

China and Russia: Partners with Tensions

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Abstract

[The bilateral relations between China and Russia have attracted a significant amount of attention in the last half-century. The unbreakable partnership of Mao and Stalin in the early 1950s that ended in the Sino-Soviet split in late 1950s/1960s, seems to have persisted to today's post-Cold War world. Despite improvement during the 1990s, the relationship in the 21st century has been more volatile. With the coming of Putin to power and in the immediate aftermath of September 11, Russia came closer to Washington. This made China increasingly uncertain of Russia's ultimate intention. In the wake of a relatively stabilised situation in Afghanistan and Washington's support to color revolutions in the post-Soviet space, Russia started a shift towards the East, and especially towards China. Since then relations have steadily improved. Still, numerous tensions continue to affect Sino-Russian relations. This article attempts to identify these tensions. It will do so by reviewing the relations between China and Russia since the dissolution of the Soviet Union, the tensions, rhetoric, and, to some extent, overlapping interests that exist today, and make an assessment of what to expect from Sino-Russian relations in the short- to medium-term. – *Author*]

The swings and uncertainties surrounding the Russia-China relationship in the Cold War era, reaching its apex with the unbreakable partnership of Mao and Stalin in the early 1950s to end in the Sino-Soviet split in late 1950s/1960s, seem to have persisted to today's post-Cold War world. Even though relations between China and Russia improved incrementally during the 1990s, the relationship in the 21st century has been more volatile. As Russia swung back into Washington's fold with Putin's coming to power in the immediate aftermath of September 11, China became increasingly uncertain of Russia's ultimate intention. As the situation in Afghanistan stabilized and Washington started to back "color revolutions" in the post-Soviet space, Russia started to reconsider a shift towards the East, and especially towards China. Since then relations have steadily improved. China and Russia have reached a settlement of their 4,300-km shared border, trade has increased six-fold during Putin's term as president, and both support the non-interference of domestic policy principle, and primarily so with regards to Chechnya and Taiwan.¹ They also formed a joint front on such issues as Iran and Iraq, and have through concerted efforts been able to restrict US influence in Central Asia. The

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¹ Lo and Rothman, 2006.

positive chemistry between Chinese President Hu Jintao and his Russian counterpart Vladimir Putin has added to assertions that contemporary Sino-Russian relations even trump the “unbreakable friendship” of Stalin and Mao.

But with the advantage of hindsight, this “unbreakable friendship” was not as resilient as expected. Except for a handful of CIA analysts, few were able to predict the Sino-Soviet split, but were instead (mis)led into believing the rhetoric.² Although the US and the West now is facing a different entity than an emerging Communist bloc, the lessons learnt from this period could serve as a reminder that states should be assessed for what they do, not what they say. When applied to Russia’s and China’s turbulent history amidst statements that relations ‘have never been better’ this seems all but reasonable. Although Russia’s and China’s interests converge on a number of points today, which will be touched upon herein, they also diverge. In addition, these states’ permanent interests rather lie with the West than with each other and are re-active rather than pro-active — emerging more as responses to US hegemony than from internal dynamics. This is however not to say that internal driving forces do not exist. It should be acknowledged that China’s and Russia’s interests coincide on a number of issues unrelated to US policies as well, most notably in trade, security, and border issues as manifested with the establishment of the Shanghai Five mechanism in 1996. Taken together, however, there should be no doubt that the balancing and bandwagoning dynamics between China and Russia is driven to a large extent by US’ policies.

This article attempts to single out the tensions that exist in Sino-Russian relations. It will do so by first giving an overview of relations between China and Russia since the dissolution of the Soviet Union. This will be followed by an analysis of bilateral tensions, rhetoric, and, to some extent, overlapping interests that exist today. Next, an assessment will be made on what to expect from Sino-Russian relations in the short- to medium-term. Finally, the article will conclude.

Relations in the Post-Cold War Period

As the Soviet Union collapsed in 1991, Russian president Boris Yeltsin initially embarked on pursuing an overt pro-west alignment. But as the Russian state took shape within its first year of existence the policies eventually became slightly more balanced. Russian Foreign Minister Kozyrev and President Yeltsin both visited Beijing in 1992 and this was followed by a withdrawal of Russian troops from Mongolia the same year. Similar troop reductions took place in the Russian Far East where 200,000 troops were redeployed, and in December an agreement was reached to withdraw offensive weapons and troops within 100 miles from the border.³

Furthermore, during the summit with Chinese leaders in 1992, Yeltsin announced an alteration of foreign policy to be “balanced between East and

² Ford, 1998.

³ Ellison and Acker, 1996, p. 10.

