chengdu J-20 fighters, which are designed to form the backbone of China's air force, are currently still equipped with Russian Saturn AL-31FN engines developed for third-generation fighter jets, or their slightly upgraded Chinese version Shenyang WS-10C.⁷⁸ Beijing is also dependent on supplies of Solov'yov D-30 engines for both its Xian Y-20 transport aircraft and Xian H-6K strategic bombers, which form the backbone of the PLA's transport and bomber fleets respectively. Theoretically, the Russian engines were to be replaced by the Shenyang WS-20 model in 2021.⁷⁹ A contract was also concluded in 2014 to supply the PRC with four regiments of the S-400 air defence system, but despite this, China's air defence still relies on the Russian S-300 system and its indigenous licensed copy, the HQ-9.⁸⁰

An important turning point for Chinese-Russian military-technical cooperation came in 2014, when, affected by a crisis in its relations with the West, Moscow expanded the range of technologies it made available

⁷⁵ Liu Xuanzun, 'China may consider more Su-35 fighters after Russian new offer', Global Times, 30 June 2019, globaltimes.cn.

⁷⁶ 'Russian rotocraft maker to train Chinese pilots to operate Ka-32A multirole helicopters', TASS, 1 November 2016, tass.com.

⁷⁷ R. Fisher, 'Can China break the military aircraft engine bottleneck?', FlightGlobal, 27 May 2015, flightglobal.com.

⁷⁸ Eventually, they are to be fitted with indigenous WS-15 Emei engines. See G. Waldron, 'Chinese air-power reaches for the big leagues in 2021', FlightGlobal, 18 December 2020, flightglobal.com; 'Does China's J-20 Rival Other Stealth Fighters?', ChinaPower, 15 February 2017, chinapower.csis.org.

⁷⁹ J. Bennett, 'China's New Y-20 Is the Largest Military Aircraft Currently in Production', Popular Mechanics, 20 June 2016, popularmechanics.com.

⁸⁰ Zhao Lei, 'PLA to buy advanced missiles from Russia', China Daily, 16 April 2015, chinadaily.com.cn.

to Beijing. Their cooperation in the development of China's missile early warning system, a key security feature for both countries which Putin revealed in 2019, proves that the Russian Federation is now ready to share its advanced defence technologies with the PRC.

3. Exercises and training

Joint military exercises are one of the most high-profile, practical and valued dimensions of Chinese-Russian relations. On the one hand, they allow the Russian Federation to demonstrate its capabilities in the only area where it still retains a relative advantage over the PRC. On the other, Beijing assumes that the PLA, which has not been involved in a war since the late 1970s, needs large-scale manoeuvres with an army that has combat experience. The Russians can also share the expertise the PLA needs in strategic planning, command, operations and communications control. It should be emphasised that most joint ventures of this kind, contrary to their officially declared objectives (the organisation of peacekeeping missions, tackling natural disasters or anti-terrorist operations), bear the hallmarks of preparations for a major armed conflict with a traditional adversary.

Joint exercises have several objectives: (1) they make it possible to increase the tactical and operational capabilities of both armies, thus expanding their possibilities for conducting independent or combined military operations; (2) they demonstrate to the Central Asian states – but also to the US – that Russia and China are capable of intervening together to defend their condominium in the region (see Chapter V.1), and that their alliance is lasting and unbreakable; (3) they build mutual trust, as they make it possible for each partner to assess the other's tactical capabilities and – to some extent – their military potential; (4) finally, for the Russian Federation, they provide an opportunity to showcase the new equipment it would like to offer to the Chinese military (see Chapter III.2). The drills have featured elements of integrated military command, the application of joint command procedures and conduct of operations by formations comprising units of both countries commanded by mixed staffs. Joint air force operations are also practiced, including air strikes in support of ground troops. The language of command and staff work is Russian.

Despite several years of exercises, their considerable scale and all-round nature, it nevertheless appears that the armed forces of Russia and China

would still be unable to conduct large-scale joint operations. Therefore, if any such are to be undertaken in the foreseeable future, they are likely to be coordinated, simultaneous operations in geographically separate areas as part of a joint campaign.⁸¹

Joint exercises

The regular Russian-Chinese joint military exercises and training can be divided into three types, the development of which illustrates the intensification of cooperation between the two countries.⁸²

- **‘Peace missions’** have taken place regularly (annually or bi-annually) since 2005.⁸³ They focus on operations by ground troops and their cooperation with the air force. They also include the use of long-range bombers, air and sea landings, capturing and occupying enemy territory, and joint operations against ‘colour revolutions’. In recent years, they have emphasised interaction at the tactical level.
- **‘Naval cooperation’** is a new type of navy manoeuvre created in 2012, taking place in different waters each year.⁸⁴ Operations include anti-aircraft and anti-submarine warfare, convoying, rescue operations, combating piracy, setting up naval blockades, resupplying at sea and seizing islands.⁸⁵
- **Special exercises** for specialised units, such as rocket, anti-aircraft or artillery forces, were launched a few years ago.⁸⁶ They also involve paramilitary formations, internal troops and special police units.

In addition, the armed forces of both countries train together within the SCO framework; anti-terrorist units in particular conduct regular

⁸¹ R. Weitz, *Parsing Chinese-Russian Military Exercises*, Strategic Studies Institute, Carlisle, April 2015, publications.armywarcollege.edu.

⁸² A. Korolev, *Beyond the Nominal and the Ad Hoc...*, op. cit.

⁸³ T. Parfitt, ‘Russia and China rattle sabres with joint war games’, The Guardian, 19 August 2005, theguardian.com.

⁸⁴ The Yellow Sea in 2012, the Sea of Japan in 2013, the East China Sea in 2014, the Mediterranean Sea in 2015, the South China Sea in 2016 (exercises included island landing), the Baltic Sea in 2017, the Yellow Sea in 2018, the East China Sea and the Yellow Sea in 2019.

⁸⁵ Since 2019, Chinese and Russian warships have also taken part in trilateral exercises with regional partners: Iran in the Persian Gulf region and South Africa in the southwestern Indian Ocean.

⁸⁶ С.Г. Лузянин, В.Б. Кашин, *Новые измерения стратегического и военно-политического партнерства РФ и КНР. Модель 2017–2022*, Институт Дальнего Востока РАН, p. 4, ifes-ras.ru.

exercises there.⁸⁷ Another new development was the PLA's participation in the Russian 'Vostok-2018' manoeuvres, the largest joint exercise of its kind.

In 1996, Beijing resumed sending cadets to foreign military academies.⁸⁸ Since then, around 300 military men have studied abroad every year, 80% of them in Belarus or Russia. They mainly attend courses for missile forces, including strategic (PLA Missile Forces)⁸⁹ or air defence forces.⁹⁰ 450 air force, missile and navy officers were sent to the Russian Federation under a cooperation agreement signed in 2000 for the period 2000–15. The Military Academy of the General Staff of the Armed Forces of the Russian Federation takes in up to 20 senior Chinese army officers a year. Other military academies (the All-Military Academy of the Armed Forces, the Air Force Academy, the Military Academy for Material and Technical Security) enrol between 40 and 60 for two- or three-year courses.⁹¹ By 2016, about 3600 PLA officers had undergone training in Russia.⁹² They make up the second biggest group of foreign students (after Belarusians) at Russian military academies. The figure does not include pilots trained to fly aircraft imported from the Russian Federation. Under the same agreement, Russian advisors were sent to the PRC to teach the operation of imported military equipment.

⁸⁷ See Zhao Xiaodong, *The Shanghai Cooperation Organisation and Counter-Terrorism Cooperation*, Asia Paper, August 2012, Institute for Security and Development Policy, isdp.eu.

⁸⁸ Before the diplomatic crisis with Moscow in 1960, they were only sent to military academies in the Soviet bloc countries.

⁸⁹ Formerly the II PLA Artillery Corps.

⁹⁰ See 軍事院校走出的中俄友誼 解放軍留學生的「伏龍芝」情誼, 29 August 2017, dragonnewsru.com, after: kknews.cc.

⁹¹ A. Korolev, 'On the Verge of an Alliance: Contemporary China-Russia Military Cooperation', *Asian Security*, vol. 15, no. 3, April 2018, p. 243.

⁹² V. Kashin, 'Russian-Chinese Security Cooperation and Military-to-Military Relations', ISPI, 21 December 2018, ispionline.it/en.

IV. ECONOMIC COOPERATION

Unlike in the 1950s, economic cooperation is currently not a significant driver of Chinese-Russian relations. One exception to this, however, is the booming exchange in the energy sector, which has been fuelling Moscow's increasing dependence on the Chinese market. **In 2020, the PRC accounted for over 14.5% of Russian exports, and was the largest individual recipient of Russian goods**, although the EU as a whole remains the Russian Federation's main trading partner, receiving 40.5% of its exports (down from over 50% ten years earlier).⁹³ **By contrast, Russia's share in Chinese trade has not exceeded 3% for years.** Despite the intensifying economic exchange over the last decade, driven mainly by exports of Russian raw materials, the 'Turn to the East' promoted by the Kremlin has so far been realised to only a limited extent. China has not become a viable alternative to Europe as a source of capital and technology for its neighbour's economy. However, it is becoming the most important source of demand for Russian raw material exports, a process that has been facilitated by Chinese investment and financial cooperation in this area, strongly supported by both governments.

However, Moscow is wary of the large-scale use of Chinese capital for its industrial and infrastructural modernisation. The terms presented to Russia by the PRC do not differ much from its offer to other developing countries (state-controlled loans and investments aimed at gaining full control over assets, as well as industrial development within Chinese value chains). The narrow sectoral scope of Sino-Russian economic cooperation also results from the reluctance of Chinese companies to expand more into the territory of the Russian Federation. This stems from the small potential of the local market, an unfriendly business environment and concerns about the sanctions on Russia applied by the West since 2014. Moreover, the economic model currently implemented by Moscow (state capitalism) does not leave much freedom to foreign companies. Russia protects its market from the undue influence of outside investors, regardless of their country of origin. Since 2014, it has also run a large-scale programme of import substitution, aimed at developing its own industrial capacity and weakening the position of external producers.⁹⁴

⁹³ The dynamic in this respect is determined primarily by changes in prices and (partly) in the volume of energy exports. See 'Итоги внешней торговли с основными странами', Federal Customs Service of Russia, customs.gov.ru.

⁹⁴ I. Wiśniewska, 'Substytucja importu w Rosji: mało, drogo i gorszej jakości', *Komentarze OSW*, no. 375, 3 February 2021, osw.waw.pl.

Despite those divergent interests, Russia and China continue to focus on co-operation in the raw material sectors (energy, timber, mining) and have managed to work out a mutually beneficial *modus vivendi*, albeit one not devoid of tensions. Using state-owned companies and banks, Russia has been expanding its financial cooperation with China in a controlled manner while increasing its mining and energy export capacities; it is also allowing Chinese companies to participate as minority investors in selected gas and oil projects. Beijing, with its wide range of alternative import sources, has been taking advantage of its partner's weakened position since 2014 with hard bargaining tactics over the terms of cooperation, often postponing projects and renegotiating contracts. Despite this, Russian energy exports to China have quadrupled over the past decade, and Russia even managed to temporarily achieve a trade surplus in 2018–2019. This has provided the Russian elite and the state budget with important revenues during the post-2014 slump, as well as a welcome diversification from the European market.

This emerging model of limited economic cooperation appears to be relatively stable and should not generate fundamental conflicts. From Beijing's perspective, the development of economic relations with Moscow brings benefits and fits the broader policy of diversifying supplies of raw materials. Although the asymmetry in the economic potentials of the Russian Federation and the PRC is deepening, economic cooperation that gravitates towards a centre-periphery model (where Russia acts as a supplier of raw materials and semi-finished products, while China supplies industrial goods) is acceptable from the point of view of the Russian elite as it does not require significant internal reforms. Beijing appears to accept Moscow's protectionist strategy of safeguarding its own market and nurturing its own industries (resulting in no progress in bilateral trade agreements), as it does not see the Russian Federation as a major economic competitor. On the other hand, redefining economic relations with the PRC and bringing political pressure to widen access to the Chinese market – following the attempts by the US and the EU – are hardly among the Kremlin's priorities.

1. Trade

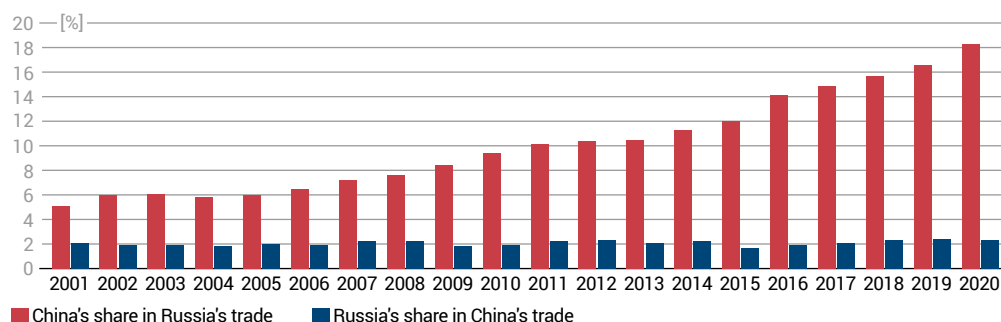
As mentioned above, Chinese-Russian trade relations are evolving towards the centre-periphery model, where the Russian Federation is becoming a raw material base for the PRC's economy and imports all sorts of industrial products from there. Although this largely replicates the pattern of Moscow's trade with Europe, Beijing is interested in importing almost exclusively unprocessed

materials, with their share in Russian exports to China far higher than in its trade with other partners. However, an increase in turnover with the PRC, as well as the country's rising share in the Russian Federation's total foreign trade, brings a significant diversification of exports for Russia, which is why Moscow sees this trend as beneficial.

In recent years, the value of trade in goods between the two countries has doubled, from \$55 billion in 2008 to \$104 billion in 2020. The dynamic was adversely affected by the post-2014 economic crisis in the Russian Federation related to the political repercussions of its aggression against Ukraine, as well as lower oil prices and a devaluation of the rouble (resulting in a decline in purchasing power). Sluggish domestic consumption and investment in Russia impacted imports from China, which only returned to near-2013 levels in 2018. In contrast, exports of unprocessed raw materials to the PRC, primarily crude oil, have skyrocketed recently. As a result of rising oil prices, Moscow achieved a trade surplus with China in 2018 for the first time since 2006 (although this did not last: a deficit was recorded again in 2020).⁹⁵

Between 2001 and 2020, the PRC's share in trade with the Russian Federation rose from 5% to over 18% (this indicator for exports rose from 6% to 14.5%). Russia's share in China's trade remained steady at around 2% (the share of exports rose from 1% to 2%).⁹⁶ So while Moscow's dependence on the Chinese market, though moderate, is steadily increasing, for Beijing, when all of its international trade is taken into account, the Russian Federation remains a third-rate partner.

Chart 2. Trade interdependence between Russia and China (2001–2020)

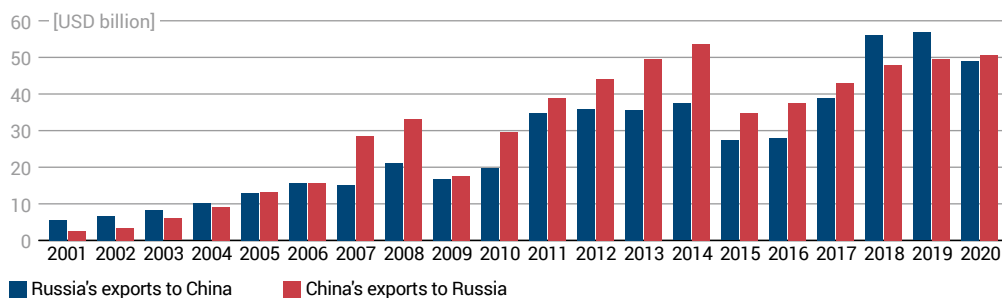


Sources: the General Administration of Customs of the PRC, the Federal Customs Service of Russia.

⁹⁵ According to Russian and Chinese sources, the figure was \$3.8 billion and \$10 billion respectively.

⁹⁶ 'Отчёт о внешней торговле между Россией и Китаем в 2019 году: товарооборот, экспорт, импорт, структура, товары, динамика', Внешняя Торговля России, 13 February 2020, russian-trade.com.

