FIIA REPORT 30

Russia–China relations

Current state, alternative futures, and implications for the West

Arkady Moshes & Matti Nojonen (eds.)

ULKOPOLIITTINEN INSTITUUTTI
UTRIKESPOLITISKA INSTITUTET
THE FINNISH INSTITUTE OF INTERNATIONAL AFFAIRS

Russia–China relations

Current state, alternative futures, and implications for the West

Arkady Moshes & Matti Nojonen (eds.)

ULKOPOLIITTINEN INSTITUUTTI
UTRIKESPOLITISKA INSTITUTET
THE FINNISH INSTITUTE OF INTERNATIONAL AFFAIRS
www.fiia.fi

Russia-China relations

The Current state, alternative futures, and implications for the West

FIIA REPORT 30

Reports can be ordered from the
Finnish Institute of International Affairs
+358 9 432 7707
erja.kangas@fiia.fi

All FIIA reports and other publications
are also available on our website at
www.fiia.fi

Language editing: Lynn Nikkanen
Graphic design: Nordenswan & Siirilä Oy
Layout: Tiina Vaahtera
Printed by: Tampereen Yliopistopaino Oy –
Juvenes Print, Tampere 2011

The Finnish Institute of International Affairs
Ulkopoliittinen instituutti
PL 400
00161 Helsinki
Finland
www.fiia.fi
firstname.lastname@fiia.fi

ISBN 978-951-769-316-5
ISSN 1458-994X

Contents

Acknowledgements

The Finnish Institute of International Affairs has a strong research tradition when it comes to both China and Russia. This study stemmed from a vision that the combined efforts of FIIA's different research teams would help to produce a synergetic effect, particularly at this point in time when the bilateral Russian-Chinese relationship is gaining in importance. To this end, the editors would like to thank the Director of FIIA, Dr. Teija Tiilikainen, for the encouragement she gave to this idea.

We are also grateful to our other FIIA colleagues for all the administrative and organizational support that we received during our work.

The interviews conducted in Moscow, Beijing and Shanghai were extremely valuable for us. The opportunity to discuss our hypotheses and conclusions with analysts in China and Russia enhanced our understanding of the ongoing processes and gave us a deeper knowledge of both the discourses and practical policies of the two states. We are particularly grateful to Dr. Alexei Voskresensky, the Dean of the School of Political Science at MGIMO University in Moscow, Dr. Alexander Lukin, the Director of the Center of East Asia and SCO Studies at the same university, Dr. Sergei Troush from the US and Canada Institute at the Russian Academy of Sciences, and Dr. Dmitri Trenin, the Head of the Carnegie Center in Moscow for their insightful comments.

We would also like to thank Dr. Chen Yurong from China Institute of International Studies, Prof. Shi Yinhong from Renmin University, Prof. and Director Sun Li at the Chinese Academy of Social Sciences, the Institute of Russian, East European and Central Asian Studies and his colleagues professors Jiang Yi, Wu Dahui and three other research fellows. We are also grateful to Director Xu Jin, Department of World Politics and Economy, Chinese Academy of Social Sciences for his illuminating comments and assistance in arranging the interviews in Beijing. We also conducted successful interviews in Shanghai and would like to extend our gratitude to Teemu Naarajärvi, Programme Manager at the Nordic Centre and Yvonne Xu, Foreign Affairs Office at Fudan University, who both helped us to arrange perceptive interviews with Prof. and Deputy Dean Liu Junmei, School of Economics, Fudan University, and highly informative discussions with Dean and Director Feng Shaolei, and professors Yang Cheng, Zheng Renyi and research fellows Xiao Huizhang, Liu Jun, Han Duntao, Min Tuo and Yan Dejie at the Center for Russian Studies at East China Normal University.

In addition, we would like to express our gratitude to Kimmo Lähdevirta, Minister; Mikko Karppinen, sinologist at the Embassy of Finland, Beijing; and Matti Heimonen, Consul General at the Consulate of Finland in Shanghai for their readiness to meet with us and share their important analytical ideas on our work.

Finally, we would like to express our gratitude to the Ministry for Foreign Affairs of Finland for its interest in this research and the financial support that we received from the Ministry for organizing an international event to launch this report and discuss the findings of the study.

Introduction: Adjusting to the great power transition

Matti Nojonen

The Sino-Russian strategic partnership already possesses great geopolitical weight which, if actualized effectively, could reshape the balance of power on a global scale.