West.”⁴ One reason for Yeltsin’s turn towards China seems to have been the domestic pressure exerted from nationalists and their strong electoral support — by aligning with China, Yeltsin could claim it was counterbalancing US hegemony.⁵ From December 1992 to December 1999 Boris Yeltsin and Jiang Zemin held seven summits with rhetoric pointing to a gradual improvement of bilateral relations year by year.⁶ Indeed, in 1993 Jiang Zemin was the first Chinese president to visit Russia since the days of Mao Zedong and Josef Stalin. This was followed in 1994 by the adoption of a Russian-Chinese “constructive partnership,” but it was not until 1996 that things started to change markedly. In April that year, Yeltsin signed a “strategic partnership” with Zemin, and as the presidential elections in July drew closer he bolstered relations with China to weaken the lever of Communist challenger Gennady Zyuganov.⁷ A restructuring of ministerial positions within the Russian government also worked in favour of a more China-friendly foreign policy. As Evgenii Primakov replaced the overtly pro-Western Andrei Kozyrev as Foreign Minister of the Russian Federation in January 1996, the stage was set for substantial re-engagement with long-term friends like India, North Korea, and China.⁸ This Asian engagement was also to be formalized with Primakov’s strategy of forming a strategic triangle between China, Russia, and India in 1998.⁹

Yet even though political relations were getting closer and closer, economic relations stagnated during the mid-1990s. The target set in 1994 of a bilateral trade volume amounting to \$20 billion by the end of the decade seemed distant and trade between Russia and China even declined in 1993.¹⁰ This was due to the introduction of strengthened visa requirements as a result of massive migration flows, which ultimately resulted in trade to plummet with 40 percent in the first half of 2004. Bilateral trade was somewhat recovered in 1995 but stayed around \$5-7 billion for the rest of the decade. Indeed, as Yeltsin’s term in office ended bilateral trade totaled only \$6 billion.¹¹ The free-fall of the Russian economy where GDP declined with 13 percent in 1991, 19 percent in 1992, 12 percent in 1993, and 15 percent in 1994, did not assist Russia in asserting itself internationally. As put by Lowell Dittmer, this period witnessed Russia being transferred from a “bipolar nemesis to diplomatic non-entity.”¹² Simultaneously, China experienced booming growth rates with a GDP increase of 9.2 percent in 1991, 14.2 percent in 1992, 13.5 percent in 1993 and 12.6 percent in 1994.¹³ Russia’s economic decline also coincided with Western powers’ intrusion into the former Soviet space. As six former Soviet states joined the Council of Europe and NATO proposed to expand the organization with three East-European states, Russia became gradually

⁴ Wishnick, *Op. cit.*, p. 799.

⁵ Rozman, *Op. cit.*, p. 402.

⁶ Donaldson, 2003, p. 712.

⁷ Rozman, *Op. cit.*, p. 402.

⁸ Wishnick, *Op. cit.*, p. 800.

⁹ Blagov, 2002.

¹⁰ Donaldson, *Op. cit.*, p. 712.

¹¹ *Ibid.*

¹² Dittmer, *Op. cit.*, p. 403.

¹³ World Bank, *World Development Indicators*, various issues.

more wary over the increasing Western influence.¹⁴ With the US-led NATO intervention in Kosovo in 1999 which lacked a mandate from the UN Security Council, China and Russia became increasingly concerned over the US exercise of unilateralism. The US' "accidental bombing" of the Chinese embassy in Belgrade did not reduce these already existing tensions. Other events at this point in time also drew Beijing and Moscow closer, including the rise of Islamic extremism in Central Asia and Chechnya. Moscow's crack-down and use of repressive methods in Chechnya faced a growing international criticism, especially from the West, and China's support of Russia's right of non-interference in internal affairs came handy.¹⁵ China, in turn, could relate to this considering the international condemnations facing it after the violent Tiananmen Square events. The ties forged in the mid and late 1990s should be seen in this context. As such, a healthy assessment of Sino-Russian relations suggests that they were more reactive than proactive — emerging more as flexible responses to Western policies than through an intransigence need for each other, although these are hard to separate analytically as they reinforce one another.

The Putin Era

As Putin assumed office on December 31, 1999, he was determined to reassert control over the state apparatus (primarily in the energy sector), Russia's periphery such as in the Far East, and its "near abroad" in Central Asia and the Caucasus.¹⁶ Moreover, the strong China-Russia relations developed under Yeltsin changed as a result of Putin's initially pro-Western policies. Russia's involvement in the war on terror together with Russia's agreement to a US military presence in Central Asia in 2001 did not go down well in Beijing either. Putin's domestic constituency, including the elite and the general population, found his reengagement with Washington equally awkward.