Chart 3. Russia and China's exports to each other (2001–2020)



Sources: the General Administration of Customs of the PRC, the Federal Customs Service of Russia.

The key trend in Russian exports to China over the past decade is a significant increase in the share of unprocessed and minimally processed raw materials. In 2008–19, the share of the former product group rose from 42% to 69%, primarily as a result of higher sales of crude oil and coal; these reached \$33.2 billion and \$2.2 billion respectively in 2019. Following a fall in oil prices in 2020, nominal crude exports fell to \$24 billion that year, despite an 8% increase in volume to 72.5 million tonnes. Minimally processed raw materials (about 20% of exports) include forest industry products (primarily debarked wood) worth \$3 billion, refined petroleum products (\$2.2 billion) and partially processed lead, iron and non-ferrous metal ores (\$2.4 billion).

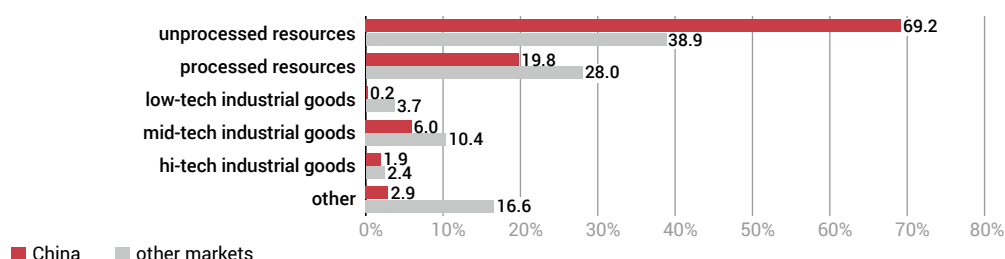
The overall volume of Russian exports of industrial goods to China, including organic chemicals and fertilisers, steel and electronics, is gradually decreasing. Their share in total exports fell from 17.5% to just over 8% between 2008 and 2019. Arms sales to the PRC, for years the most important item among the industrial goods exported by the Russian Federation, and often unreported in official statistics, are also on the decline (see Chapter III.2). The few Russian industrial goods for which Chinese demand has increased include jet engines (\$1.6 billion), optical equipment (\$200 million) and equipment for nuclear power plants.

By increasing its importance as a raw material base for China, the Russian Federation has found itself (in China's point of view) among China's suppliers of resources with the lowest added value. The current trade dynamics are moving it closer to a model based almost entirely on exports of unprocessed goods, as in the PRC's cooperation with Venezuela, Angola or Oman.⁹⁷ This differentiates Russia from the group of countries capable of offering China more complex

⁹⁷ The share of unprocessed raw materials in their exports to the PRC is 71%, 93% and 99% respectively.

refined oil products, such as chemicals or plastics. In the exports of Saudi Arabia and Iran, for example, these processed items taken together account for 30 and 18% of exports respectively.

Chart 4. Technological intensity of Russian exports in 2019



Source: UNCTAD.

A new, growing component of Russian exports to the PRC is foodstuffs (\$4 billion and about 8% of total exports in 2020, against some 4% in 2018).⁹⁸ This category is also dominated by low-processed goods (frozen fish, shellfish, soybeans), although sales of sunflower and soybean oil are also increasing rapidly. Support for trade in this sector is high on the list of priorities of both governments: in recent years, for example, phytosanitary cooperation and certification of Russian products in the Chinese market have been expanded, and permits for soybean exports from across the Russian Federation have been issued (2019). However, the prospects for the Russian processed food industry's rapid international expansion are hampered by the persistently high level of Chinese market protection and the insufficient production capacity of the domestic food processing and livestock sectors (which are unable even to meet domestic Russian demand).

A significant increase in agricultural production capacity will require the considerable capital involvement of Chinese food industry companies in the Russian Far East. Despite the long common border, cooperation in this region is in fact marginal, as evidenced by the poor development of cross-border infrastructure and border crossings. This is an effect of the political and economic model pursued by the Russian Federation, under which the Kremlin seeks to maintain full control over these regions and restrict their autonomy, especially in contacts with foreign countries. As of now, three Chinese-Russian special economic zones involving the forestry industry and one agricultural and

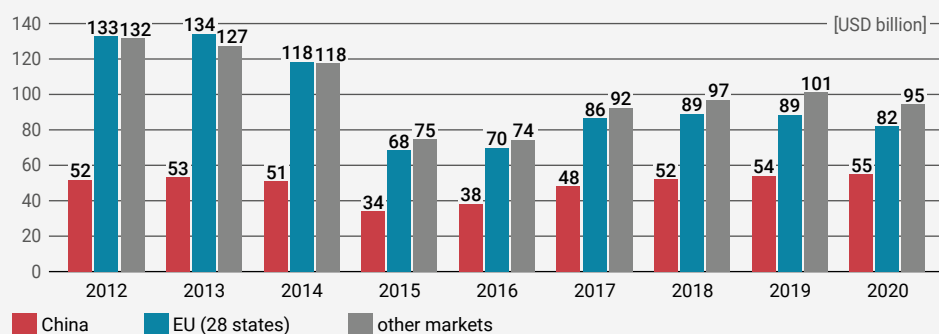
⁹⁸ The increase in the relative share of food in exports was partly due to a collapse in oil prices. In absolute terms, it increased from \$2.51 billion in 2018 to \$3.96 billion in 2020.

food zone have been operating in Russia's Primorsky krai since 2004. It covers around 48,000 hectares of arable land and several processing plants, with Chinese investments worth around \$100 million.⁹⁹ However, its development faces many constraints, such as inadequate labour resources in the region.

As mentioned earlier, the Russian Federation's share in the PRC's foreign trade is relatively small, about 2%. Due to its limited size and low level of integration with global supply chains, the Russian market is not a significant source of demand for high-tech products, which are generally a priority for Beijing (they account for 18% of sales to Russia, compared to 29% overall). Chinese exports to its neighbour are dominated by consumer goods, light industry (textiles, shoes) and consumer electronics. The PRC also sells machinery and capital goods to Russia (around 32% of its exports). The Russian Federation is also one of the most important markets for China's automotive sector, which is virtually absent from developed countries due to quality and certification problems.¹⁰⁰

The crisis in Russia: an opportunity seized by Chinese exports

Chart 5. Sources of Russian imports in 2012–2020



Source: International Trade Centre.

Despite a marked slowdown after the 2014 crisis, Chinese exports to the Russian Federation have rebounded much faster than sales of its competitors, including the EU. In 2020, Russian imports from the PRC stood at around \$55 billion (about 104% of the 2013 figure), from the European Union at around \$82 billion (66% of the 2013 figure), and from the rest of

⁹⁹ 华信中俄（滨海边疆区）现代农业产业合作区, Belt and Road, beltandroad.hktdc.com.

¹⁰⁰ Chinese cars, however, account for only around 2% of the Russian car market.

the world at around \$94.6 billion (74%). Chinese producers have seized the opportunity arising from the Russian post-2014 crisis to gain a greater share of its market for advanced industrial products, including capital and engineering goods, processing, as well as high-tech manufacturing (mainly machinery and equipment, means of transport) – primarily at the expense of entities from the European Union. This has been partly related to a rapid expansion of Sino-Russian cooperation in the field of export credits. Also, some European exports have been covered by the EU sanctions regime, resulting in Beijing's increased involvement in mineral and hydrocarbon extraction projects in Russia, generating demand for Chinese capital goods for the mining sector, among others.

The pattern of Russia's trade with China, which involves the exchange of raw materials for industrial goods at all levels of technological advancement, is in line with the PRC's long-term trade policy priorities. China is expanding its imports of raw materials from the Russian Federation, but does not depend on a single supplier, which is why it also closely cooperates with such countries as Saudi Arabia, Iran and Angola. For Russia, growing exports to China have become a valuable source of revenue as economic relations with the West have collapsed and demand for some raw materials (e.g. oil) in Europe has dwindled. In Moscow's current strategy, economic cooperation with the PRC plays an important political role in the process of reducing dependence on the West, and it will therefore be developed further by Kremlin. However, without significant investments in processing (see Chapter IV.2), Russia can only advance its 'turn to the East' through exports of unprocessed goods, which will strengthen the resource-based model of the relationship.

This foundation of the bilateral economic relationship is reinforced by the protectionist policies of both sides. China's consistent policy of substituting imports of industrial goods (e.g. under the 'Made in China 2025' programme) results in declining purchases of advanced goods from many trading partners – including Russia, but also the US and the EU. On the other hand, the Russian Federation began to actively implement its own import substitution strategy after 2014. Although it has failed to bring the expected results in most sectors, it has weakened the position of foreign manufacturers in the domestic market.¹⁰¹ Its objectives are to protect the existing industrial base from

¹⁰¹ I. Wiśniewska, 'Substytucja importu w Rosji...', *op. cit.*

external competition, and to provide state support for the development of new industries in agro-food, machinery, electronics and other industries. These changes are politically motivated by a desire to expand industrial autonomy from foreign countries, which is one of Putin's priorities. In selected sectors (including electronics and the digital economy), the Kremlin is also seeking to become independent from both Western and Chinese technologies, or at least to diversify their sources.¹⁰²

Mutual protectionism on both sides has not created visible tensions as of yet, although it does push the prospect of Chinese-Russian trade agreements far into the distance. From the PRC's point of view, the Russian market is of tertiary importance and the protected Russian industries, which are mainly geared towards meeting domestic needs, do not pose significant competition for the PRC on the global markets (apart from in the EEU). The level of Russian protectionism thus seems acceptable to Beijing. However, its efforts to create a free trade area with the Eurasian Economic Union are running into concerns, from its neighbour and other members of the community, that their markets could be flooded with Chinese goods. While talks on a trade agreement between the PRC and the EEU resulted in the signing of a framework agreement in 2018 (which came into force in October 2019), no concrete trade facilitation instruments have so far been devised (see Chapter V.5 for more details). Chinese experts point out that cooperation with Russia does not play an important role in the Beijing-led process of creating regional trade blocs in Eurasia. Russia is not regarded as a partner that could help China to compete with other trade blocs like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which includes certain Pacific countries, or the Japan-EU Economic Partnership Agreement (EPA).¹⁰³

From Moscow's perspective, the other possible way – besides protectionism – to change the resource-based model of its relations with Beijing could hypothetically involve renegotiating the foundations of Russia's economic cooperation with Beijing and guaranteeing wider access to the Chinese market for industrial goods. However, in the long run, this would require settling the issue of industrial subsidies and the privileged position of China's state-owned companies, which the PRC will be reluctant to do. If the US and EU bring very strong pressure to bear on China in those areas, Moscow may try to improve

¹⁰² *Idem*, *Digitalisation under surveillance. The development of the 5G network in Russia*, OSW, Warsaw 2020, osw.waw.pl.

¹⁰³ The authors' discussions with Chinese experts held in 2016–19.

conditions for cooperation with Beijing and increase its exports of processed goods. At present, the likelihood of Moscow joining US or EU-led multilateral efforts against the PRC in the domain of trade, the digital economy, subsidies and dumping should be considered very low, as this would most likely lead to serious political tensions with its neighbour.

2. Investment and financial cooperation

Financial cooperation, including Chinese loans and direct investments in Russia, is generally limited and confined to selected sectors of the economy. The way Chinese capital is utilised deepens the model of centre-periphery relations, where raw materials from the Russian Federation are exchanged for industrial goods from the PRC. Money flows predominantly towards strategic energy and mining projects carried out by policy banks and state-owned companies. A more 'organic' and commercially-led inflow of Chinese capital from commercial banks and private investors – a potential alternative to Western funding – has encountered significant barriers: Beijing's fear of being targeted by Western sanctions, an unfriendly business environment in Russia, and also its reluctance to sell key assets. As a result, Chinese money still has not filled the visible gap left by EU and US investors and lenders in the Russian Federation since 2014.

A defining feature of the relationship between the two countries is China's fundamental and deepening advantage in the ability to mobilise and export capital. In addition to the different sizes of the two economies, this is a result of Beijing's long-term policy aimed at pursuing high savings rates and trade surpluses that generate significant capital capabilities. In the PRC's system, capital allocation abroad is supervised by the state, which is able to influence its directions and terms of cooperation with external partners, and ultimately to pursue its own interests more directly.¹⁰⁴ The development of Chinese-Russian intergovernmental relations has become the driving force behind financial cooperation enabling capital exports to the Russian Federation, although – as already mentioned – this expansion is spotty, and has encountered a number of structural and political constraints.

¹⁰⁴ Capital flows are controlled through the state banking sector (commercial institutions and policy banks), extensive economic administration (which, for example, issues foreign investment permits) and the supervision by the central bank of currency transfers. Both private, 'bottom-up' operations and large-scale ventures by state-owned enterprises are shaped through these means.

Among the main channels for the flow of Chinese funds to Russia are the credit lines opened for the state-owned development banks – Vneshtorgbank (VTB) and Vnesheconombank (VEB) – by their Chinese counterparts. Examples include a series of agreements between VEB and the China Development Bank (CDB) in 2017–18 totalling about 83 billion yuan (\$12 billion)¹⁰⁵ and the loans amounting to \$2 billion granted to VEB by China’s Exim Bank in the crisis year of 2014.¹⁰⁶ Agreements are also regularly struck between VTB and Exim Bank to support foreign trade, including ones in 2009 and 2014 totalling \$2.3 billion. Credit lines have also been opened by state-owned commercial banks: one such contract worth \$2 billion was concluded by Exim Bank and Sberbank.¹⁰⁷ Agreements of this kind have a significant political dimension; they are signed regularly during meetings of heads of state, but they often refer only to the bilateral will to disburse loans – their actual use is difficult to estimate.

The credit lines are earmarked for ‘mutually agreed projects’ in Russia, primarily in the fields of infrastructure, mining and energy, as demonstrated by VEB and the CDB’s joint financing of the construction of Rusal’s aluminium smelter in Irkutsk. Some funds are also intended to support investments in the domestic high-tech industry. Export credits are used to purchase goods and services from the PRC, including products of the high-tech and telecommunications industries, foodstuffs and equipment for the mining and forestry sectors. The nature of the projects undertaken indicates that the Chinese side has significant influence on the way these funds are spent and the selection of suppliers and contractors. However, the intermediation of Russian development banks ensures that Moscow can affect these processes to a much greater degree than in the model of direct project lending by Chinese development banks, a practice that is predominant in the CDB’s global operations.

The course of negotiations on financial cooperation since 2014 indicates that, apart from the official channel (development banks), cooperation between commercial banking sectors has been severely limited. The main problem, as signalled by Moscow since 2015, is the fear of Chinese commercial banks that they may be targeted by the US and EU sanctions regime. Cooperation with the Russian Federation could hurt the extensive operations of Chinese (state-owned) commercial banks, such as the Bank of China, the ICBC and the CBC, on Western markets. Chinese financial institutions also consider it risky to

¹⁰⁵ ‘China Development Bank may loan up to \$10 billion to Russia’s VEB’, Reuters, 8 June 2018, reuters.com.

¹⁰⁶ ‘Russia’s VEB may get \$2 bln in loans from China Exim Bank’, Reuters, 13 October 2014, reuters.com.

¹⁰⁷ ‘Sberbank of Russia and Export-Import Bank of China sign documents on financing trade between China and Russia’, Sberbank, 10 November 2014, sberbank.ru/en.

operate in their neighbour's territory due to the local business environment. As a result, the debt (liabilities) of the Russian banking sector in the PRC rose from \$1.7 billion to \$7.8 billion between 2013 and 2017, then fell to \$4.5 billion in 2020, and has remained at less than 5% of total foreign debt in the banking sector (by comparison, its total assets are more than \$1.3 trillion).¹⁰⁸ The reluctance of Chinese banks to cooperate has translated into delays in the implementation of a number of joint projects, as well as criticism from some Russian commentators for *de facto* joining the Western sanctions regime. As a result, the dependence of the Russian financial system on the PRC market remains marginal, leaving Beijing with no real ability to influence Moscow using instruments from this sphere.