The rapid rise of China in comparison to the, if not declining, but indisputably weakened former superpower Russia, is posing challenges of adjustment for both Beijing and Moscow. In point of fact, history shows that great power transition has always been complicated – politically, economically, culturally and security-wise. Although Moscow and Beijing stress that their relationship has never been in better shape and clearly constitutes the most important strategic relationship for both countries, the challenges of adjusting to the changing power constellation are constantly mounting.

This report provides a rich analysis of this strategically promising, albeit problematic, Sino-Russian relationship.

All the authors share a common view that the relationship is much more promising in terms of rhetoric and on paper than if measured in actual achievements. This chapter seeks to introduce the Sino-Russian relationship from the political power perspective. What kinds of challenges does the current transition in the global balance of power pose to the Sino-Russian relationship?

Peter Ferdinand's chapter, *Sino-Russian relations: an analytical overview*, provides a historical account of the relationship, discussing what China expects from it and proceeding to an eight-point analysis of the challenges it poses. Jouko Rautava's chapter *Russia's economic policy and Russia-China economic relations* shifts the focus to Russian economic policies and the bilateral economic relationship between China and Russia. Rautava's critical and in-depth analysis of the economic relationship illustrates that it is imbalanced, and prospects for deeper economic integration are unpromising mainly due to a lack of vision and political will.

Pavel Salin's chapter, *How Russians perceive China*, provides an intriguing analysis of the changing perceptions within Russia on the rise of China. He identifies and analyzes the interaction and discussion on how the anti-China and pro-China wings in the Russian establishment, the experts and the mass media view the rise of China. Stephen Blank's chapter entitled *Russo-Chinese relations at a crossroads: an American view* analyses the discussion or the lack of discussion on the Sino-Russian relationship in the US political apparatus. The writer then proceeds to sketch out possible policies on how the US should deal with the Sino-Russian relationship in the regional context. In the concluding chapter, Arkady Moshes provides an analysis of the challenges entailed in endeavouring to balance this increasingly asymmetrical relationship, in which both countries harbour mutual discontent on a number of bilateral, regional and global issues.

On the structural transformation of rising and declining powers

The role and character of state power is one of the key questions in the current study on international relations. The process of globalization is generating deep and complex interdependencies and forming novel transnational channels between economies and societies. The escalating globalization phenomenon involves numerous processes that are usually recognized as being driven by a combination of economic, financial, technological, social, cultural and political factors. The driving force behind the "flattening of the world", to cite the concept coined by Thomas Friedman, is the economic globalization that has been escalating since the 1980s.

States and multilateral organizations have actively stimulated this process by deregulating world trade and, thanks to new technologies and organizational innovations, flows of resources, people, capital and know-how are moving rapidly across national borders and continents. The process that was originally aimed at stimulating trade is now facing a new political reality, realized by the global redistribution of resources and wealth from the developed West to the large emerging economies and energy producers. Significantly, the difference in economic and industrial growth rates and the rapid accumulation of foreign exchange reserves provide rising powers with a novel kind of economic autonomy that has strong latent and actual political leverage. Consequently, the whole process is influencing and complicating the traditional balance of power between states.[1]

Any analysis of the way in which the complex interdependencies and accelerating globalization affect the competition over resources, wealth and political power is challenging because the more traditional world-system analysis, conventional structural and political realism, and various globalization theories can only provide partial accounts of the process. Regardless of the angle of the analysis, it is obvious that the process, despite its increasingly complex interdependencies, has not diminished the interest or the need for the rising or status quo powers to protect their own national interests, or to secure access to raw materials, markets and economic benefits beyond their own borders. The heated debate over China's activities on the African continent is a good example of this. As these activities are carried out by new rising powers or by their major economic institutions which are, in the case of Russia and China, mainly state-owned or controlled enterprises, it will inevitably increase competition or cause a reaction within the existing system. Therefore, regardless of increasing global and regional interdependencies, the rise of new great powers presents both threats and opportunities for the existing international system. In this sense, the classical realist assumptions are still valid: The stronger and more powerful the rising powers become, so this line of reasoning goes, the more influence they will crave, with the result that they will eventually be more eager to project their power and to protect their national interests in international contexts. Ultimately, political and military power is based on economic strength. As Paul Kennedy has illustrated in *The Rise and Fall of the Great Powers*, a book that has once again become popular since it was published in 1989, the ability of countries to maintain and exercise global hegemony has been directly dependent on their ability to maintain and exercise their productive and economic capacities.[2]