Convinced that things could not get much worse, Putin's acceptance of NATO's expansion into the Baltics, permission given to the US' withdrawal from the ABM-treaty, and quiet consent of American forces' presence in Georgia raised additional fears in the Duma, within Russian public opinion, and to some extent among the Chinese. These fears from the Chinese side were somewhat put to rest as Chinese president Jiang Zemin and Vladimir Putin signed the Treaty of Good-Neighbourliness and Friendly Cooperation on July 16, 2001.¹⁷ The 20-year strategic and economic cooperation treaty was to be the most far-reaching one ever entered into since the time of Mao and Stalin. Yet only two days after, on July 18, Russian President Vladimir Putin seemed to demonstrate little intention of limiting himself to the sole China option. At a press-conference on the ABM-treaty he proposed that NATO should either be disbanded or that Russia should join it, and seemed to place little emphasis on the significance and the implications that this would have for Russia's China

¹⁴ Dittmer, *Op. cit.*, p. 403.

¹⁵ Bakshi, 2002.

¹⁶ Wishnick, *Op. cit.*, p. 801.

¹⁷ *Treaty of Good-Neighbourliness and Friendly Cooperation*. Reproduced in *China Report*, 2001, Vol. 37 (No. 4).

engagement.¹⁸ Especially since the Treaty signed with China two days earlier specified that: "The contracting parties shall not enter into any alliance or be a party to any bloc nor shall they embark on any such action, including the conclusion of such treaty with a third country which compromises the sovereignty, security, and territorial integrity of the other contracting party."¹⁹ Considering Putin's statements, China cannot have put much trust in the value of this agreement. The Chinese, however, continue to say that Sino-Russian ties are budding. This was not least seen with the publication of an article in the CCP's mouthpiece *People's Daily* in late November 2002 titled "China-Russia Relations Remain Better than Russian-US Ties."²⁰

Putin's Strengthening of Presidential Powers and the Siberian Pipeline Struggle: Besides seeking to engage with both the east and west, Vladimir Putin was also able to strengthen his control and presidential powers in the domains of foreign and security policy at the expense of the federal Duma (the parliament). This was particularly seen in Putin's foreign policy towards Japan and China, and especially with his decision to favor Japan in the Siberian pipeline project, something which was opposed by most Russian decision-makers at the time. This was in contradiction with the agreement signed in July 2001 specifying that the Siberian pipeline would be built from Nakhodka in Russia to the Chinese town of Daqing. The 2,400-kilometer pipeline was planned to carry up to 20 million tons of oil representing 12 percent of China's total oil consumption. In late May 2003, the deal was finally settled as the head of Yukos, Mikhail Khodorkovskiii, reached an agreement with Chinese state-owned oil company Chinese National Petroleum Company (CNPC). An agreement was also inked on expansion of oil exports in general where Yukos pledged to boost oil-deliveries to 20 million tons annually from 2006-2010 to be increased to 30 million tons over the period 2011-2030. The deal was supported by most concerned domestic actors in Russia ranging from the Energy Ministry, to PM Mikhail Kasyanov, as well as the pro-China group within the Russian Foreign Ministry.²¹

Yet Putin opposed reducing the pipeline to the sole Chinese option and started advocating the stretch to Japan instead. To be fair, this was not solely for the reason of short-cutting China but also because of a generous Japanese counter-offer.²² This coincided with a crack-down on the oligarchs and private interests in the Russian energy industry, and, as is well known, the Yukos CEO Khodorkovskiii was arrested, Yukos assets were seized, and the pipeline to China was paused. In September 2004, in an effort to rescue the vital agreement signed with Yukos, Chinese PM Wen Jiabao paid an official visit to Moscow. He was unable to secure the construction of the pipeline but he managed to get the Russians to agree on an increase of oil

¹⁸ Lagnado, 2001.

¹⁹ *Treaty of Good-Neighbourliness and Friendly Cooperation. Op. cit.*

²⁰ *People's Daily*, November 28, 2002, "China-Russian Relations Remain Better Than Russian-US Ties."

²¹ Buszynski, 2006, p. 288.

²² The author is indebted to Christopher Len for pointing this out.

exports. To ensure an uninterrupted supply of Russian oil, Chinese banks also provided Russia with a \$6 billion loan for them to acquire Yukos' assets in exchange for energy contracts. Finally, in October the same year, Putin eventually decided for the route to Japan but with a branch line extended to China.²³ Since then Putin has shifted back to the Chinese option, yet refraining from giving any details whatsoever when the project could be realized. Although China has tended to smooth over this disappointment with diplomatic rhetoric there should not be any doubt that this has had a negative effect on bilateral relations.