The other important way in which Chinese capital is exported runs through loans granted by Chinese development banks directly to Russian companies on a project-by-project basis. According to institutions that monitor Chinese lending using open sources, the Russian energy sector received a total of \$44.6 billion in loans between 2009 and 2020.¹⁰⁹ The largest such venture involved CDB loans of \$15 billion and \$10 billion granted to Rosneft and Transneft respectively in 2009 for the expansion of the Eastern Siberia-Pacific Ocean oil pipeline (ESPO; see Chapter IV.2). Over the next decade, several other projects were financed under this formula, including En+ Group's coal extraction and transportation installations (\$2 billion, 2013). In line with the practice followed by the CDB in other countries (e.g. Venezuela, Angola, Turkmenistan), loans granted to Russian companies are secured with future oil supplies (the so-called loan-for-oil model). Contracts contain provisions on the participation of Chinese entities in the development of extraction and transmission infrastructure. This formula is an intermediate solution between an investment and a loan: the PRC is guaranteed a long-term supply of raw material from a given deposit and the possibility of selecting contractors, but ownership of the facilities (and part of the operational risk) remains in Russian hands. From this perspective, the loans offered to energy companies from the Russian Federation should be partly seen as a down-payment for oil exports.

¹⁰⁸ The PRC's relative share in the total liabilities of the Russian banking sector increased not as a result of a significant increase in Chinese lending, but mainly as a result of a drop in the banks' external debt – from \$285 billion in 2013 to \$130 billion in 2019 – associated with the central bank's campaign to deleverage them after 2014. See 'External Sector Statistics' (*International Investment Position → Banking Sector → Geographic Breakdown of Foreign Assets and Liabilities of the Banking Sector of the Russian Federation, 2014–2021*), the Central Bank of the Russian Federation, 2020, cbr.ru/eng.

¹⁰⁹ 'China's Global Energy Finance', Global Development Policy Center, Boston University, bu.edu/gdp.

Chinese influence in Russia's power elite

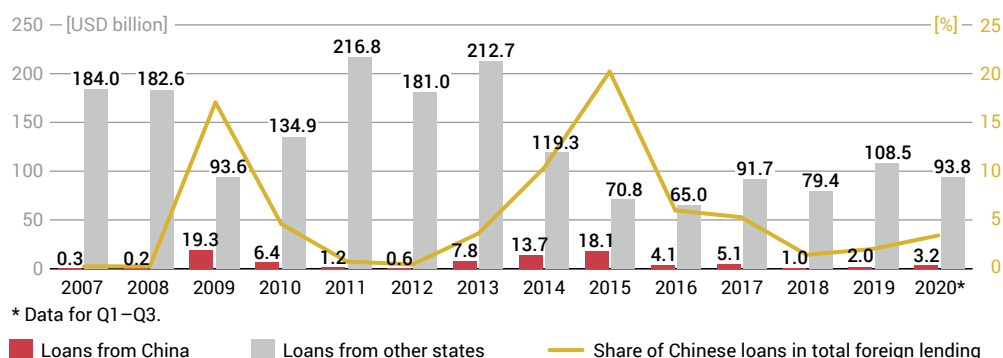
Even though the scale of Chinese financial involvement in Russia is not large – given both Beijing's capabilities and Moscow's expectations – it often involves the operations of oligarchs from the president's inner circle. The first transaction with clear political overtones was a contract concluded in February 2005 between the state-owned oil companies Rosneft and the CNPC. Under the deal, the Chinese side paid \$6 billion upfront for five years of oil supplies. Thanks to this financial boost, Rosneft, headed by Igor Sechin – one of Putin's close associate since the early 1990s – was able to complete the takeover of the assets of Yukos, an oil company forced into bankruptcy by the state. Due to the legally questionable nature of the deal, Rosneft was unable to pay for it through Western banks.

Chinese companies (the CNPC and Sinopec) again helped Rosneft solve its excessive debt problem (caused by the acquisition of TNK-BP) in 2013 when contracts were concluded providing for prepayments of \$75–85 billion.¹¹⁰ In 2015, Sinopec bought a 10% stake in the Russian oil company Sibur, co-owned by Kirill Shamalov (Putin's son-in-law at the time), from one of the oligarchs closest to the president, Gennady Timchenko, for \$1.3 billion. Two years later, Timchenko became the beneficiary of another deal (together with another billionaire, Leonid Mikhelson), in which China's Silk Road Fund purchased a 9.9% stake in the Yamal liquefied gas project from them for \$1.2 billion. That same year, PRC banks provided the two oligarchs with a long-term loan of \$12.1 billion to develop this project, for which Western financing was difficult to obtain due to the risk of being covered by US restrictions.¹¹¹ Such deals bring significant direct benefits to key figures in Putin's most immediate business and political circle, which may suggest that Beijing is using them to create a pro-China lobby within Russia's power elite.

¹¹⁰ J. Henderson, T. Mitrova, *Energy Relations between Russia and China: Playing Chess with the Dragon*, The Oxford Institute for Energy Studies, August 2016, p. 27, oxfordenergy.org.

¹¹¹ A. Gabuev, 'China's Pivot to Putin's Friends', Carnegie Moscow Center, 25 June 2016, carnegie-moscow.org.

Chart 6. Inflow of foreign loans to Russian businesses (2007–2020)



Source: the Central Bank of the Russian Federation.

According to data from the Central Bank of the Russian Federation, Chinese entities provided Russian non-financial businesses with loans totalling about \$82.8 billion in 2007–20.¹¹² By the end of the third quarter of 2020, the Russians had managed to repay about \$40 billion of that sum.¹¹³ The inflow of such loans visibly increased during crises, peaking in 2009 and 2015, when capital from the PRC accounted for about 20% of the foreign loans taken out by companies from the Russian Federation. This trend should be associated with the politicised nature of the CDB’s activity (ensuring ‘resilience’ in the face of the panic on the financial markets after 2008), and, in the case of the 2014 crisis, also with the ability to operate despite Western sanctions. Over the 2007–20 period, however, the cumulative value of loans from China to Russian companies accounted for only about 4.3% of total new foreign loans. Thus, money from the PRC is still not playing a systemic role in financing its neighbour’s corporate sector. Russia has pinned some hopes on the possibility of raising funds by issuing yuan bonds in China (the so-called ‘panda bonds’), but so far the only transaction of this kind has been made by Rusal, which raised the equivalent of around \$230 million this way in 2015. The Ministry of Finance of the Russian Federation held similar talks with the Chinese;

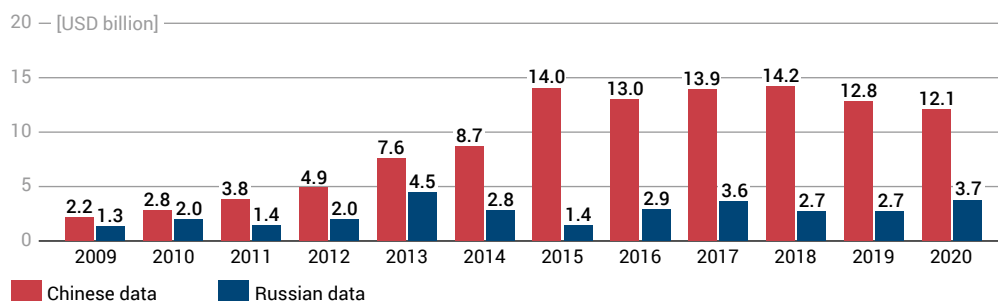
¹¹² This amount most likely includes both loans to Russian energy companies and some projects developed under Chinese credit lines to VTB and VEB. In 2014, the Central Bank of the Russian Federation began to include refinancing of previous obligations (debt rollover) in the statistics presented.

¹¹³ Due to the lack of information on the current balance, it is difficult to estimate the debt of Russian companies to Chinese entities – but it exceeds the remaining amount of \$42.8 billion (this is related to the accrual of interest on loans). Significantly, the repayment intensity increased markedly in 2017–19 (to around \$10 billion per year) which reduced the debt total. See ‘[External Sector Statistics](#)’ (External Debt → Transactions in Loans by Russian Financial Organizations (Except Banks), Nonfinancial Corporations and Households by Country of Nonresident Registration, 2007–2020), the Central Bank of the Russian Federation, cbr.ru/eng.

the plans envisaged issuing Russian yuan bonds worth 6 billion yuan (about \$1 billion) in 2020.¹¹⁴

The last major channel of Chinese capital exports to Russia is foreign direct investment, where PRC entities acquire ownership of companies in the Russian Federation. The scale of these flows is difficult to estimate, due to the patchy information sources and the large role played by offshore jurisdictions in such transactions. Moreover, there are significant discrepancies between the relevant Chinese and Russian data: the accumulated value of investments by PRC companies is estimated at \$12.8 billion and \$2.7 billion respectively. However, the figures point to similar dynamics of transfers, with intensive growth before 2014 and the crisis in Russia, followed by several years of stagnation and even a slight decline. These changes are part of a global trend of Beijing putting the brakes on Chinese foreign investment after 2016, driven by a crackdown on capital flight and the need to defend the value of the yuan.

Chart 7. Accumulated Chinese investments in Russia (2009–2020)



Sources: the Central Bank of the Russian Federation, the Ministry of Commerce of the PRC.

The value of accumulated Russian direct investments in China was a mere \$280 million in early 2020, which is in line with the broader asymmetry in capital exchange between the two countries.¹¹⁵ What is more, Russian annual FDI – after the 2004 peak of around \$130 million – gradually declined over the following decade, and it currently stands at less than \$20 million a year.¹¹⁶ Russian projects are concentrated in the petrochemical sector (Aron, Petropavlovsk PLC, Sibur) and the IT sector (Kaspersky Lab, i-Free, Teclot), and are

¹¹⁴ ‘Минфин РФ может разместить ОФЗ в юанях на Московской бирже в 2020 г.’, 17 October 2019, finanz.ru.

¹¹⁵ 俄中经贸合作, The Trade Representative Office of the Russian Federation in the PRC, russchina-trade.ru.

¹¹⁶ G. Borisov, L. Popova, ‘FDI motivation and entry strategies of Russian companies in the Chinese market’, *Advances in Economics, Business and Management Research*, vol. 104, atlantis-press.com.

usually greenfield ventures, meaning that they do not involve the acquisition of local entities.

Chinese FDIs in the Russian Federation are mainly made by state-owned corporations and investment funds involved in the Russian mining and energy sector. The largest transactions in this area have included the purchase of a 20% stake each in the Yamal LNG and Yamal LNG-2 projects by the CNPC (in 2013 and 2019 respectively), the acquisition of 10% stakes each in the petrochemical company Sibur by the Silk Road Fund and Sinopec, and the acquisition of a 13% stake in the chemical company (potash) Uralkali by the China Investment Corporation (CIC) sovereign wealth fund. Importantly, Chinese state-owned companies have so far acted as minority investors, which is related to Russian reluctance to hand over control of key assets to the PRC (and foreign entities in general). Cooperation between the two countries has also led to the creation of the joint \$2 billion Russia-China Investment Fund (RCIF) in 2012, which allocates funds mainly to service companies operating in both markets. A joint yuan-denominated fund was also launched in 2019 (it manages capital equivalent to around \$150 million, with an option to expand to \$1 billion).

There are also some ‘organic’ and less policy-dependent investment flows between the PRC and Russia. These are primarily minor Chinese manufacturing projects, for example, in the automotive sector (such as Lifan, Fuyao, Great Wall Motor) or e-commerce (a joint venture between Alibaba and Mail.ru),¹¹⁷ as well as small-scale manufacturing and raw material processing, especially in the Russian Far East. However, Beijing has for years been pointing to the structural limitations in the development of such cooperation (which affect all foreign entrepreneurs, not just Chinese ones). Businesses face institutional obstacles in the Russian Federation, an unstable business environment and a dysfunctional justice system. Efforts have been made at the Sino-Russian intergovernmental level to mitigate those problems, for example through cooperation within special economic zones in the Russian Far East, but they are yet to translate into a significant increase in the number of Chinese ventures.¹¹⁸

¹¹⁷ In 2019, they formed an estimated \$2 billion joint venture, AliExpress Russia, focused on developing e-commerce platforms based on Chinese know-how, with the majority participation of Russian entities (including the sovereign wealth fund RDIF). See I. Lunden, ‘Alibaba, Mail.Ru, Megafon form AliExpress Russia JV to double down on e-commerce in CIS’, TechCrunch, 5 June 2019, techcrunch.com.

¹¹⁸ The Chinese side points out that Russian zones are being set up in regions that are sparsely populated and lack a skilled workforce, which supposedly discourages business from investing. See *Российско-китайский диалог: модель 2015*, доклад 18, Российский совет по международным делам, p. 22, russiancouncil.ru.

The inflow of Chinese capital to Russia has increased significantly over the past decade. However, it is confined to several specific areas and associated with large flagship projects developed by state-owned enterprises and banks with full political support from Moscow and Beijing. 'Organic' and market-driven ventures, on the other hand, are constrained by the factors already mentioned: Chinese enterprises' fears of Western sanctions, Beijing's clamp-down on uncontrolled capital outflows, an unfriendly business environment in the Russian Federation, and also the Kremlin's reluctance to sell majority stakes in key assets to the PRC. Faced with these problems, China is ready to provide political and financial support only to projects in strategic areas, aimed at increasing raw material supply from Russia. As a result, financial cooperation between the two countries is exacerbating the centre-periphery model of the relationship. Its relatively limited scale also means that capital from the PRC still does not play a significant role in the financial sector and economy of the Russian Federation, and thus does not provide its neighbour with a real alternative to the West or a substantial developmental impulse.

Sino-Russian currency cooperation

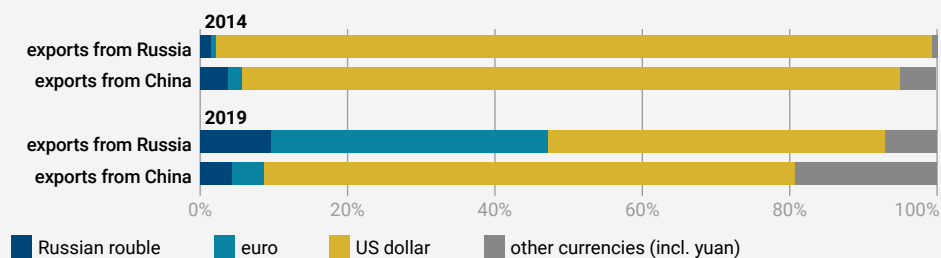
One of the most important areas of financial cooperation after 2014 has been the promotion of the national currencies, the rouble and the yuan, in bilateral trade. From Moscow's perspective, this constitutes a part of a broader policy effort to reduce dependence on the US dollar, aimed at avoiding US sanctions and a freeze of its dollar-denominated assets. For Beijing, in turn, cooperation with the Russian Federation is an element of advancing the yuan's internationalisation. After the turmoil in the domestic financial market and the capital flight of 2015–16, China returned to stricter control of capital flows. This led to a decline in the international use of its currency. From this point of view, Russia, which is politically motivated to ditch the dollar, is an attractive partner for Beijing.

After 2014, the two countries began to actively promote the use of their own currencies in commodity trade: for example, they signed a \$25 billion yuan-rouble swap agreement (allowing central banks to provide liquidity in each other's currencies). In 2017, China launched a payment-versus-payment rouble-yuan settlement mechanism – the first such mechanism created by Beijing – as an alternative to SWIFT.¹¹⁹ In 2018–20, the Russian

¹¹⁹ However, this form of settlements has significant drawbacks, including the need to wait for a mirror order to appear in the currency pair.

central bank's yuan reserves grew considerably (they were worth around \$68.2 billion in January 2020), which occurred amid a massive Russian sell-off of US bonds. This should be seen both as a hedge, motivated by the diversification of the bank's portfolio, and a political act of building trust with the PRC.

Chart 8. Comparison of the structure of foreign exchange settlements in Chinese-Russian trade in 2014 and 2019



Source: К. Назарова, И. Ткачёв, 'Доля доллара в оплате экспорта из России в Китай впервые упала ниже 50%', РБК, 26 July 2019, rbc.ru.

After several years, partly thanks to strong political support, Beijing and Moscow made great strides in de-dollarising their bilateral trade. The US currency's share fell from 75.8% in 2014 to 46% in the first quarter of 2020. The rouble and the yuan accounted for 24% at the end of this period, but Russia's withdrawal from the dollar mainly promoted transactions in euros (30%).¹²⁰ The main obstacles to the further promotion of national currencies are impossible to eliminate in the short term: the volatility of the rouble (its sensitivity to changes in oil prices), China's capital controls which restrict transfers of payments received in yuan outside the PRC, as well as limited opportunities to invest foreign capital in the Chinese financial market. In turn, Russian exporters (in particular oil exporters), who are ditching the dollar, prefer to settle with China using euros.