There are a number of pivotal questions shaping the overall process of the adjustment of states in the increasingly complex international order that exists today. Firstly, how dissatisfied are the rising powers with the existing international order and practices? Secondly, does the rise of a new great power challenge the existing international order? Thirdly, what are the desired changes that rising powers are demanding? As most China and Russia observers point out, the answer to the first question – the proclaimed dissatisfaction with the

US-dominated world order – is at the heart of what unites these two great states. Yet, in searching for the answer to the second question, we quickly understand that the rise of China is not only reshaping the existing international order, and reshuffling the great power ranking, it is also narrowing the political and economic influence Russia has over neighbouring China, both in the region and at a global level. However, Moscow and Beijing could find a unified answer to the third question in that they both claim to strive for a more just and multipolar international order. Despite these demands to render the existing order more just from their perspective, it appears that the behaviour of both Russia and China in international multilateral institutions, such as Russia in the G8 or China's apparent contentment with receiving more voting rights in the IMF, have not been deconstructive.

In contrast to the vocal criticism of the existing Bretton Woods system, both China and Russia have been the great beneficiaries of the existing globalizing economy. However, the sources of the benefits have been different. Russia boosted its foreign exchange reserves and economy thanks to the soaring oil, gas and raw material prices during the first decade of the 21st century. However, Russia's experience pales in comparison to China, which is perhaps not only the greatest beneficiary, but also the key dynamo of the new era of globalization. Simply put, China's remarkable success is due in large part to its economic policies and the deep and complex economic, industrial, technological and financial integration of the country into the existing global system. In other words, the complex integration and interdependency of China *vis-à-vis* the global economic system is the key force that is shifting the gravity of the existing global power structure.

The overall adjustment strategies of Beijing

Beijing is all too aware of how the spectacular growth of China is causing alarm among its neighbours. In ensuring a harmonious environment for its own development and assuring its neighbours of its peaceful intentions, Beijing has resolved all the land-border issues with its neighbours, with the exception of India. However, China has been much less successful in resolving its marine territory disputes. As a matter of fact, eight out of nine neighbouring countries around China's territorial waters have a marine territory dispute with the country.

In the early years of the 21st century, China actively developed foreign policy concepts that would comply with the traditional core principles of its foreign policy – namely non-intervention and non-conditional behaviour – while taking advantage of the rapid growth and promoting the idea of the country's peaceful intentions. The first concept, "the peaceful rise of China" (*Zhongguo heping jueqi*), was launched in 2003. The concept was publicized in the same year in a speech given in the Boao Forum for Asia by Zheng Bijian, the then Vice Principal of the Central Party School. Zheng pointed out in his speech that, historically, the rise of new powers often caused major changes in the global political structures, even through warfare. He reaffirmed that the PRC was pursuing a peaceful foreign policy and would not take this hegemonic path. The Premier of China, Wen Jiaobao, used the same concept in 2004 in his speech, thus giving it the official seal of approval. Nevertheless, the term "rise" proved to be too controversial and it provoked critical responses from neighbouring countries and international observers alike. Consequently, Beijing reacted quickly and changed the term in 2004 to the more neutral "peaceful development of China" (*Zhongguo heping fazhan*).[3]

In 2006 the current leadership once again coined a more comprehensive development principle of "a harmonious society" (*hexie shehui*), which also implies a foreign policy aspect of creating a "harmonious world" (*hexie shijie*).[4] According to this principle, Beijing gives assurances that China will resolutely oppose all acts of interference into other countries' internal affairs which do not have a United Nations resolution. Instead, the leadership declares, China will strive to create a more equal and just international system. At the same time, Beijing has become more active in promoting the notion of "win-win solutions" for countries that are willing to cooperate with China. With these new principles, Beijing aims at reassuring its neighbours and the world that the rise of China should not be seen as a threat, but rather as an opportunity. In addition to these official principles, Beijing has been actively propagating a one-sided interpretation of the non-expansionist and non-aggressive strategic culture of China – a further attempt to convince the world that China lacks the tradition of conducting expansionist wars.[5]

Despite the lengths that Beijing is going to in order to reassure its neighbours about the peaceful intentions of China's rise (even if those intentions are indeed genuine), the trajectory of economic growth and the increasing political weight of the country are causing apprehension in the region. One important novel phenomenon in recent years has been a more active use of the terms "core interest" and "national interest" in the official party-supported media.[6] Previously, the concept of national interest was commonly used in the context of criticizing the hegemonic policies of the US. However, as China's investments and interests are expanding across its own borders, the concept of the country's national interest is being received more positively in the public and official discussion. In this context, the 12th Five-Year Plan[7] and the 2010 National Defence White Paper[8] that were published in spring 2011 are important documents.