2003–2004: Moscow Re-engages with Beijing: Even though this indecisiveness from Moscow clearly worked against Chinese interests, Russian foreign policy started to change towards a less Western-oriented and more China-focused foreign policy overall around 2003–2004. Instead of bandwagoning with the US the Kremlin chose to shift its attention to a Russo-Chinese balance. This coincided with the US launch of Operation Iraqi Freedom and intense opposition from China and Russia to this breach of Iraq's sovereignty. One of the manifestations of these deepening Sino-Russian ties was the further institutionalization of the Shanghai Cooperation Organization (China, Russia, Kyrgyzstan, Kazakhstan, Tajikistan, and Uzbekistan). Besides the Iraq war, the primary factor accounting for this sudden strategic shift of Moscow's is most likely found in the simple fact that Russia perceived no tangible benefits from the deepened engagement with Washington that it had initiated after September 11, yet was forced to make numerous unbearable concessions. This relate perhaps primarily to the allowance of a US presence in Russia's vicinity. This ignored the benefits accruing to Russia from the US role in stabilizing Afghanistan, but nevertheless remains the perception in Moscow. This was highly unpopular among public opinion, the Duma, the Defense Ministry and other ministries where the Soviet nostalgia still lives. The pressure exerted from these groups was one of the reasons Putin started to explore overlapping interests with China. The strengthening of the Russian Federation through increased oil and gas exports combined with a relatively high price-level may also have contributed to this.

Despite this strengthening of the Russian energy-incomes Russia has been forced to attract foreign investors into its energy industry.²⁴ This was primarily seen in 2004 when Chinese banks financed Rosneft's acquisition of the former Yukos asset Yuganskneftegaz with a \$6 billion loan. Another similar deal was concluded between Chinese state oil-company Sinopec and its purchase of TNK-BP's 96.9 percent \$3 billion share of Russian Udmurtneft in 2006. The precondition was that it would sell 51 percent of the shares to Rosneft once the deal was finalized.²⁵ Although Beijing got 49 percent of the shares in the latter deal, and the deal represents the first time a Chinese company get direct access to Russian assets, the

²³ Buszynski, *Op. cit.*, pp. 289–290.

²⁴ See, for example, *Strategic Forecasting*, October 10, 2006, "Russia: Sunset for Sthokman?"

²⁵ *SKRIN*, November 17, 2006, "Rosneft and Sinopec sign Agreement to Control Udmurtneft."

significance of this should not be overestimated. Both, because Russia is forced to give something to keep the strategic partnership from reversing, but also because Russia is in dire need of foreign investments to maintain energy infrastructure and explore new energy discoveries. As revealed in Russia's *Energy Strategy 2001–2020*, there is a need for around 450–600 billion euros to be invested in an ageing capital stock in this period, and in order to realize the projected growth of 4 to 5 percent.²⁶ As such, Chinese hard currency is today very much needed in the Russian energy sector.²⁷

Taken in aggregate, there should be no doubt that bilateral relations have strengthened during the 2000s. China and Russia have settled most of their outstanding border disputes, are enjoying a booming bilateral trade, and held a large-scale military exercise, Peace Mission 2005. In 2005, the two countries also signed a China-Russia Joint Statement on 21st Century World Order stressing their mutual commonalities, interests, and benign intentions. Bilateral trade in the same year topped \$30 billion, an increase of 37 percent over the previous year.²⁸ A high-level mechanism devoted to bilateral security talks between Russia's Security Council and the Chinese Communist Party's Politburo has also been formed. In March 2006, China and Russia also adopted a declaration titled "Russia, China support energy diversification" specifying increased strategic cooperation in this sphere.²⁹ Finally, as recent as in November, Sinopec and Rosneft signed the shareholder agreement of Udmurtneft marking one step forward in Sino-Russian energy relations. The significance of this should not be overstated, however, considering the fact that Moscow still retains the controlling share.

Overlapping Interests, Tensions and Limitations

Sino-Russian relations today should be seen in this particular historical context and uncertainty surrounding the Western engagements of both. Today, their respective interests have tended to converge more and more as evident from the development in the last 2–3 years. This is due to several reasons. First and foremost, both want internal stability and self-development. Neither of these interests is possible to realize without a healthy relationship with each other. China needs energy, arms, and raw materials in the pursuit of its modernization-program while Russia needs assistance in keeping its former satellite states within its orbit and away from Western influence. This is to retain access to energy and bases, achieve economic benefits, and use these states as buffers. Both also have a vested interest in containing Islamic groups: China in Xinjiang, Russia in the North Caucasus as well as jointly in Central Asia through the Shanghai Cooperation Organization. All these interests intersect in the Central Asia and Caspian region, and it is also here that the policies will clash with the West. The US and Europe have been active in developing alternative energy

²⁶ EC Delegation to Russia, 2005.