3. Energy

Economic cooperation between Moscow and Beijing is primarily based on Russian crude oil exports. Their volume has been growing by an average of 20% annually for several years. So far, the significant diversification

¹²⁰ Д. Гринкевич, 'Юань брал: доллар впервые занял менее 50% в торговле России с КНР', Известия, 29 July 2020, iz.ru.

of Chinese import supply, combined with its capital advantage, has allowed the PRC to bargain assertively with its partner on prices. China is trying to impose its own terms, and has been exploiting the weak position of Russia caused by the post-2014 economic crisis and conflict with the West. In the long term, however, the structural nature of Beijing's confrontation with Washington, combined with China's dependence on oil imports by sea, will partially offset this asymmetry, increasing the strategic importance of the Russian Federation as a land-based supplier of raw materials for the PRC.

Energy is the main driver of economic exchange between the China and Russia. In the last decade, increased Russian energy exports accounted for 60% of the overall growth in bilateral trade, which almost doubled in value between 2008 and 2020. The **oil sector** is the main pillar of energy cooperation between the two countries. The structure of trade is dominated by crude oil, while the share of refined products is gradually decreasing (see Chart 9). The value of the shipped crude fluctuates depending on global market prices, but in volume terms it has been growing continuously since 2013, from 24 million to 83.5 million tonnes in 2020. The booming trade is facilitated by two branches of the ESPO/WSTO oil pipeline commissioned in 2010–2012 (a branch linking Skovorodino with China's Daqing and a branch to the Kozmino port). Purchases of Urals oil also take place through Russian ports, as well as swap operations from Kazakhstan.¹²¹ Deliveries are made under long-term contracts, including loan-for-oil (e.g. a loan agreement signed in 2009 that is being repaid with deliveries of 15 million tonnes of oil a year for 20 years), and under a 2013 contract between state oil companies involving deliveries of 360 million tonnes of crude over 25 years.¹²²

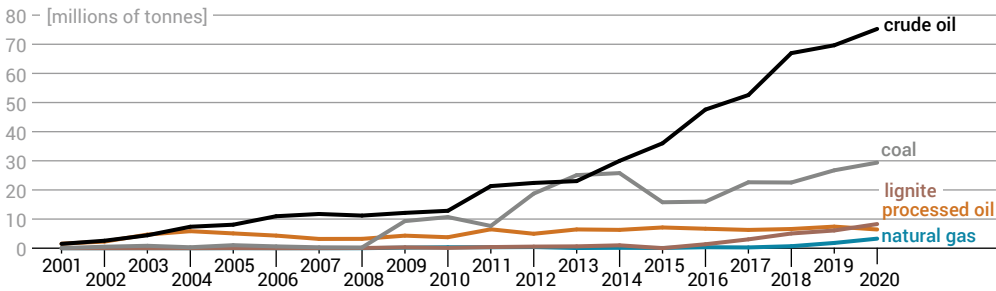
The surge in crude exports to the PRC allows Russia to substitute the weakening demand for its crude on the European market, resulting in declining export volumes in that direction. In 2017, China overtook Germany as the main recipient of crude oil from the Russian Federation. However, the EU as a whole still generates 48% of demand for crude (2020). The ESPO/WSTO project was completed in 2019, with a maximum projected capacity of 80 million tonnes on the Skovorodino-Tayshet section and 50 million tonnes on the Skovorodino-Kozmino route. The potential for supplies to the PRC will increase after the

¹²¹ M. Kaczmarek, S. Kardaś, "The oil friendship: the state of and prospects for Russian-Chinese energy cooperation", *OSW Commentary*, no. 197, 17 February 2016, osw.waw.pl.

¹²² C. Weaver, N. Buckley, 'Russia and China agree \$270bn oil deal', *Financial Times*, 21 June 2013, ft.com.

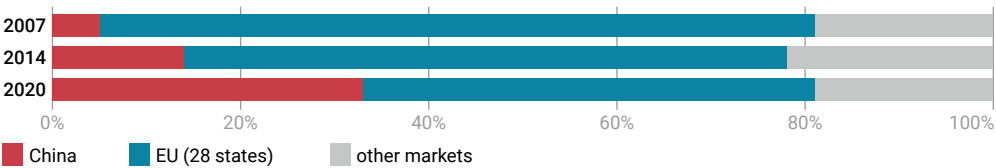
second branch of the oil pipeline is added on the Chinese side and the Kozmino port is expanded. Challenges to further export growth in the long term (after 2025) includes the poor state of Russia’s oilfield infrastructure; and in the short term, reduced supply under an OPEC+ agreement and potential technical difficulties in restarting deliveries.

Chart 9. Export volumes of energy resources from Russia to China (2001–2020)



Source: the Federal Customs Service of Russia.

Chart 10. Share of main markets in Russian oil exports in 2007, 2014 and 2020



Source: the Federal Customs Service of Russia.

For the time being, the involvement of Chinese companies in the Russian oil sector, which offers a potential solution to underinvestment in local oilfields, has been limited to relatively small projects. This is partly due to Russian regulations prohibiting the sale of majority stakes in large oil projects to foreign entities. In 2014, Moscow signalled the possibility of waiving this rule for PRC investors, but the idea was eventually scrapped (presumably due to a lack of interest on China’s part).¹²³

The talks on oil investments were hampered by the complicated political situation in China’s oil sector in recent years. During Xi Jinping’s anti-corruption campaign in 2013–15, many executives of the biggest state-owned oil companies (Sinopec and CNPC) were purged, which temporarily paralysed

¹²³ А. Топалов, «Для китайских друзей ограничений нет», Газета.ру, 1 September 2014, gazeta.ru.

decision-making processes in China's oil sector. An internal political struggle also led to the blocking of what was potentially the largest Chinese investment in the Russian energy sector – the plans by the private energy conglomerate CEFC to purchase a 13% stake in Rosneft in 2017.¹²⁴ Beijing still appears to be interested in capital involvement in this area, although it seeks agreements on its own terms, and has been waiting for the moment when its crisis-ridden neighbour will be forced to make significant concessions. Chinese energy experts often point at the Russian side's excessive expectations with regard to asset valuation and financing conditions, which are out of step with current trends on the commodity markets.¹²⁵

In 2016, the Russian Federation overtook Saudi Arabia to become the PRC's main supplier of crude oil, but it fell back to second place in 2019. Its share of the Chinese market was only about 15.3% in 2020, which reflects a very high degree of diversification of Chinese oil imports; this results from Beijing's long-term policy of building relations with many resource-rich countries.¹²⁶ It should, however, be assumed that the importance of Russia's supplies will rise in view of China's growing conflict with the US, Washington's strategy of shifting responsibility for the protection of maritime shipping to importers, as well as political instability in the Middle East. The region accounts for around 47% of China's oil imports; a further 3.5% involves supplies from the United States. In addition, the PRC is experiencing a decline in its own oil production (to around 194 million tonnes in 2020, which meets only 28% of consumption) and in the level of its strategic reserves, while the Russian Federation remains the only source of oil supplied entirely by land.

Compared to oil, cooperation in the **natural gas** sector looks modest. Russia exports relatively small volumes of liquefied natural gas (LNG) to China: 3.9 bcm in 2019. The situation will change significantly in the coming years with the opening of the Siberian Power pipeline, commissioned in December 2019. The project, which Gazprom has been developing (on Russian territory) since 2014, connects Vladivostok with China's Heihe. Its target capacity – which depends on several additional investments – is expected to be 61 bcm per year. The project is designed as a means of fulfilling the Chinese-Russian contract

¹²⁴ D. Zhdannikov, 'China's CEFC investigation hits \$9 billion Russian oil deal', Reuters, 22 March 2018, reuters.com.

¹²⁵ The authors' conversation with representatives of the Chinese energy industry in 2016.

¹²⁶ The share of the next largest suppliers in 2020 was as follows: Saudi Arabia with 15.9%, Iraq 10.8%, Angola 7.8%, Brazil 7.8%, Oman 7.2%. Iran's position since 2018 has been difficult to determine, but according to unofficial data, China imported about 17.8 million tonnes of oil from the country through indirect channels in 2020, or about 10% of its official imports.

signed in 2014 to supply 38 bcm of gas annually for 30 years. However, full-volume deliveries will not be possible before 2025.¹²⁷ The project has suffered a number of delays due to Gazprom's poor financial situation. The supply timetable is in doubt as a result of the company's underinvestment in the oilfields. Full-scale production at the Chayandin field is set to begin only in 2022 and that at the Kovyktinsk field in 2024–31.¹²⁸ The potential for growth in crude exports to the PRC has risen thanks to investments by China's CNPC in the Yamal LNG project (20%), operated by Russia's Novatek.

Beijing's motivation to import gas from the Russian Federation is much lower than in the case of oil, which affects the dynamics of cooperation in this sector. In 2020, China met more than half of its demand of 328 bcm with its own production (190 bcm, 58% of consumption), which has been growing as a result of government support for shale gas extraction and the liberalisation of the extraction market.¹²⁹ China also has the ability to import gas via other onshore pipelines from Central Asia and Myanmar (their total capacity is around 70 bcm; 48 bcm is currently in use). In recent years, the PRC has also been rapidly developing a network of LNG terminals, with imports via this channel increasing by around 30% a year in the past decade.¹³⁰ Zhongnanhai assumes that the dependence on foreign LNG supply should primarily be offset by the expansion of domestic production, and only then to be followed by imports via land transport and gas pipelines. As a result, Beijing has been very assertive in talks with Russia, e.g. on prices (which are expected to be lower than those offered to European customers) and the terms for financing joint projects. Despite Gazprom's intense efforts, Zhongnanhai is also reluctant to lend money for the construction of additional infrastructure, such as the Power of Siberia II project (designed to connect western China with deposits in western Siberia).¹³¹ According to Beijing, the 2014 gas supply agreement is still a framework arrangement, and the final volume of imports will be determined by the current market situation and prices.

¹²⁷ The planned schedule sets supply volumes at 5 bcm in 2020, 10 bcm in 2021 and 15 bcm in 2022. S. Kardaś, 'Wąta Siła Syberii: uruchomienie pierwszego gazociągu z Rosji do Chin', *Komentarze OSW*, no. 315, 5 December 2019, osw.waw.pl.

¹²⁸ M. Kaczmarek, S. Kardaś, 'The oil friendship'..., *op. cit.*

¹²⁹ 刘叶琳, 2020年中国天然气进口数量稳步增长 进口源呈多元化, 人民网, 27 January 2021, people.cn.

¹³⁰ In the pandemic year of 2020, LNG imports increased by about 14%, while imports by pipeline fell by about 5%, partly due to price reductions in the LNG spot market, which is more strongly linked to oil prices.

¹³¹ In 2019, the Russian side started working on alternative projects, including a pipeline running through Mongolia. O. Мордюшенко, 'Китайские деньги не пошли в «Газпром»', *Коммерсантъ*, 29 January 2019, kommersant.ru.

The biggest potential challenge to energy cooperation between the two countries lies in the question of demand, which hinges on the state of China's slowing economy. Although the volume of Chinese oil imports rose in 2020 despite a slump in the first quarter, according to some Chinese and international estimates, the PRC will reach peak oil consumption in the coming years.¹³² This is due to a number of simultaneous factors, including the planned shift away from the investment- and energy-intensive economic model, as well as the government's intensive promotion of electric vehicle technology (as already seen, for example, in the area of public transport). Despite the prospect of a slowdown in growth or even a decline in Chinese imports, the volume of supplies from Russia could potentially rise as a result of international factors that may limit the PRC's access to alternative sources of raw materials. So far, significant supplier diversification combined with capital advantages has allowed Beijing to negotiate very assertively with Moscow, which is mired in crisis and conflict with the West.

¹³² 'China's oil demand to peak by 2030: CNPC', Argus Media, 29 August 2019, argusmedia.com.

V. MODELS OF INTERACTION IN THE INTERNATIONAL ARENA

The smooth functioning of the Beijing-Moscow axis is also based on successful cooperation in a number of international policy areas. This cooperation takes on various forms, which fall into six basic models: division of labour, asymmetrical cooperation, symmetrical cooperation, *ad hoc* tactical coordination, harmonisation of interests and soft competition.¹³³ These models are a result of several decades of mutual adjustment between the partners, and their search for different modes of effective collaboration. Despite occasional conflicting interests and misunderstandings, both sides have always come to the conclusion that cooperation and coordination in the areas they perceive as being of vital importance (the functioning of the international system, the rivalry with the United States, the stabilisation of Central Asia and the Korean Peninsula) is a strategic imperative, in the name of which it is necessary to avoid conflicts and demonstrate a readiness for the mutual accommodation of interests. The main driver of this collaboration is obviously the sense, shared by both elites, of the threat posed by the West. The variety of cooperation models they have worked out is an indication of the dynamism and flexibility of the alliance on the one hand, and of its structural limitations on the other. The latter, however, do not threaten its durability or cohesion.

1. Division of labour: a ‘condominium’ in Central Asia

One of the basic forms of cooperation between the Russian Federation and the PRC is **the ‘division of labour’ model**, in which **both sides recognise each other as indispensable partners, clearly define their interests and accept them reciprocally. At the same time, they accept that one of the parties may play a leading role in a particular sector, field or sphere of activity. The prerequisite for the smooth functioning of this model is the recognition by both countries that their basic interests coincide on fundamental issues, and that they are prepared to hold regular and systematic consultations.** An example of this model is the *de facto* Chinese-Russian

¹³³ It should be remembered that this text is the authors’ attempt to systematise the mechanics of the alliance, which both the actors may not necessarily perceive along the lines of the structural framework outlined here. Nevertheless, the adoption of such a formula allows for a functional analysis of joint Russian and Chinese activities in sectors or regions where the interests of both countries interplay. However, a necessary caveat is that the models described in this section permeate each other in practice and undergo dynamic transformations, and the examples assigned to each model may also be covered by other forms of cooperation in specific dimensions.

condominium in Central Asia which gradually emerged after the collapse of the USSR. This has played a special role in Chinese-Russian relations, because reaching an effective and satisfactory *modus vivendi* in a region constituting their common neighbourhood and where their interests overlap became the starting point for the formation of their alliance.

The collapse of the USSR in 1991 opened up Central Asia to Beijing's influence, but also brought serious security and stability challenges to the Xinjiang Uyghur Autonomous Region in northwestern China, inhabited by Muslim ethnic minorities.¹³⁴ In particular, the civil war in Tajikistan (1992–6) made China worry about the rise of separatism and Islamic fundamentalism in Xinjiang. The Russian Federation, considering itself the heir to both the Soviet Union and the Russian Empire, claimed Central Asia as its 'natural' sphere of influence. It maintained its bases and military installations in Kazakhstan, Kyrgyzstan and Tajikistan, but failed to maintain economic domination over the region because of its economic weakness. Beijing and Moscow became simultaneously concerned about US penetration into the region. Both capitals saw a common interest in keeping the region stable and reducing Western influence there. This prompted them to seek mutual accommodation and to support the local authoritarian regimes. Consequently, in the mid-1990s a Russian-Chinese *modus vivendi* emerged in Central Asia based on a 'division of labour,' with Moscow focused on security issues, while Beijing concentrated on developing economic ties.

In 1996, cooperation between the Russian Federation and the PRC in the region took on an institutional form with the creation of the so-called Shanghai Forum (Shanghai Five), which also included Kazakhstan, Kyrgyzstan and Tajikistan. Five years later, it was transformed into the Shanghai Cooperation Organisation, which Uzbekistan joined later. Although India and Pakistan gained membership in 2017 and a number of countries had previously been granted observer status, the organisation remains the main forum for Moscow and Beijing to develop a common policy towards Central Asia (see below). It is also a tool for them to build mutual trust and 'softly' impose a common agenda on the countries of the region.

¹³⁴ See A. Jarosiewicz, K. Strachota, *China vs. Central Asia. The achievements of the past two decades*, OSW, Warsaw 2013, osw.waw.pl; W. Górecki, *Ever further from Moscow. Russia's stance on Central Asia*, OSW, Warsaw 2014, osw.waw.pl.

The Shanghai Cooperation Organisation was established in 2001, officially to coordinate the efforts of Russia, China and the five post-Soviet Central Asian states in combating the so-called ‘three evil forces’ of separatism, terrorism and extremism.¹³⁵ For the Russian Federation, however, it was primarily intended as an instrument enabling it to influence Beijing’s relations with the other countries of the region, especially in the security sphere. The shared intention of both partners was to limit the influence of the West, especially the US, in Central Asia.