²⁷ It should be noted that Russia may use its arms-exports as a lever on China as well. See Blank, 2005, p. 107.

²⁸ Pan, 2006.

²⁹ *Interfax-Moscow*, March 21, 2006, "Russia, China support energy diversification-declaration."

corridors skirting Russian territory, especially with the construction of the Baku-Tbilisi-Ceyhan (BTC) pipeline. The Western powers are now launching additional efforts to connect the BTC pipeline with a trans-Caspian pipeline connecting with Kazakhstan at Atyrau. If successful, this will prove to have significant implications for the balance of power in the region, and, as such, will be met with fierce resistance from both China and Russia and drive them closer together. Although China is an emerging competitor for influence in the Caspian and Central Asia as well, it is perceived by Russia as far less a threat than the United States.

But even though there has been a major reengagement between China and Russia since Putin's initial embrace of the West, this should not be interpreted as an alliance is imminent. Not least considering Putin's statements that it would give China up in a heartbeat for NATO membership. Rhetoric aside, significant internal competition and tensions continue to afflict Sino-Russian relations negatively and vivid statements on the flourishing partnership are often more declaratory than substantive. Both know that they can raise their bargaining power vis-à-vis the US and the post-Soviet successor states (and Taiwan) by speaking in concert. Both also know that they can do this until a certain threshold level. But this is often as far as it goes as deep distrust and fierce bargaining is a bitter reality in the bilateral relationship. Because of this, it is highly questionable if Sino-Russian relations could endure a major setback should this occur.

Distrust, Economic Ties, Energy Disagreements, and Immigration

Both China and Russia know that either would betray one another for a healthy relationship with the United States (and the West) should such a window open — this has been a consistent feature under Putin, Yeltsin as well as Jiang and Hu. This is not least due to the economic issues involved. In 2005, bilateral trade between China and the US topped \$285.3 billion, while China's trade with Russia, although rapidly increasing stood at \$29.1 billion.³⁰ Russia's total trade volume with the US was approximately \$18.3 billion the same year, while the European Union's share makes up around 50 percent of Russia's total foreign trade.³¹ Considering the dependence of Russia and China on the EU and the US respectively, it is hard to see anything that could make them sacrifice this. In terms of their own bilateral trade both China and Russia are essentially also dissatisfied with the current state of engagement. Russia is dissatisfied with the type of commodities traded: it would rather see itself as an exporter of technology, and machinery than just raw materials and energy.³² The latter comprised almost 90 percent of Russia's total exports to China in 2005.³³

Moreover, from the Chinese perspective there is clear frustration with Moscow's hesitance in letting Beijing explore gas and oil deals fully as well as the tendency of settled agreements to be of a "framework nature" that rarely are put to practice. This was also revealed by the vice-director of

³⁰ The US-China Business Council, 2006.

³¹ US State Department, 2006.

³² Stephen Blank, 2006, p. 57; see also, Blagov, 2005.

³³ Sergei Blagov, *Op. cit.*

China's National Development and Reform Commission, Zhang Guobao, in a recent interview with Interfax where he stated that Russia had complied with commitments on oil exports by rail to China, but as for cooperation in other areas, there had been a lot of contact and communication, but "little actual progress."³⁴ Russia also seeks to diversify its exports in energy and consumer goods to the wider Asia-Pacific, especially Japan which will impact its willingness and potential to export to China.³⁵ This also partly explains Russia's indecisiveness on the Siberian pipeline and its further stretch to either Japan or China. The significance and potentials of bilateral trade between the two are also often overestimated. Due to low purchasing power parity in the two countries it will take a long time to develop sufficient demand and transnational companies that could match the demand and market-conditions available in OECD countries. The purchasing power parity of Russia per capita is only 30 percent of the OECD average while China stands at no more than 17 percent (figures from 2003).³⁶

The large immigration of Chinese into the Russian Far-East is also a source of tension, although this was more of a concern during Yeltsin period than Putin's. With a flow of immigrants pouring across the border, Russia, and primarily local authorities, have shown great concern over the "Sinocization" of the area and, by extension, the potential of Chinese tanks rolling up to Siberia to reclaim these territories that it lost in the 19th century.³⁷ In the words of Alexander Shaikin, head of the border control at the Federal Border Guard Service, the "Chinese are now invading Russia with suitcases."³⁸ Considering the historical and current role of nationalism within the two countries, this uncontrolled migration may very well turn radical putting severe strains on bilateral relations. This is paradoxical considering the urgent need for a working-age population that the depopulated Russian Far-East needs.³⁹

Multilateralism, Power Imbalance, and Arms-Sales

Moreover, although China and Russia have achieved a notable degree of cooperation within the Shanghai Cooperation Organization (SCO) the achievements have so far been modest. This was made abundantly clear with their acceptance of the US as the sole security provider in the region following September 11. To be fair, SCO is a young organization with only 10 years in existence (if counting the Shanghai 5), and it is unreasonable to demand that SCO alone could eliminate the massive threats of drug-trafficking and terrorism facing the region. But it is also about working constructively. To date, the SCO has functioned as a vehicle for China to pressure the Central Asian states to extradite its Uyghur populations who unconvincingly are accused of separatism in China's far-western Xinjiang region.⁴⁰ Evidently, suppression of minorities is not a pragmatic and long-

³⁴ Dahl, 2006.

³⁵ Lo, 2005.

³⁶ Kerr, 2005, p. 417.

³⁷ *Strategic Forecasting*, September 1, 2006, "The Strange Quiet Between China and Russia."

³⁸ O' Flynn, 2000.

³⁹ Alekseev and Hofstetter, 2006.

⁴⁰ On China's policies in these aspects, see Shichor, 2006.

term method to fight terrorism. It should be acknowledged however that the SCO (and the Shanghai 5) played an important role in solving the border disputes in the late 1990s.

With the SCO's recent engagement in the trade sector it will also face obstacles considering the disagreements between Russia and China here. Tensions are also frequent within related areas of potential cooperation. With regards to infrastructure there are few projects that China and Russia would agree to concert their efforts in. Both are competing for their share of overland continental trade from East Asia to Europe, either via the Trans-Siberian railway or on the second Euro-Asia landbridge running via Xinjiang and Central Asia — the former heavily promoted by Russia the latter by China. Russia and China view this more or less in terms of a zero-sum game where any infrastructure investment in a competing corridor will equal a corresponding loss in transit on its own promoted corridor. Energy is also a sector where cooperation will be hard to achieve. Even though Russia has been arguing its wish to set up an SCO energy club coordinating the energy policies of the SCO vociferously, China has equally vociferously opposed any effort to let its energy security be subject to multilateralism, and prefer to discuss these issues bilaterally.⁴¹

The power imbalance between China and Russia is also growing rapidly, both economically and in military terms. As described in the previous section, Russia's economic plummet coincided with Chinese double-digit GDP increases in the first half of the 1990s. Seen in a larger perspective, the economic size ratio between Soviet Union and China has reversed from being 4 to 1 in favor of Soviet to a Chinese advantage of 4 to 1 over Russia from the late 1970s to 2001. If China continues its rapid growth its economy will equal that of the US in 2015 while Russia, on the other hand, is losing more and more of its share of the world economy.⁴² The growing trade relationship between China-Central Asia and China-Europe combined with a US entry into the markets of Central Asia and the Caucasus also puts Russia into a position of inferiority and strategic encirclement in its former sphere of influence.

Not to mention that it has been feeding the Chinese army with arms and arms technology to an extent clearly contradicting Russia's strategic interests. For example, in 2000 China made up 70 percent of Russia's arms exports.⁴³ This is a dependence which is extremely awkward and that has been forced rather than intended as a Russo-Chinese balance against the United States. As the Soviet Union collapsed, Russia was in dire need of hard currency to keep the military-industrial complex floating in face of a declining domestic demand. China was a vital potential customer and the choice was between feeding a growing China with weapons or face social instability and financial free-fall in an already plummeting economy. Besides, the arms industry is one of the few Russian industries where it remains internationally competitive. Puzzling is however that Russia for

⁴¹ Blank, 2006, p. 57.

⁴² Weede, 2003, p. 355.

⁴³ Dittmer, *Op. cit.*, p. 806; see also *Op. cit.*, 2001, p. 806.

some reason seems to have ventured on a different strategic course with regards to energy. Despite being in need of hard currency to maintain pipelines and explore new oil/gas fields it has been reluctant in letting Beijing near such cooperation, especially in controlling the means of delivery (e.g. through pipelines and other infrastructure) and ownership of fields.

Russian Isolation, External Actors, and the Potential Effects of Power-Asymmetry

Besides these sources of tension, the deterioration of relations between Russia and the EU that has occurred lately, together with Dick Cheney's blunt statement on Russia in Vilnius has to some extent isolated the Kremlin. The EU's willingness to tap energy directly from the Central Asian states rather than via Russia may also in the long-run be a loss of a linchpin in the Russian export market. With a deteriorating energy infrastructure, inadequate finances to fund such projects as Shtokman in the Barents Sea,⁴⁴ together with a bracketing of foreign investors willing to cover this, Russia risks eventually shortchanging its economic potential. In a bigger strategic perspective, including South Asia and the Middle East, Beijing's increased engagement with New Delhi and Tehran directly challenges two of Russia's traditional spheres of influence. Besides, the Russo-Iranian alliance is almost completely confined to trade and armament cooperation and disagreements over the sectoral division of the Caspian Sea continue to haunt further cooperation.