From the perspective of its officially declared tasks, the SCO’s effectiveness should be assessed in rather critical terms.¹³⁶ In reality, it primarily serves as a platform for aligning Russian and Chinese interests in the region and, as mentioned above, it helps the administrative elites of both countries to develop the habits of consulting and coordinating their policies in the region. At the same time, however, the Russian Federation has blocked Chinese proposals to transform the SCO into an organisation of economic integration through the creation of a free trade zone within its framework. It has also not been particularly interested in using the organisation for developing cooperation in the security sphere, since it feared that this would marginalise the Collective Security Treaty Organisation (CSTO). Instead of deepening cooperation within the SCO framework, it opted for and pursued a strategy of enlargement by including states with large political and military potential: India, Pakistan and Iran.¹³⁷ This attitude indicates a desire to weaken the PRC’s influence in the organisation and to further restrict security cooperation, as it is difficult to imagine India and Pakistan cooperating in the fight against terrorism.

For all the differences concerning the functioning of the SCO and despite its sensitivity to foreign influence in the post-Soviet area, Moscow has come to terms with the emergence of a *de facto* **Russian-Chinese condominium in Central Asia**. The Russian Federation invokes the common interest that Moscow and Beijing have in stabilising the countries of the region and in limiting Western influence there. The Chinese are expanding their economic

¹³⁵ See Enshen Li, ‘Fighting the “Three Evils”: A Structural Analysis of Counter-Terrorism Legal Architecture in China’, *Emory International Law Review* 2019, vol. 33, issue 3.

¹³⁶ See e.g. А. Кортунов, ‘ШОС — камень, отвергнутый строителями новой Евразии?’, РСМД, 14 May 2018, russiancouncil.ru; Д. Лицкай, ‘Шанхайская организация сотрудничества на пороге расширения’, *Международная жизнь*, April 2015, interaffairs.ru.

¹³⁷ India and Pakistan became full members of the SCO in 2017. Iran’s candidacy faces a formal obstacle from the perspective of the organisation’s accepted principles in the form of UN sanctions.

presence in Central Asia, while the Russians still enjoy a clear advantage in the sphere of military and security cooperation, and have closer and better contacts among Central Asian elites.¹³⁸ The belief shared by Zhongnanhai and the Kremlin that the PRC's economic role in the region will only keep growing is based on the experience of recent decades (see Table 1). The current trend favours China, and lets CCP decision-makers believe that Beijing will completely dominate Central Asia economically within twenty to thirty years. Meanwhile, the Russian Federation is systematically losing the once preeminent position it inherited from the USSR. It is worth noting that back in 1991, the PRC's economic influence in the region was minimal.

Table 1. China's and Russia's share (as a percentage) of trade in goods with Central Asian countries in 2000 and 2019

| Country | China | | | | Russia | | | |
|---------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2000 | | 2019 | | 2000 | | 2019 | |
| | imports | exports | imports | exports | imports | exports | imports | exports |
| Kazakhstan | 12.40 | 8.28 | 23.90↑ | 13.10↑ | 45.70 | 19.90 | 33.90↓ | 9.63↓ |
| Uzbekistan | 2.34 | 2.21 | 23.30↑ | 13.60↑ | 16.10 | 31.40 | 17.90↓ | 14.50↓ |
| Kyrgyzstan | 18.00 | 8.76 | 53.30↑ | 2.95↓* | 17.40 | 12.90 | 16.90↓ | 12.60↓ |
| Tajikistan | 2.10 | 2.49 | 40.10↑ | 10.20↑ | 17.30 | 56.00 | 23.70↑ | 4.42↓ |
| Turkmenistan | 1.37 | 0.24 | 14.30↑ | 82.00↑ | 10.30 | 37.00 | 18.00↑ | 1.55↓ |

* In 2019, 55.7% of Kyrgyzstan's exports was gold, 99.8% of which went to the UK, making London Bishkek's largest economic partner. However, the main recipients of the country's gold change every year: for example, in 2000 it was Germany (71.4%), in 2010 Switzerland (57.8%) and the United Arab Emirates (42.2%). Kyrgyzstan also sells bullion on the London bullion market, which is then sold to customers in various parts of the world. Thanks to this, it is the only country in the region which is not dependent on the Russian or Chinese market.

Source: The Observatory of Economic Complexity (OEC), oec.world.

Moscow's calculation is partly based on the belief that its partner's growing influence will generate anti-Chinese sentiment and push the regional elites

¹³⁸ See W. Górecki, *Ever further from Moscow...*, op. cit.

into seeking cooperation with Russia.¹³⁹ Besides, Moscow has not lost its instruments of economic influence in Central Asia. Firstly, it is still the main labour market for millions of economic migrants from the region. Secondly, thanks to the EEU, which includes three Central Asian states, it can influence key parameters of their foreign economic relations (customs duties, technical standards), including those with the PRC. Officially, Russian diplomats and state-run think tanks have not expressed alarm at China's activity in Central Asia. For example, the special representative of the president of the Russian Federation for Afghanistan, Zamir Kabulov, described China's establishment of the Quadrilateral Cooperation and Coordination Mechanism (QCCM) in the security sphere with Afghanistan, Tajikistan and Pakistan – but without Russia – as a “positive move”.¹⁴⁰ However, one might suspect that Moscow, unable to block this initiative, is simply putting on a brave face.

The influence of both parties in Central Asia is not static, but is continually evolving. An excellent confirmation of this phenomenon is provided by Chinese investment in the energy sector, most notably its takeover of Turkmen oil exports after a gas pipeline to the PRC was completed in 2009, thus creating an alternative to Russian customers and intermediaries. From the Russian perspective, this is a lesser evil compared to the possibility of the destabilisation of the region or its opening up to US & European political presence and economic penetration. The Russian approach is determined by Beijing's economic rise, which was reflected in the launch of the Belt and Road Initiative in Astana (now Nur-Sultan), the capital of Kazakhstan, in 2013 (see Chapter V.5 for more details). In keeping with its belief in the importance of economics in international relations (see Chapter I.2), China assumes that over time the gravitational pull of its economy in the region will grow at the expense of Russia's influence. The Kremlin realises that the Russian Federation is too weak economically for its economic integration projects to be able to inhibit the PRC's economic expansion in the long term. At the same time, Moscow has long believed that it will be able to counterbalance Beijing's growing economic

¹³⁹ There are some indications that Moscow is discreetly stoking anti-Chinese sentiments in the region.

¹⁴⁰ Kabulov explained that Russia has no reason to join the initiative because it operates through the CSTO structures in the area of security, and also discusses these issues with China in the SCO framework. See Т. Байкова, ‘Китай теснит Россию в Центральной Азии’, *Известия*, 16 March 2016, iz.ru. A periodical published by the Russian Institute of Strategic Studies, which is linked to the special services, notes instances of the PRC's cooperation with Central Asian states in the military sphere, justifying them in terms of Beijing's security concerns. It also refutes Western press reports on this issue and suggests that they are exaggerated and inaccurate. See И.Ю. Фролова, ‘Взаимодействие в рамках Четырёхстороннего механизма по сотрудничеству и координации с участием Китая, Афганистана, Пакистана и Таджикистана’, *Проблемы Национальной Стратегии* 2020, no. 1 (58), РИСИ, particularly pp. 41–44, riss.ru.

influence by maintaining its primacy in the security sphere, even if China's involvement in this area also seems inevitable in the longer term.

Although it became clear in the 2010s that Russia did not have sufficient resources to retain a monopoly in the security sphere, it still enjoys overwhelming predominance there. Even if the PRC tries to create the impression of greater involvement in this sphere, it does not have adequate military means to achieve this, and accepts Russia's military primacy in the region. Beijing undertakes most of its security-related activities within the SCO, which entails the need to obtain Moscow's consent (see Part IV). Another way of avoiding undesirable friction with the Russian Federation is the growing use of domestic private military companies in Central Asia to secure Chinese interests and investments.¹⁴¹ The close links of these companies (run by former PLA officers) to the CCP and military intelligence allow Beijing to increase its security influence in the region without sending military forces there. The PRC's belief that the PLA may not yet be ready for such operations is a factor here. However, Beijing has launched some independent initiatives in this regard, such as the aforementioned QCCM in 2016, as part of which it is building frontier posts for Tajikistan and maintains a small base on the Tajik-Afghan border.¹⁴²

China's avoidance of direct involvement is also, or perhaps primarily, dictated by the changing situation in the PRC, particularly in Xinjiang. Under the rule of Xi Jinping, China has initiated a campaign against ethnic minorities, with increasing social control, extensive electronic surveillance, and the relocation of at least 1.5 million members of ethnic minorities to labour and re-education camps. This has boosted Beijing's ability to monitor the province and strengthened its sense of security. As a result, China sees no need to rapidly increase its political and military involvement in Central Asia in the short to medium term. At the same time, the region's low economic level and relatively small population mean that it is not an attractive destination for economic expansion for most Chinese provinces (it is only an important economic partner for the Xinjiang Uyghur Autonomous Region), so Beijing has left it to the regional authorities in Urumqi to develop economic ties with Central Asia – with the exception of the energy and transport sectors.

¹⁴¹ These Chinese military companies are private in name only. In reality, they are founded by former military officers who work closely with the PLA's military intelligence, and they depend on orders from state-owned companies. See A. Arduino, *China's Private Army. Protecting the New Silk Road*, Singapore 2018.

¹⁴² See M. Bogusz, M. Marszewski, 'China's military presence in Tajikistan', OSW, 27 February 2019, osw.waw.pl.

However, the deepening chaos in Afghanistan triggered by the withdrawal of the Americans and their allies will motivate the Russian Federation and the PRC to step up cooperation on regional security issues. This is especially true for Tajikistan, which plays a key role in containing the destabilisation not only of Central Asia but also of Xinjiang. The situation in Afghanistan will further motivate Moscow and Beijing to maintain the condominium model in the region. At the same time, however, the internal crisis in Kyrgyzstan in 2020, which both sides watched rather passively, indicates that they are not ready (or do not see the need) for interventions requiring the commitment of large forces and resources for the time being, and prefer to exercise influence by working through local actors. This does not mean that they will not choose to intervene if they consider it absolutely necessary.

The example of Central Asia shows that over the years Russia and China have been able to develop a model of cooperation based on the principle of ‘division of labour’ by informally dividing sectors of responsibility between themselves (the economy for the PRC, security for the Russian Federation). But this is not a rigid model, and these sectors are not exclusive: Moscow remains a significant partner for Central Asia in the economic sphere, while Beijing is slowly becoming involved in security issues. This relationship, mature but at the same time constantly changing, appears to satisfy both sides, even though it does entail a gradual increase in the PRC’s influence. Moscow accepts it because it sees this process as inevitable, yet it is unfolding in a way that allows it to save face. From its point of view, the Chinese economic presence in Central Asia brings a fundamental advantage, by limiting the penetration of the region by other international actors – primarily the United States, but also India.

2. Asymmetrical cooperation: the cases of North Korea and Belarus

The model of asymmetrical cooperation applies to issues which are of much greater importance for either Moscow or Beijing. By mutual agreement, the partner with a greater stake in a given issue **exerts a greater or even decisive influence when policies are aligned and positions are coordinated.** The fundamental principle of Chinese-Russian relations applies as well: any actions that could directly harm the interests of the other ally are inadmissible.

Such policy coordination and alignment between the two countries could be seen during the crisis surrounding **North Korea** in 2015–21. The visible aspects of Sino-Russian cooperation on this issue were shaped by a number of factors.

First, both sides have displayed an instrumental approach to the denuclearisation of the Korean Peninsula. From their point of view, the main problem is not the DPRK's possession of nuclear weapons, but the risk of armed conflict between Pyongyang and the US & South Korea that this creates. Secondly, both Moscow and Beijing blame Washington rather than Pyongyang for tensions in the region. Thirdly, both partners have a shared interest in preserving the division of Korea, blocking a reunification of the peninsula under the US's umbrella, as well as in eliminating the US military presence in South Korea and in loosening the alliance between Washington and Seoul.

The Korean issues are much higher on Beijing's list of priorities than on Moscow's. For the PRC, the DPRK is a key buffer that precludes the appearance of US military forces on its land border, while for Russia it is of secondary strategic importance. China is bound by a formal treaty of alliance with North Korea dating back to 1961,¹⁴³ while Russia terminated its 1961 military pact with North Korea back in 1995. The PRC is also the main economic sponsor of the North Korean regime. Economically, the DPRK is almost entirely dependent on Beijing: trade with China accounts for 95% of its foreign trade turnover (\$2.9 billion in 2019). By contrast, the Russian Federation's involvement in North Korea is marginal: the value of bilateral trade is around \$50 million (and consists almost exclusively of Russian exports).

As the main patron of the North Korean regime, the PRC has incomparably more leverage over Pyongyang than Moscow. Paradoxically, as Russian Koreanists point out, it is precisely the Russian Federation's relatively weak position that facilitates its friendly and close political, diplomatic and military relations with the DPRK. This is because North Korea does not see Russia as a threat to its independence; on the contrary, it cultivates relations with Moscow in order to increase its autonomy versus its Chinese patron. The Kremlin, in turn, has striven to maintain its 'place at the table' as a major player on the geopolitical chessboard of the Far East by developing ties with the DPRK. By maintaining its channels of communication with Pyongyang, Moscow has raised its value as an interlocutor and partner for Seoul (relations with which are economically valuable for Moscow), for Washington (to be used as one of the elements of a possible 'geopolitical bargain'), and even Beijing. The latter may be interested in obtaining additional information on the North Korean regime's intentions, and in exploiting Russia in the game it has been playing with the United States around Korea.

¹⁴³ The treaty is renewed every 20 years, giving Beijing additional leverage over Pyongyang.

This strengthening of Moscow's relationship with Pyongyang perhaps contributed to the fact that its collaboration with Beijing on policy towards the DPRK took on an unprecedented character in the mid-2010s. In 2015, the partners created a formal mechanism for regular consultations: the Russian-Chinese security dialogue on Northeast Asia, co-chaired by deputy foreign ministers, and attended by diplomats, military officers and representatives of other 'concerned' ministries. In 2016–17, these consultations were held every three to four months. In 2018, when tensions on the Korean Peninsula peaked, the dialogue co-chairs held talks every two months. Earlier, in the summer of 2017, when the Korean crisis was beginning to escalate, Moscow and Beijing launched a joint diplomatic initiative to lower tensions. This so-called 'double freeze' plan called for a halt to nuclear and missile tests by Pyongyang in exchange for suspension of 'large-scale' US-Korean military exercises.

This cooperation between the Russian Federation and the PRC has revealed significant shifts in the regional balance of power in China's favour, as well as Russia's willingness to accept this fact, draw practical lessons from it, and take on the role of Beijing's 'junior' partner in efforts to settle the conflict. This is particularly evident when comparing the 2017–18 crisis with the one provoked by North Korea's nuclear programme in 2003–7. Back then, Moscow played a key role in arranging the so-called six-party negotiating format and claimed to be one of the two most important interlocutors – alongside the United States – of the DPRK.

In 2017, Russian diplomacy acted as a *de facto* sponsor of a plan whose main element – the idea of a double freeze – had been proposed by Beijing. Russia's readiness to embrace China's policy line was also readily apparent during the diplomatic bargaining in the UN Security Council that led to the imposition of further economic sanctions on the DPRK at the request of the US between August and December 2017 (Resolutions 2371, 2375 and 2397). Moscow, which had initially blocked the US proposals, changed its position under the influence of Beijing, which backed Washington in the second half of 2017, as it sought to force Pyongyang to negotiate with the United States and thus prevent it initiating military action against Korea.

Asymmetrical Chinese-Russian cooperation can also be seen in the case of the **Republic of Belarus**, although this has not become as institutionalised and open as their cooperation with respect to North Korea. In the case of Belarus, the roles are of course reversed. Since Russia has greater geopolitical and economic interests in Belarus than China, the latter, while developing multifaceted

cooperation with Belarus, primarily in the economic and military-technical spheres, treads carefully in order not to undermine Moscow's interests, and generally supports Moscow's policies towards Minsk.