As such, Russia is the one power who finds the current situation most awkward. It is forced to play second fiddle to China and feed China's growing economy and military with arms and, to a lesser extent energy, to maintain an adequate Russian state income. To put it bluntly, Russia needs China more than China needs Russia and Russia's main problem in maneuvering the relation is its weakness not China's strength.⁴⁵ The only lever that Russia possesses over China is energy but it is reluctant in playing this card prematurely. This is why Russia delays pipelines, does not fulfill reached agreements, and is obstructive in its energy engagements with China. On the other hand, China has to abide with a lot as well, especially in the energy sector where it has to succumb to whatever terms Russia sets. This is most evident in the fate of the Siberian pipeline and Russia's dismantling of Yukos, the only company that has given some glimpse of hope in Beijing. Even worse, China had to finance Rosneft's expropriation of Yukos' flagship Yuganskneftegaz with a \$6 billion loan as described above without getting anything more than long-term supply contracts in return. Interests in the Middle East are also vitally different: while Russia cashes in considerably on tensions in the Middle East due to rising oil prices, China finds the same situation to be a direct threat to its national security as 58 percent of its oil imports originate from the region.⁴⁶ This also leads to China seeking energy diversification where Russia is the most attractive option thereby raising the lever and bargaining position of

⁴⁴ *Strategic Forecasting*, October 10, 2006, "Russia: Sunset for Shtokman?"

⁴⁵ Kerr, 2005, p. 416.

⁴⁶ Beng and Li, 2005, p. 19.

Moscow over Beijing.

This changing configuration of power is crucial in understanding the forthcoming formation of alliances and balances. The key question becomes how the discrepancies in growth, power asymmetries, and energy access between these two will affect the bilateral relationship? Despite the significant rapprochement that has occurred in recent years between the two, the fact remains that the rise and decline of nations are the main explanatory variable for states resorting to arms.⁴⁷ Rhetoric aside, China and Russia are currently a textbook case in such rapid shifts of power. While neither China, and especially nor Russia, will be able to challenge US power superiority in the short to middle term — this is not the case between China and Russia. The relations between these two have swung considerably in the last 50 years and will likely continue to do so. Russia is in dire need of strengthening its economy and retaining access over as much energy resources as it possibly can while China's urgent energy needs forces it to the same wells. To say that a conflict is imminent may be premature but growing tensions is something to be expected if Russia continues on the current set course.

Short- to Medium-Term Scenarios

The likelihood that geo-politics and the Russian strategy of short-cutting China's energy needs will continue to gain the upper hand is great. As Putin leaves office in the presidential elections of 2008 he is likely to hand-pick persons perpetuating the Kremlin's policy of retaining access to energy resources. Two such potential candidates are the Chairman of Gazprom, Dmitry Medvedev, as well as Defense Minister Sergei Ivanov.⁴⁸ In addition, the Russian Duma has vehemently expressed discontent with the energy concessions given to China, sometimes in contradiction with Putin's pursued policy. The position of the Duma with regard to a centralization of energy policy is unlikely to change as well. This was most clearly seen with the anticipated sale of Slavneft to CNPC in 2002; a deal Putin largely agreed to but was forced to reconsider because of parliamentary opposition.⁴⁹ A further sign that the bilateral energy relationship is troubling Sino-Russian relations was seen as late as September 2006. That month, Beijing hosted a visit of Dmitry Medvedev but this was hardly noticed in either the Chinese or the Russian press. Such a visit may have passed unnoticed if it was just *any* official, but the fact that Medvedev is a top candidate to be the successor as Putin steps down in 2008 does not make him into any official, but the likely next President of Russia.⁵⁰ This should have stirred more attention than it did should relations be thriving.

In the military sector, the issues to watch will be the joint military exercises between China and Russia slated for 2007, whether the base race in Central Asia will intensify, as well as how the relations in arms

⁴⁷ Weede, *Op. cit.*, p. 355.

⁴⁸ *Strategic Forecasting*, September 1, 2006, "The Strange Quiet Between China and Russia."

⁴⁹ *Strategic Forecasting*, December 16, 2002, "Anti-China Sentiment Plays Into Duma Vote."

⁵⁰ *Strategic Forecasting*, September 1, 2006, "The Strange Quiet Between China and Russia."

capabilities will change. Both in conventional arms, but also in nuclear weapons where China is catching up on Russia's nuclear arsenal.⁵¹ The pattern of troop deployment and organization is also likely to indicate propensity for conflict, and the value that both assign to energy resources. For example, in the past few years there have been signs pointing to a reorganization of the People's Liberation Army (PLA) where it has been set to acquire a capability of projecting force deep into an enemy's territory.⁵² PLA has also redoubled military equipment deployed in Xinjiang and modernized it substantially. These factors have led some to argue that it indicates a Chinese preparedness to resort to force to protect its energy assets in Central Asia should it be required.⁵³ Such a turn of events do however seem very distant at present, although China may use such contingents as peacekeeping forces in times of acute instability or to protect its oil-fields in Xinjiang's Tarim Basin. The China-Russia military exercises should also be taken in terms of what they mean today: they raise China's and Russia's bargaining power vis-à-vis Taiwan, Georgia, Ukraine and other states/territories that are at the mercy of China and Russia; let alone the leverage it may have on the United States. Although China and Russia may use this as a bargaining chip the step from exercises to a bona fide alliance is long, and it is unlikely that Sino-Russian joint military forces will be used for other purposes than intimidation and/or arms demonstrations.

Russia will also continue to favor a Chinese engagement in Central Asia before a US presence as the former do not put any demands on democratization and do not pose an immediate threat to the remaining Kremlin-friendly regimes. To put it in simple terms, although Russia is challenging China in Central Asia and the other way around both prefer this state of relations to a US presence. Perhaps by learning from Sino-Russian engagement in the arms industry, China also seems to have realized that the only way to access Russia's strategic interests is to offer substantial cash incentives. In a similar way as Russia gave up its long-term national interest for short-term economic incentives by opening up its arms industry, Chinese loans are today needed in the Russian energy sector. To keep energy assets within Russian control while simultaneously maintaining a relationship on relatively good footing with China, the Russians have started to pursue a two-pronged strategy when needed: let Beijing provide the hard-currency while Moscow maintains the controlling share. This was the case with Sinopec and Rosneft's agreement to purchase Udmurtneft, and it seems as if this could be a viable short-term compromise. Sooner or later, Beijing will want to have a controlling equity share in the Russian energy industry however and the Kremlin may be forced to give in eventually.

With regard to trade a key determinant will be how Russia will react

⁵¹ The exact number of nuclear warheads possessed by both today remains uncertain but figures tend to revolve around 7,200 predicted operational nuclear warheads for Russia while China is said to have between 400 and 2,000.

⁵² Andrew, 2006.

⁵³ *Ibid.*

to act as a resource base to China and if China is willing to import other commodities than raw materials. As Russia's bid to join the WTO now is close this will impact both Sino-Russian relations and Russia's trade relations with the US and the EU, and entail a further boost in Russia's bilateral trade relations with all three actors, including China. Yet a fundamental interest for both China and Russia is to maintain relatively healthy economic relations with the West (the US and Europe) where both have their vital economic interdependence and export markets. Conceived as such, the West is not so much a threat as an essential lifeline for their national security.⁵⁴ This also impacts Russia's and China's strategy vis-à-vis each other. Both Russia and China pursue a foreign policy aiming at avoiding a trade-off between the US and their bilateral relationship rather than aiming for a counterbalance per se.

Conclusions

As Sino-Russian relations were at their top in the early 1950s a rising Soviet Union assisted a weakened China to gain its support in the Cold War. As relations between Russia and China have reached new heights today, power-relations are reversed with China being the dominant power. Considering that the Sino-Soviet split and Nixon's détente were vital for US victory in the Cold War, similar diplomacy might be employed by the US again if Sino-Russian relations strengthen and turn hostile. The likelihood of this is currently limited, and the West's leverage over both Russia and China is also something which works in favor of their ability to navigate between them, especially through China's heavy dependence on western markets. There is no trade-off here, Russia and China can maintain healthy economic ties with both each other and the West. However, Russia's tendency to horse-trade away China given sufficient incentives is something which reduces trust in Kremlin's intentions. Furthermore, considering China's and Russia's troubled history and use of rhetoric to smoothen this over, bilateral relations should be assessed not in terms of what they say but what they do. This relates primarily to the energy sector where a certain frustration among the Chinese can be discerned. The rapid shifts of power between Russia and China and the current inferiority-complex towards the Chinese that could be identified among Moscow's policymakers also serve to weaken the foundation of this strategic partnership. Considering the historical swings, excessive use of rhetoric, and reactive nature of this partnership, there are few reasons to believe this to be everlasting even though few would doubt that Sino-Russian relations have strengthened significantly in recent years.

⁵⁴ For this argument, see also Kerr, *Op. cit.*, p. 417.

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