The asymmetry of economic interests is well illustrated by the two powers' share of Belarus' foreign trade, which was 49.2% for Russia and 5.9% for China in 2019. Russia also clearly leads the PRC in terms of foreign direct investment (FDI) in Belarus: its share was 45% while China's was less than 3% at the end of 2019.¹⁴⁴ Moscow has also provided Belarus with more than double the amount of loans than Beijing since 2013 (\$10.8 billion vs. \$4.6 billion).¹⁴⁵ The terms of Chinese loans (including the condition to spend them on sourcing goods and services from the PRC) are also much less favourable than Russian ones. Furthermore, the Russian Federation has been subsidising the Belarusian economy in various forms since the mid-1990s: in recent years, the size of these subsidies has been estimated at \$2 billion annually (i.e. around 3% of Belarus's GDP).

Belarus and Russia are linked by a number of formal bilateral and multilateral agreements: from the treaty on the creation of a joint Union State which is to ultimately become a confederation, signed in 1999 but whose political part has not yet been implemented;¹⁴⁶ through the military alliance treaty, i.e. the Collective Security Treaty Organisation (2002); to the package of agreements establishing the Eurasian Economic Union (2014) – a customs union, but with ambitions to form a single economic space. The armed forces of both countries are deeply integrated.¹⁴⁷

Since around the mid-2000s, Belarusian President Alyaksandr Lukashenka has sought to develop relations with China in the economic as well as the political (signing an agreement on a 'comprehensive strategic partnership' in 2013) and military spheres, treating them as a tool to widen his leeway in relations with Russia. Beijing's interest in Minsk, on the other hand, has primarily been commercial. Given its proximity to the European Union, and in particular its membership in the EEU, Belarus has been a convenient location as a logistical

¹⁴⁴ 'Иностранные инвестиции', Национальный статистический комитет Республики Беларусь, belstat.gov.by.

¹⁴⁵ J. Jakóbowski, K. Kłysiński, *The non-strategic partnership. Belarus-China relations*, OSW, Warsaw 2021, osw.waw.pl.

¹⁴⁶ However, a number of provisions on the exercise of social rights by citizens of both sides on the territory of the Union State of Russia and Belarus have been implemented, which significantly facilitates mutual migration.

¹⁴⁷ For more details, see A. Wilk, *Russia's Belarusian army. The practical aspects of Belarus and Russia's military integration*, OSW, Warsaw 2021, osw.waw.pl.

base and production location within the Belt and Road Initiative. At the same time, it has relatively advanced niche military technologies which are of interest to the PRC.

However, the moderately expanding Chinese presence in Belarus, the technical-military cooperation and the friendly political atmosphere cultivated by both sides have not in any way compromised or even competed with Russian interests, including economic, in the country. On the contrary: a potential increase in Belarus's importance as part of the Belt and Road Initiative has been beneficial for Moscow, as it has stimulated the development of the northern branch of the transit route running through Russia. Chinese investments and loans have temporarily improved the economic situation of Belarus and thus made it possible for the Russian Federation to reduce its own subsidies, something it has been very keen to do. Throughout the 15 years or so of intensifying Chinese-Belarusian relations, Moscow – which is generally extremely suspicious of any activity by external actors on the territory of the Commonwealth of Independent States – has at no time expressed any concerns or raised any objections to Beijing's activities. The PRC has not betrayed its trust: it publicly supported Russia's policy on the political crisis in Belarus in 2020. In doing so, it confirmed that it still recognises Russia's special rights with regard to the post-Soviet republics, as it did with the Russian invasion of Ukraine and the annexation of Crimea.

The examples of North Korea and Belarus demonstrate that Beijing and Moscow behave reliably towards each other on issues which concern the areas within their sphere of influence and constitute a strategic buffer for their partner. This is undoubtedly reinforced by the fact that both capitals identify the source of threat in the same place (the United States). Their mutual loyalty is also demonstrated by the absence of any signs of concern or criticism when a geopolitical client of one of the allies intensifies relations with the other in order to increase its leeway vis-à-vis the former.

3. Collaboration: policy towards the United States

Rivalry with the US – that is, the power that the Russian and Chinese political elites perceive as their main, even existential, external threat – provides the fundamental *raison d'être* of their 'strategic partnership'. Therefore, mutual support in the face of US power – described by the Chinese as a 'back to back' strategy – is a central element of the Beijing-Moscow axis. This does not imply full and comprehensive coordination of their respective policies

towards Washington, but merely that one partner does not join or support any US actions aimed against the other one. In other words, the **Kremlin and Zhongnanhai guarantee each other at least benevolent neutrality in the event of a conflict with the United States, so that each ally can concentrate on confronting the common adversary without fear of 'strategic encirclement'**. At the same time, this mechanism gives the partners a free hand in their relations with other countries: for example, the Russian Federation can thus cooperate with India or Vietnam in the military-technical sphere, although both of these countries are at odds with the PRC. It also assumes that Russian-Chinese cooperation is insulated from 'cyclical factors', which means that it must not be impeded because of relations with third countries. The 'back to back' formula also envisages mutual support in resisting pressure from Washington and the coordination of positions on a range of specific issues where the aims of both allies clash with US interests.

Over the last quarter of a century – since the formal announcement of the Chinese-Russian strategic partnership during President Boris Yeltsin's meeting with PRC Chairman Jiang Zemin in Beijing in April 1996 – such collaboration has been clearly visible on the political-diplomatic, propaganda and military levels. It has been most evident in global international institutions, most notably the UN Security Council. Between 2007 and 2019, Beijing and Moscow jointly vetoed 11 resolutions tabled or supported by the United States. In addition, the Russian Federation used its veto on 11 further occasions during that period, and the PRC abstained in all those cases. Not once during that time did China side against Russia in the Security Council. It is worth noting that during the 2014 vote on the Russian Federation's violations of the territorial integrity of Ukraine, the PRC was the only country that did not vote against Russia.

Moscow and Beijing have also supported each other during the drafting of the global principles governing the behaviour of states and the functioning of international cooperation (global governance) within the framework of UN structures, with their positions generally running counter to that of the US. This was the case, for example, with the introduction of the 'responsibility to protect' principle (RtP/R2P) into international law, which was intended to open up the possibility – or even create an obligation – of joint military interventions against the governments of states which committed acts of genocide, ethnic cleansing, crimes against humanity or war crimes against their own citizens. Russia and China opposed such initiatives, defending the traditionally understood principle of absolute state sovereignty, and resisting the creation of a legal basis for so-called humanitarian interventions.

Both countries have also submitted joint draft UN resolutions on disarmament (opposed by the US), for example on banning the militarisation of space, or supported those submitted by their partner, such as a resolution calling for the preservation of the Intermediate-Range Nuclear Forces Treaty (INF). They have also taken a similar position (again, contradicting that of the US) on the 'reform' of internet governance, promoting solutions to bring it under the control of nation states. In addition, they have jointly presented initiatives on so-called information security at the UN, based on their 2015 bilateral agreement on cooperation in this field and the position as developed within the SCO framework. Moscow and Beijing have also collaborated in the Organisation for the Prohibition of Chemical Weapons (OPCW), where they have opposed a Western initiative to introduce a procedure to identify the perpetrators of chemical weapons' use (rather than just establish the fact that they have been used).

The two partners were also instrumental in establishing the BRIC group, originally made up of four countries (Brazil, Russia, India and China). South Africa joined in 2011, and the group was renamed BRICS.

The BRICS Group

BRIC originally functioned as a platform for informal meetings of the foreign ministers of regional powers. It has held annual summits since 2009. The heads of economy ministries also hold regular talks. Initially, the group's practical task was to coordinate policies inside global financial institutions (the International Monetary Fund, the World Bank) in order to reduce the dominant influence of the West (particularly the US) there. From the point of view of Moscow and Beijing, however, BRICS had a broader purpose: to create a non-Western alternative to existing institutions in the area of global economic and financial governance. This was reflected in its establishment of a bank (the New Development Bank) and a financial foreign exchange reserve mechanism (the Contingent Reserve Arrangement) in 2014. For Russia and China, BRICS is intended to serve as one of the pillars of the emerging polycentric international order.

The two powers also undertake joint policy initiatives at the regional level directed against US interests. In 2010, they proposed the creation of **a regional security architecture in Asia**, based on the principle of 'no military blocs' and 'equal and indivisible security'. If adopted, East Asian countries would

have to terminate their military alliances with the US, resulting in a Chinese-Russian military condominium in the region. In 2013, Moscow and Beijing launched a formal initiative to begin discussions on the issue at the East Asia Summit (EAS). In 2019, China also supported a Russian initiative to build a collective security system in the Persian Gulf.

At the propaganda level, the two countries almost always support each other on issues involving the United States. The Russian propaganda apparatus and diplomacy have unequivocally and wholeheartedly supported the PRC in its disputes over the World Health Organisation's (WHO) investigation into the origins of the COVID-19 pandemic and over the Chinese government's abolition of Hong Kong's autonomy. Beijing, in turn, while falling short of formally recognising the annexation of Crimea, echoes Moscow's narrative on the Russian-Ukrainian conflict.

In the context of China's and Russia's relations with the US, their military and military-technical cooperation (see Part III) is paramount. It is of special value to both partners, as China was cut off from imports of Western arms and military technology after the Western embargo of 1989, while the Russian Federation has struggled to keep its arms industry afloat due to economic collapse. Moreover, it was itself hit with sanctions in 2014 that prevented it exporting arms to Western markets or importing Western military technology. Beginning in the mid-1990s, purchases of Russian military equipment and technology allowed the PRC to make a qualitative leap in military aviation and the navy, that is, the branches of the armed forces that would shoulder the main burden of combat in the event of a conflict with Washington. Moscow's participation in the development of China's missile early warning system, joint missile defence exercises and regular consultations on regional security in North-East Asia only make sense in the context of the confrontation between the two powers and the United States – as is the case with joint naval exercises in East Asian and Persian Gulf waters. Iran also takes part in the latter, which only reinforces their anti-US character.

Cooperation between Russia and China on the frontline of the 'struggle against US hegemony' takes place, as already mentioned, on several levels: political-diplomatic, propagandistic and military. Each of the allies conducts its own independent policy towards Washington and their cooperation is sectoral, although it may involve extremely important issues, such as strengthening China's nuclear deterrence potential. Within this framework, the two countries act as equal partners. This is possible because the Russian Federation,

despite its relative economic weakness, still has greater military potential than the PRC, which is all the more important as the Chinese-US rivalry expands into the military dimension. Moreover, Moscow has at least comparable diplomatic capabilities and competences to those of Beijing, especially when it comes to efforts aimed at diluting US alliances and creating anti-US regional agreements or informal coalitions. Beijing does not, at least for the time being, have any means to influence the Kremlin's policy towards Washington.

The fact that the coordination of China's and Russia's policies towards the United States has not been all-encompassing has allowed the allies to maintain their decision-making autonomy (which is especially important for the weaker one, the Russian Federation), while sometimes leading to friction in bilateral relations. On two occasions, an easing of relations between Moscow and Washington has caused concern and even semi-official criticism from the PRC. Beijing criticised Russia's reaction to the US termination of the ABM Treaty (Anti-Ballistic Missile Treaty, which limited strategic anti-missile systems) in December 2001 as being too soft,¹⁴⁸ and expressed suspicion when Russia signed a new document on cooperation with NATO (the Rome Declaration) and a declaration on 'new strategic relations' with the United States in May 2002.¹⁴⁹ China's concerns were also sparked by the Obama administration's 'reset' of relations with the Russian Federation, which "seems to have driven a wedge, at least psychologically, into the strategic partnership between Moscow and Beijing".¹⁵⁰

In both of those instances, however, the Russian side took a number of steps to balance its rapprochement with Washington and reaffirm its close ties with its Chinese partner. Immediately after the announcement of the US decision to terminate the ABM Treaty, Putin called the PRC leader to adopt a common position on the issue, and their foreign ministers and deputy foreign ministers held a series of consultations on so-called strategic stability.¹⁵¹ The 'reset' with Obama was balanced by President Dmitri Medvedev's three-day visit to China (26–28 September 2010), marked by the signing of a declaration on 'comprehensive deepening of partnership and strategic cooperation'. During

¹⁴⁸ According to a Chinese analyst, "there was a clear sense of disappointment, if not desperation, in the Chinese assessment of Russia's recently demonstrated 'inaction' on the treaty". Yu Bin, 'Moscow and Beijing Adapt to a Different Pax Americana', *Comparative Connections*, vol. 3, issue 4, p. 107.

¹⁴⁹ In the view of the PRC analyst, "Russia has taken a giant and perhaps final step towards the West". Yu Bin, 'Beautiful Relationship in a Dangerous World', *Comparative Connections*, vol. 4, issue 2, p. 114.

¹⁵⁰ *Idem*, 'Putin Invited Xi: Overture to 2012', *Comparative Connections*, vol. 12, issue 1, p. 124.

¹⁵¹ *Idem*, 'Tales of Two U.S. Partners: Coping with Post-Taliban Uncertainty', *Comparative Connections*, vol. 4, issue 1, pp. 113–114.

the visit, the Russian leader, speaking at a Russian war cemetery for Russian and Chinese veterans of the war against Japan, described “friendship with China” as “the strategic choice of the Russian Federation” which was “sealed with blood”.¹⁵² Shortly before that, in October 2009, the two countries’ defence ministries signed an agreement on mutual notification of ballistic and space rocket launches, and in December 2009 Nikolai Patrushev, Secretary of the Security Council and one of Putin’s closest associates, signed a protocol with Dai Bingguo, state councillor on the State Council of the PRC (and Beijing’s special representative for strategic and economic dialogue with the United States), establishing a mechanism for regular consultations in the area of strategic security.¹⁵³ Before Medvedev’s visit, the armed forces of both countries held their largest joint exercise on a third country’s territory (Kazakhstan) up to that time.¹⁵⁴

Both these examples of a thaw between Moscow and Washington, which tested the Russian-Chinese alliance, show how important the existing network of regular contacts and consultations was for its stability; the network functioned – and was in fact strengthened – even when one of the capitals (in this case Beijing) began to fear that its partner could switch sides. It also seems that the experience with successive ‘resets’ of Russian-US relations ultimately strengthened the alliance between the Russian Federation and the PRC since it persuaded China that the contradictions between Russia and the US are so deep that Beijing does not have to worry about Moscow’s loyalty.

4. Tactical convergence: policies towards the European Union

Despite their deeply shared interests with regard to the current international order, **there are areas in which Russia and China have converging tactical objectives while at the same time having certain strategic divergences. In such cases, the two sides may cooperate on an *ad hoc* basis, but they have different instruments at their disposal, and are driven by different long-term ambitions.** One example of this lies in their policies towards

¹⁵² See ‘Встреча с российскими и китайскими ветеранами Второй мировой войны’, Президент России, 26 September 2010, kremlin.ru; Совместное заявление Российской Федерации и Китайской Народной Республики о всестороннем углублении российско-китайских отношений партнерства и стратегического взаимодействия, *idem*, 27 September 2010.

¹⁵³ Yu Bin, ‘Mr. Putin Goes to China: Ten Years After’, *Comparative Connections*, vol. 11, issue 4, pp. 126–127; М. Чаплыгина, ‘Патрушев примет участие в консультациях по стратегической безопасности’, РИА Новости, 7 December 2009, ria.ru.

¹⁵⁴ Yu Bin, ‘Peace Mission 2010 and Medvedev’s China Visit’, *Comparative Connections*, vol. 12, issue 3, pp. 125–126.

the European Union. For the PRC, maintaining the asymmetrical openness of the EU market and its stability as an economic area are of fundamental importance, as long as Beijing is able to maintain its influence on how the EU functions by exploiting the existing economic interdependence. The Russian Federation on the other hand, due to the enduring mutual sanctions regime, is actively trying to destabilise the Union politically, to exacerbate the polarisation of European publics, and to foster ethnic separatism. So far, this divergence has not led to open conflicts between Beijing and Moscow, but it does limit possibilities for their direct cooperation with regard to the EU. At the same time, however, the two capitals are engaging in parallel efforts to weaken Euro-Atlantic ties, primarily by bypassing the EU level and concentrating on developing relations with Germany and France, as well as fuelling debate on the EU's 'strategic autonomy' with the aim of reducing US influence in Europe.

The PRC and Russian elites currently see the EU as a project mired in a deep political and identity crisis, which is incapable of playing the role of an independent actor on the international scene. At the beginning of the 21st century, there was an idea in Chinese foreign policy discourse that the EU, as a cohesive bloc, could become Beijing's ally in the multipolar world and a counterweight to the US. This idea was revised after a series of crises within the EU which found extensive coverage in the Chinese press and think tanks: the 2008 financial crisis, the eurozone crisis, the migration crisis and Brexit. This revised assessment of the EU is currently driving an evolution of the PRC policy: it is becoming increasingly assertive and relying on force, while seeking to exploit existing divisions inside the community.

It is striking that the evolution of Beijing's perception of the EU follows (with some delay) the diagnosis prevalent in Moscow. As recently as the early 2000s, the Kremlin took seriously the EU's decisions (such as the provisions of the Treaty of Amsterdam on European Security and Defence Policy;¹⁵⁵ the 1999 Helsinki European Council resolution) on the creation of a military toolbox independent of NATO and Washington, and hoped for a strategic 'emancipation' of Western Europe from the United States. Currently, however, the prevailing view in Moscow is that the EU has squandered its chances to become an actor capable of joining the rivalry between the great powers as an independent player. In the Kremlin's view, the European project has already seen its heyday

¹⁵⁵ Formally: the Treaty of Amsterdam amending the Treaty on the European Union, the treaties establishing the European Communities and certain related acts. See [Treaty of Amsterdam](#), European Parliament, [europarl.europa.eu](#).

and is experiencing a deep, even existential crisis. This does not mean, however, that Russia will stop playing up the idea of the EU's 'strategic autonomy' or 'independence' in Berlin or Paris.

As mentioned above, the continued existence of the EU as a common market and currency zone, as well as its economic stability, are of fundamental importance for Beijing. The EU is the largest market for Chinese goods (\$395 billion) and its most important source of advanced technology. The PRC has also poured more than €100 billion into the EU in direct investments since 2000, and the Chinese central bank holds some €600 billion in EU member state bonds. Beijing is not taking any steps directly aimed at breaking up the EU, but it is not keen on its further integration. From its perspective, the primary threat the EU could pose would be its enhanced political coherence, as that would enable Brussels to offer a coordinated response to the challenges posed by the PRC. By applying a wide range of protectionist tools, China currently benefits from the community's asymmetrical openness to its goods and capital. The marked intensification of discussions within the EU during 2020 about the need to increase the protection of the EU market against unfair Chinese business practices, as well as growing calls for concerted political actions targeting Chinese human rights abuses, present a significant threat to Beijing.

Like China, Russia is also not interested in the formal break-up of the EU, especially the disintegration of the European single economic area: after all, the EU is still the Russian Federation's largest trade partner and its most important source of foreign investment (its share of Russia's trade turnover in 2020 stood at 38.5% (China's was 18.3%),¹⁵⁶ and at around 50% of foreign investment (in 2009–2017).¹⁵⁷ Instead, Moscow wants access to Europe's economic resources that would not be subject to any political (sanctions) or ideological (human rights, climate policy) conditions. Therefore, it seeks to separate economic co-operation as much as possible from any political and ideological conflicts.

With regard to the EU, however, China and Russia share objectives at the tactical level. Both partners see the potential strengthening of the EU's relationship with the United States as a fundamental threat. The intensification of Brussels-Washington dialogue on trade, technology and security regulations might lead

¹⁵⁶ 'Внешняя торговля Российской Федерации по основным странам и группам стран', Federal Customs Service of Russia, customs.gov.ru.

¹⁵⁷ Determining the source of foreign investment is sometimes complicated, as much of it is channelled through so-called special purpose entities whose aim is to conceal the origin of capital. M. Domínguez-Jiménez, N. Poitiers, 'FDI another day: Russian reliance on European investment', *Policy Contribution* 2020, no. 3, pp. 3–4.

to the introduction of at least some restrictions on the PRC's access to the European market and technology. It may also lead to a more coordinated Western response to China's human rights abuses and its expansionist policy in the Indo-Pacific. Therefore, Beijing is actively trying to sabotage the EU-US dialogue. It is with this objective in mind that it stepped up talks on the EU-PRC Comprehensive Agreement on Investment (CAI)¹⁵⁸ immediately before President Joe Biden's inauguration. For the same reason it is conducting intensive propaganda operations within the EU.

What Moscow's and Beijing's tactics towards the EU also have in common is that both capitals are focusing their efforts on Germany and France, for example by stimulating their debates on 'strategic autonomy'. China, hoping for a more conciliatory stance from both Paris and Berlin, is offering them significant bilateral economic concessions, such as purchases of Airbus aircraft or market access to Germany's automotive industry, coupled with threats of a possible denial to market access if they take decisions unfavourable to Beijing (e.g. regarding Huawei). At the same time, the PRC has been trying to play on the differences between Paris and Berlin over the directions of European integration, partly by supporting both the French and German formats for bilateral dialogue with Beijing. China also tends to use its relations with other EU member states tactically, including those in the 17+1 format, to exert pressure on Paris and Berlin.

Moscow's current goal is to 'neutralise' the EU and exclude it from the contest for the future shape of the international order, the contest in which – in the Kremlin's view – Beijing and Washington are the main protagonists. The Russian Federation is using a variety of instruments to achieve this goal. On the one hand, it offers prospects for economic cooperation and promises to stabilise the EU's neighbourhood (Eastern Europe, the Middle East and North Africa), while on the other it engages in destabilising activities (disinformation campaigns, support for anti-systemic political forces) and raises the spectre of a global military conflict (including nuclear war). As an auxiliary tool for pursuing the objective of the EU's 'neutralisation', Russia is promoting the initiative of the Greater Eurasian Partnership, which is designed to tempt Europeans with the mirage of enhanced access to Asian markets and of stabilising relations with the East without having to bear the costs of siding with Washington in its conflict with the PRC and the Russian Federation. When it comes to Berlin, Moscow primarily appeals to economic interests, and exploits

¹⁵⁸ See [EU-China Comprehensive Agreement on Investment \(CAI\)](#), European Commission, 22 January 2021, trade.ec.europa.eu.

the conviction of the German elites that Germany has a special responsibility for peace in Europe. With regard to Paris, in turn, it appeals to the Gaullist tradition and plays on the French elites' dreams about restoring France's role as a great power through its (and the EU's) emancipation from Washington's 'tutelage'. While concentrating its efforts on these two countries, the Kremlin has also courted other promising European partners (Italy, Spain, Greece, Cyprus and Hungary).

The PRC and the Russian Federation have also partly converging approaches in their criticism of the EU's policies towards and aspirations in the EU's neighbourhood, particularly in Eastern Europe. Beijing shares Russia's perception of the democratic changes in the region (such as the Revolution of Dignity in Ukraine or the 2020 protests in Belarus) as 'colour revolutions' orchestrated by the West, and it sees European initiatives such as the Eastern Partnership as tools for undermining Moscow's interests. This Chinese stance stems mainly from its acceptance of the Russian Federation's ambitions to keep the European part of the post-Soviet area within its sphere of influence, rather than from any principled opposition against bringing those countries closer to the EU. In the Balkans, where the PRC has been very active politically and financially since around 2010, it is not explicitly opposed to the EU's enlargement plans. Russia, meanwhile, still seeks to maintain its influence in Serbia and Bosnia and Herzegovina, partly by torpedoing any attempts to reach a solution to the 'frozen' conflicts in the region (Kosovo vs. Serbia, Serbs vs. Croats & Bosniaks in Bosnia) and by supporting Belgrade in its efforts to secure such conditions for integration into the EU that would allow it to pursue an independent policy towards the Russian Federation (such as opting out of sanctions regimes).

These tactical convergences do not mean that the PRC and the Russian Federation are coordinating their strategy towards the EU. This is impossible due to their different priorities: Beijing is concentrated on keeping asymmetric access to the EU markets, while Moscow's activity is focused on efforts to destabilise the EU politically. What their actions clearly have in common is that they seek to undermine trans-Atlantic relations and challenge the Union's political consensus on selected issues. It is likely – though difficult to prove, due to the clandestine nature of such moves – that China and Russia are directly cooperating in the information space, for example by conducting disinformation campaigns during the COVID-19 pandemic.¹⁵⁹ So far, Beijing and Moscow's

¹⁵⁹ See e.g. 'The culture of resentment revisited', EUvsDisinfo, 11 March 2021, euvsdisinfo.eu; 'Big lies, little lies and vaccine vilifications', *idem*, 21 January 2021.

strategic divergences related to the future shape and functioning of the EU have not caused any friction between them.

5. Harmonisation of interests: economic integration in Eurasia

A well-developed infrastructure of bilateral contacts and intensive high-level political dialogue have enabled the PRC and the Russian Federation to **effectively harmonise their interests in areas where they could potentially come into conflict. In this model, the two sides are continually developing mechanisms for cooperation and mutual coordination, despite the emergence of clear divergences between them. Economic integration in Eurasia** under China's Belt and Road Initiative in the post-Soviet area can serve as an example of the application of this model. Despite Russia's initial misgivings, as well as some divergent interests regarding the scenarios of this process, Beijing and Moscow have managed to devise a mutually beneficial model of cooperation which has secured a position for the Russian Federation as the PRC's foremost partner in the process of building economic ties in Eurasia. Significantly, this is taking place despite the protectionist trade policies of both sides (see Chapter V.1).

The Belt and Road Initiative

This initiative, which the PRC has been pursuing since 2013, seeks to integrate the world with China across a number of dimensions. It involves forging trade, transport, investment and capital ties, which in turn should translate into greater institutional and political coordination between the participating states and Beijing. The framework and substance of the project have clearly evolved in recent years with the involvement of an increasing number of Chinese entities (administration, local authorities, business) and foreign partners, as well as a changing international environment. At first, the initiative focused on Central Asia, then expanded to cover all of Eurasia, and it is now global in its scope, and aimed mainly at developing countries. The PRC offers them capital for infrastructure development and integration into Chinese supply chains, as well as assistance in transforming their economies according to the Chinese model. The project also has a global political dimension; Beijing uses it as an international political platform to position itself as a defender of globalisation and a reliable partner (in contrast to Washington).

Since Beijing made Eurasia the focal point of the land-based part of the Belt and Road Initiative (Xi Jinping launched the project during a visit to Kazakhstan in 2013), the attention and activities of both the Chinese state apparatus and Chinese enterprises have been focused on the post-Soviet area. In addition to boosting its presence in Central Asia, primarily in Kazakhstan and Tajikistan (see Chapter V.1), but also in Belarus (see Chapter V.3), Beijing has started to partially institutionalise this cooperation by drawing the post-Soviet states into international political consultations (e.g. within the Belt and Road Forum) and into a number of sectoral projects, including the development of transport corridors in Eurasia, cooperation in the digital economy, energy, etc.

The Kremlin interprets the Belt and Road Initiative not only as a harbinger of intensified Chinese economic penetration of Central Asia, but also – or perhaps above all – as a veiled tool for building a Sinocentric international order. Initially, Moscow’s response was wary,¹⁶⁰ fearing in particular that it could undermine Russian hegemony in the region and erode the EEU, Russia’s own project for the economic integration of the post-Soviet space, which it has pursued since 2011. However, as early as May 2014, at a meeting in Shanghai, Putin and Xi Jinping announced their readiness to discuss the ‘synchronisation’ of the Belt and Road Initiative and the EEU, and at the next summit in May 2015 they signed a declaration on the “coupling” of the two projects and the establishment of a working group to coordinate them.¹⁶¹ Eventually, despite its initial misgivings, Moscow became actively involved in the development of the Belt and Road Initiative, and Beijing presented Putin as one of the most important guests at the biennial Belt and Road Forums.¹⁶²

As the PRC implements the project in the post-Soviet area, it is clearly prepared to take Russian interests into account, as the example of Ukraine makes clear.¹⁶³ Before 2014, under Yanukovich, the country was rapidly developing its relations with Beijing. The Chinese planned the construction of a deep-sea container port in Crimea and were engaged in talks with Kyiv on large-scale land leases, among other things. After the outbreak of the Russian-Ukrainian conflict, the PRC *de facto* froze its high-level political contacts with Ukraine

¹⁶⁰ See И.С. Иванов (ed.), *Российско-китайский диалог: модель 2016*, доклад 25, Российский совет по международным делам, pp. 41–42.

¹⁶¹ ‘Совместное заявление РФ и КНР о сотрудничестве по сопряжению строительства Евразийского экономического союза и Экономического пояса Шелкового пути’, Президент России, 8 May 2015, kremlin.ru.

¹⁶² ‘Belt and Road Forum for International Cooperation’, *idem*, 26 April 2019.

¹⁶³ J. Jakóbcowski, K. Nieczytor, ‘Under the radar of big politics: cooperation between China and Ukraine’, *OSW Commentary*, no. 395, 2 June 2021, osw.waw.pl.

while maintaining trade relations (including grain imports). It also largely excluded Kyiv from the more advanced cooperation mechanisms of the Belt and Road Initiative and the development of Eurasian transport corridors. While this was partly due to Beijing's critical stance towards post-2014 shifts in Ukrainian policy (the empowerment of society viewed as a 'colour revolution', rapprochement with the US), the main reason for these moves was a desire to respect the alleged sphere of influence claimed by Moscow and its strategy of the diplomatic isolation of Ukraine.

In 2015, the Kremlin came up with its own international political project, the Greater Eurasian Partnership. The Partnership is meant to create the impression that the initiative in Russian-Chinese relations belongs to Moscow, thus disguising and legitimising the growing asymmetry in the relationship. The idea of a 'Greater Eurasia' – like the earlier concept of a 'Greater Europe'¹⁶⁴ – is also designed as a propaganda instrument to persuade Western Europe to develop cooperation with the Russian Federation on the latter's terms.

The Greater Eurasian Partnership

In his December 2015 address to the Federal Assembly, Putin announced a proposal to create an economic partnership of states which are members of the EEU, the SCO and the Association of Southeast Asian Nations (ASEAN). It would involve mutual protection of investments, the optimisation of customs procedures and the unification of technical standards for "new technologies of the future".

In subsequent speeches in June 2016 – at the St. Petersburg International Economic Forum (16–17), the SCO summit (24) and during a visit to China (25) – the Russian president elaborated this idea and presented a new vision of a Eurasian-wide economic cooperation – the Greater Eurasian Partnership, which he also called the 'Greater Eurasia' project. This would consist of a network of bilateral and multilateral trade agreements between the EEU, the PRC, SCO and ASEAN members, as well as the European Union. In the first phase, these agreements would not remove customs barriers,

¹⁶⁴ The idea of a 'Greater Europe', put forward by Yeltsin in 1996 and elaborated by Putin, envisaged the creation of a geopolitical Russia-Europe bloc consisting of two elements: the European Union and a group of Eastern European countries dominated by the Russian Federation. The plan also called for the severing of trans-Atlantic ties and a 'complementary' partnership between Moscow and the Old Continent, providing the former with access to Western European capital and technology without having to adopt Western standards. See M. Menkiszak, *Greater Europe. Putin's Vision of the European (Dis)integration*, OSW, Warsaw 2013, osw.waw.pl.

but rather simplify and unify regulations on mutual investment and sectoral cooperation, technical, phytosanitary standards, customs procedures and the legal aspects of intellectual property protection. Only in the longer term would they include tariff reductions, and ultimately the creation of a free trade area.

Russian diplomacy has turned the Greater Eurasian Partnership into a flagship project of Russian foreign policy, ritualistically repeating the phrase about its implementation being an absolute priority. Although the Partnership has been the subject of numerous statements and publications, Moscow has not presented any details that expand upon the general declarations made by Putin.

Moscow points to the agreement on economic and trade cooperation signed by the EEU and China in 2018 and ratified in October 2019 (more than three years after the launch of this theoretically priority project) as the main achievement of the Greater Eurasian Partnership. However, as it is only a framework arrangement, its provisions on trade and market access facilitation require specific sectoral and inter-ministerial agreements. So far, the EEU has managed to finalise only three agreements on the establishment of free trade areas (with Iran, Singapore and Serbia) the first of which is partial and temporary (for three years).¹⁶⁵ Notably, in contrast to the announcements, no such zone has been created between the EEU and ASEAN. In June 2018 Maksim Oreshkin, the head of the Russian ministry of economic development, signed a document with the PRC's trade minister concerning the technical and economic assumptions of the future Russian-Chinese agreement on the Eurasian Economic Partnership. Then, in April 2019, Beijing signalled that it hoped to start negotiations on the issue. To date (mid-2021), there has been no indication that these talks have been launched, nor has there been any information about the start of talks on fleshing out the framework agreement between the EEU and the PRC.

The harmonisation of Russian and Chinese interests is also visible at the level of specific economic initiatives, including the development of overland trade in Eurasia. As a result of the Belt and Road Initiative, as well as the establishment of the EEU (which creates a single customs zone between the borders of the EU and the PRC), around 4.5% of the value and 2% of the weight of China's

¹⁶⁵ The EEU also has a free trade area with Vietnam, but it was established before the Greater Eurasian Partnership was announced.

trade in goods with Europe was sent via the Eurasian rail and motorway network in 2020. These figures remain small when compared with total Chinese exports, especially those sent via maritime transport, which will continue to dominate international trade in goods over the coming decades. However, the expansion of overland trade is an important new development for countries that have not played an intermediary role in global trade so far, such as Russia, Belarus and Poland. The expansion of land routes has also increased direct trade between the PRC and the Russian Federation. This has provided Beijing with an additional impulse to develop its poorer inland provinces, and also represents an important diplomatic instrument towards its partners. Due to its central location and the state of its infrastructure, Russia has become a key transit country for a new stream of goods (it handles freight via the Trans-Siberian routes passing through Mongolia and Kazakhstan), something it has begun to actively exploit for economic and political purposes. Its rail sector has also become heavily involved in supporting freight forwarding within the Eurasian Union (with the creation of UTLC ERA, a company dedicated to Eurasian freight, with Kazakhstan and Belarus). Moscow has also joined efforts to develop transport corridors in the region, engaging in bilateral dialogue with China, participating in multilateral talks coordinated by Beijing, and in talks within the Organisation for Cooperation of Railways.

Over recent years, the Russian Federation has become a key partner for the PRC in the development of the overland Eurasian leg of the Belt and Road. Beijing's readiness to adjust the political dimension of the initiative, as well as its respect for Moscow's interests in the post-Soviet area, have contributed to this. Russia has also assumed the role of the key land transit country in Eurasia, with virtually all rail and road transport (which have also been developed thanks to EEU mechanisms) passing through its territory. Although Eurasian overland trade represents a small fraction of maritime freight between the Old Continent and the PRC, it is important for the development of the Russian transport industry, and it also broadens access to European markets for manufacturers from central and north-western China. Still, the relations between the partners are not without tensions, which stem from issues such as the Russian Federation's use of its position to exert pressure on its neighbours at the expense of the PRC's commercial interests (for example, implementing an embargo on food transit from the EU to the PRC until December 2019) or the Russian railways' displeasure with Beijing's preference for transport corridors running through Kazakhstan over the Trans-Siberian route. However, given the visible harmonisation of the allies' interests on key issues, these tensions should not impinge on relations between them.

6. Soft competition: arms trade, South-East Asia, India, fight against the pandemic, nuclear energy

In the foreseeable future, the Russian Federation and the PRC will not eliminate all the areas where differences may arise between them, but the awareness of their common interests and the sense of common threat from the West shared by both countries' ruling elites ensure that they will keep tensions in check and manage any potential conflict situation so that it does not affect their relations as a whole. As Russia's position in the alliance steadily weakens, it is particularly likely to avoid disputes and cede ground, hoping that the PRC will leave it a sufficient niche to act and maintain its international status. Beijing seems to understand that it must allow Moscow to play the role of a great power, so it will sometimes make concessions to it in areas outside its core interests. As a result, when contentious issues arise, the relationship between the two countries takes the form of a soft rivalry. **They agree to this limited and controlled kind of competition because they know that it will not shake their alliance, may even be beneficial in certain circumstances, and could be used against the West. It can also allow them to eliminate competition from other actors.** However, this can work only under the condition that, despite this rivalry, the partners' interests are not totally incompatible.

This type of arrangement works well, for example, in **arms trade** (for more details see Chapter III.2): the partners compete to a certain extent here, but at the same time their offers are complementary. In addition, Russia and China sell compatible weapon systems based on similar concepts and designed for use according to a similar military doctrine, and so they thus create mutual demand for the types of weapons they manufacture. This solution is ultimately beneficial to both sides, even if situations sometimes arise where the partners are vying for the same customer. It should be noted that there are also countries such as Vietnam and India which do not buy Chinese weapons as a matter of principle, but rank among the major importers of Russian equipment. Although Beijing does not rule out the possibility of entering into armed conflict with any of them in the future, it tolerates arms supplies from the Russian Federation. For China, this is a choice of the lesser evil as these countries (especially India) could acquire comparable systems from other manufacturers or start developing them on their own, thus creating competition for the arms industries of Russia and China. There is a certain similarity between the issue of arms trade and the question of the allies expanding their influence in South-East Asia and the Indian Peninsula.

Even though Beijing regards **South-East Asia** as an area of its own political and economic expansion, it sees no problem with Moscow's political activity there. It is aware that the Russian Federation neither has the resources to present a genuine threat to its aspirations, nor sufficient opportunities to assert itself in a part of the world where there is little room for a third actor in addition to the PRC and the US. Moreover, it finds the presence of another power hostile to the West convenient (above all to the United States) because this creates the semblance of a larger anti-US front, while reassuring states in the region by offering them a false hope of using Moscow as a counterweight to Beijing. According to the PRC's calculations, the presence of Russia can also serve the purpose of limiting (to some extent) the influence of Washington. This is why China does not protest when media report on the Russian navy's plans (later denied) to return to the base in Cam Ranh Bay in Vietnam, which it left in 2002. Beijing may assume that although Moscow has probably not taken any major steps in this direction, and Hanoi is not interested in such a development either, the mere fact that reports of such plans were made could hinder the growth of Vietnam-US cooperation. It should also be suspected that the Russian Federation consults with the PRC on this issue.

Moscow can also act as an intermediary in crisis situations. It stepped in to mediate during the escalation of tensions in India's Ladakh region on the border with China in June 2020, when dozens of Indian soldiers were killed in a border incident. Though it failed to resolve the dispute, it prevented things from escalating further at a crucial moment. Beijing benefited the most, because even though it does not want to solve the conflict, it feared that the situation would spiral out of control, and wanted to stabilise the situation after seizing several strategic points, thus strengthening its position on the ground.

The Russian Federation and the PRC have also developed *de facto* competing **vaccines against the SARS-CoV-2 coronavirus**.¹⁶⁶ They offer them mainly to developing countries, where the demand for cheap and easily distributed but less effective vaccines is so high that it can hardly be called real competition. From the outset, both partners concluded that they would use their vaccine exports to expand their influence in Third World countries and further undermine the position of the US. Moscow and Beijing see the vaccine race as an extension of their technological, ideological and political rivalry with the West, which is why they have worked closely together from the very

¹⁶⁶ J. Rogoża, I. Wiśniewska, 'Russia in the global 'vaccine race'', *OSW Commentary*, no. 358, 28 October 2020, osw.waw.pl.

beginning, with expert groups actively exchanging experiences from clinical trials. The third phase of testing one of the Chinese vaccines was conducted in the Russian Federation, and the head of the Russian Direct Investment Fund announced in early February 2021 that joint production of Sputnik V in the PRC would start at the end of the month¹⁶⁷ – however, there has been no news on this so far (mid-2021). As in the case of the arms market, some countries are not interested in Chinese vaccines for political reasons. For example Vietnam, even though like other South-East Asian countries it has been offered priority access to the Chinese vaccine, has yet to respond to the offer, but it has already declared its willingness to buy Sputnik V.¹⁶⁸ In similar circumstances, Moscow and Beijing will accept mutual competition because, as long as their common overriding objective is to discredit the West and its vaccines, it is a secondary issue whether third countries use a product from China or Russia – so long as they do not use those made by their opponents.

The Russian Federation has relatively little to offer in the way of exports. Apart from arms trade (see Chapter III.3), the PRC mainly competes with Russia in the area of **civil nuclear energy** technology. Beijing, which already has its own third-generation reactor model, the Hualong One (based on a French design), is seeking to increase its sales primarily in developing countries, as well as in Central and Eastern Europe. As the Chinese nuclear corporations CGN and CNNC expand abroad, they find themselves in competition with Russia's Rosatom, which operates in the same countries and is currently building 11 reactors (in Bangladesh, Belarus, Iran, Turkey and India), with contracts for a further nine (in Egypt, China, Hungary and Finland).¹⁶⁹ However, this competition is not particularly intense for the time being because the Chinese companies are still expanding at a slow pace (two reactors in Pakistan), and potentially also because of their exclusion from some markets on the grounds of posing a potential security threat to critical infrastructure.¹⁷⁰

¹⁶⁷ 'РФПИ: Производство вакцины «Спутник V» в Китае начнется в конце февраля', Агентство городских новостей «Москва», 2 February 2021, mskagency.ru.

¹⁶⁸ Vietnam registered the Sputnik V vaccine in late February 2021. 'Совет при Минздраве Вьетнама рекомендовал одобрить вакцину «Спутник V»', РБК, 26 February 2021, rbc.ru.

¹⁶⁹ Based on S. Kardaś, 'Rosyjsko-egipska współpraca w sferze energetyki jądrowej', OSW, 20 December 2017, osw.waw.pl.

¹⁷⁰ This has been the case, for example, in the Czech Republic, where Rosatom's participation in the Dukovany project is still under consideration. See K. Dębiec, J. Jakóbski, 'China excluded from a Czech nuclear tender', OSW, 2 February 2021, osw.waw.pl.

CONCLUSIONS

The crystallisation of the asymmetric alliance between Russia and China has been the product of a long and occasionally difficult process of building mutual relations, which these two powers launched shortly after the collapse of the Soviet Union. This process was driven by their shared sense of a structural conflict with the United States, which pushed Moscow and Beijing to regulate potentially contentious issues in bilateral relations like border disputes and overlapping interests in their common neighbourhood. Both Moscow and Beijing are seeking to revise the international security system established by the United States, in, respectively, Europe and the Indo-Pacific. Both powers have striven to either consolidate and restore (Russia) or significantly expand (China) their spheres of influence, and both are seeking to dismantle or take over international institutions that are hampering their pursuit of power politics. In the case of Russia, this revisionism, which manifests itself in assertive behaviour in the post-Soviet area, led it into war against Ukraine. It was this war that ultimately sealed Moscow's alliance with Beijing by ending the Kremlin's – admittedly sporadic and half-hearted – attempts to maintain a semblance of a balance in its relations with China and the United States. It also persuaded the Kremlin to finally accept the asymmetric nature of its relationship with China. In short, anti-Americanism, fed *inter alia* by the great-power aspirations of both China and Russia, constitutes the most important foundation of their partnership.

The Beijing-Moscow axis should be viewed above all as an alliance between two authoritarian ruling elites, and not merely between two states. Hence, their revisionism directed against the extant international order is due to their identification of state interests with the maximisation of their regimes' chances of survival. Both elites perceive the international environment as the main source of threats to the political stability of their rule, and both share an interest in shaping such a global system that would ensure the most propitious conditions for their survival. It is their fear of the West and of the impact Western social and political ideas can have on their own societies that creates a solid bond between them. From the point of view of the Russian and Chinese elites, the existential threat comes not from any specific US or EU policy, but the very existence of a democratic alternative to their authoritarian systems. Even if the West were to adopt a policy of appeasement towards the Russian Federation, this would not remove the threat in the long run. Therefore, for China and Russia close cooperation against the West is a necessity, of which Beijing and Moscow had already started to become aware in the 1990s.

Despite occasional altercations between the two powers, this awareness led to the transformation between 2012 and 2018 of the already existing close cooperation into a fairly intimate alliance between the two authoritarian regimes.

Ever since its foundation, the CCP has believed in the existence of a natural conflict between China and the West. It is in this context that, over time, it began to recognise and appreciate the value of Russia as an ally against the West, and not merely as a partner for developing beneficial bilateral cooperation and for coordinating security policies in their common neighbourhood (Central Asia, the Korean Peninsula, etc.). From the point of view of the PRC's interests, the Russian Federation provides two important 'services' on the international stage:

- 1) It engages in activities in which Beijing is unable or unwilling to participate directly, but which it finds beneficial because they weaken the West, or force it to divide its resources and attention between two fronts;
- 2) It draws the attention of Western leaders and public opinion while tying up their resources, giving the PRC time and room to expand its influence and accumulate its power.

From a strategic point of view, the Russian armed forces in the European part of the Russian Federation pin down some US military assets, making them unavailable for deployment in the East Asian theatre. And while the US military presence in Europe was being systematically reduced until 2013, this trend was halted and even slightly reversed after Russia's attack on Ukraine in 2014. With the Russian Federation's slowly growing economic dependence on China, and the Kremlin elite's increasing fear that it might lose power due to Western-inspired social/political internal processes, Beijing can be fully confident about the future of its alliance with Moscow. Therefore, it is prepared to accept Moscow's claim to its own spheres of influence, and to live with its autonomous actions in many areas of the world.

For Russia, its close relationship with China is the result of a strategic choice by its ruling elite, which is convinced that: (1) there is an enduring and structural contradiction between its interests and the US-dominated international order established after the end of the Cold War; (2) the growing role of the PRC is inevitable, resulting in the PRC becoming the main engine of the world economy; (3) the Sino-American rivalry is the prime axis structuring international relations; (4) the future Sinocentric global order will be compatible

with Russian interests and aspirations. In its opinion, the inevitable domination of East Asia by Beijing will have fundamental political consequences for the international order. At the same time, the Russian elite recognises that the Russian Federation is not and will not be sufficiently strong to aspire – as it did during the Cold War – to the role of a global superpower and simultaneously confront both the West and China. As a result, since the mid-1990s, it has been increasingly convinced that in order to avoid American hegemony and thus ensure the survival of the system of power which it had created ‘for themselves by themselves’, it had no alternative to a close relationship with the PRC. This does not prevent it from sending signals to Western interlocutors about its alleged readiness to renounce closer ties with China in exchange for political and economic advantages. However, such signals are just a simple trick designed to obtain unilateral concessions and reduce the pressure from the Western coalition, as well as to deepen the rifts within it. Any concessions gained in this way will be lapped up by Moscow, but will not change its commitment to an alliance with Beijing. Quite the opposite: they will prove to Moscow that the current policy is bearing fruit, and must therefore be regarded as appropriate. It is also possible that such signalling could be even pre-arranged with the Chinese partner.

Only a change of regime in Russia or China can lead to the loosening of the existing ties between them. In the case of Russia, however (where such a change seems more likely if only in the long term), democratisation or quasi-democratisation would not automatically translate into an adoption of a pro-Western foreign policy.¹⁷¹ Even if the new authorities abandoned anti-Western phobia and strove for balanced and equidistant relations with the West and the US on the one hand, and with China on the other, they will be forced to take into account Russia’s economic dependence on China, bequeathed to them by their predecessors. This dependence is currently growing, even if Russia is trying to slow down this process. However, the current Russian establishment regards economic dependence on China as a lesser evil in comparison with its economic relations with the West, which are fraught with immediate political risks. A hypothetical future democratic regime in Moscow would also strive to retain a demilitarised border with the PRC, which undoubtedly constitutes the greatest achievement of Russian diplomacy in the last 30 years. It is only a collapse or a significant change in the political system in China that might enable Russia to loosen its ties with Beijing; but even then this could be politically

¹⁷¹ Russian democrats will not be liberals in today’s postmodern sense of the term, and they will most probably adopt the realist paradigm of foreign policy thinking.

difficult and dangerous, as demonstrated by the examples of Western countries attempting to do so, such as Germany.

The durable nature of the Sino-Russian alliance requires the Beijing-Moscow alliance to be treated as a functional entity. This has fundamental strategic implications:

- 1) From the security viewpoint, Europe and the Indo-Pacific should be viewed as an interconnected theatre in which Moscow and Beijing can coordinate their actions, or at least opportunistically exploit situations created by the partner (such as the escalation of tensions or conflicts) to achieve their own goals;
- 2) Russia and China should be regarded as strategic actors which are unequivocally committed to weakening trans-Atlantic relations and the US's Indo-Pacific system of alliances, and are at the same time capable of coordinating their actions in the field of diplomacy, information warfare, cybersecurity, etc.;
- 3) The elements of an alternative global economic system, resistant to Western pressure, which is being built by Russia and China (the 'sovereign' Internet, the currency settlement system, military R&D) can potentially be 'implanted' in other countries, thus contributing to the global strengthening of anti-democratic and anti-Western tendencies.

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