Both of these core documents provide a perspective on how the next generation of leadership that will rise to the podium in 2012 understands the global development trends, and how China should prioritize its own development strategies. These documents state that the interdependency between states and actors will deepen and that a fundamental shift in power relations on a global scale is brewing. It is within this evolving context that China should pay more attention to its own national interests in the future. These documents also underline the fact that China needs to develop better risk management in advancing its own national interests. Within this framework of increasing responsiveness to China's national interests, the rapid build-up and reform of the Chinese military forces, particularly the deep-sea navy, air carriers and submarines, point to the conclusion that China is raising political awareness and building the capacity to protect its national interests beyond its own borders.

Maritime security has become an integral part of China's national security strategy. It is apparent that with the continuous rise of its overseas interests, Beijing's security boundary has already far exceeded its sea-territory boundary. Nevertheless, the lack of transparency in China's interests and capacity-building makes the Chinese neighbours jumpy. Neighbours enquire in vain as to the purpose of China's discussion on the issue of its own national interests, as well as its muscle-flexing to project its power beyond its own territorial waters. If this non-transparent development continues, it will surely cause further anxiety among China's neighbours, regardless of how much the country invests in resources to reassure others of its peaceful intentions.

Furthermore, as China is becoming one of the most important sources of finance in international business, its neighbours are increasingly concerned that the country will eventually flex its financial muscle to gain further economic and political leverage in the recipient countries. According to the realist school of thought, this would be the natural path for a great power to follow. Putting an exact figure on China's investments and loan provisions in international operations is virtually impossible. But based on a study conducted by the *Financial Times*, China's two main concessional loan providers, the China Development Bank and Exim Bank, lent at least US$100 billion to developing countries in 2009–2010. This exceeds the amount lent by the World Bank's main lending arms.[9]

China has been reassuring its neighbours and the global community at large that they should not be concerned about the political consequences of Chinese investments. Yet, Beijing is sending out mixed messages to allay the fears of concerned countries. It states that China's foreign policy is, and always will be, based on principles of non-interference, and that China seeks only win-win business deals, while simultaneously expressing strong criticism of Western interventionism. Beijing's punchline is that China does not attach political conditionality to its lending or finance. However, surprisingly few studies have been conducted into the validity of these arguments, and also into whether a rising power like China can really behave in such an altruistic manner as it claims. Based on findings in a study carried out by the Bank of Finland, this assumption of "no strings attached to Chinese finance" is valid only up to a point. The study identifies four hypothetical kinds of conditionalities that are either set by the state or emerge as an indirect consequence of the voluminous business and financial activities of Chinese state-run lenders and enterprises in developing countries. The study provides tentative evidence that China does not strictly adhere to its own foreign policy principles. Naturally, the neighbouring countries are carefully monitoring whether China intends to exert its economic and financial muscle in a more systematic manner in the future to gain economic, political or security benefits in third countries.[10]

Bilateral relationship

The Sino-Russian political relationship that has existed since the beginning of the 1990s can be regarded as a success if we confine our observations to the political top-level relations and recognize how the countries eventually resolved their political disputes, settled land-border issues, minimized the risk of armed conflict and eventually formed a strategic partnership relationship in 1996. At that time, the rapprochement was based on a number of mutually shared solid strategic interests. Firstly, sufficient trust had emerged between the countries to enable Moscow and Beijing to tackle the complicated border and security issues. Secondly, the countries acknowledged their different modernization paths and understood that closer economic cooperation would benefit them both. Thirdly, and maybe most importantly, the geopolitical and security constellations were changing for both countries. Moscow witnessed how the previous Eastern block and the newly independent states of the old Soviet Union were actively reproaching the European Union and NATO. Moreover, after Boris Yeltsin's short-lived dalliance with the West and NATO failed, Russia had to turn to the East instead to find a more reliable dance partner. China was simultaneously facing the growing presence of the US in the Pacific. Furthermore, as Beijing analyzed the impact of high-tech weapon systems and war technology deployed by the US in the first Iraq war, China understood that it needed to quickly upgrade its military capabilities. Due to the post-Tiananmen arms embargo imposed by Western powers, Russia was the only potential source for the purchase of military high-tech. Fourthly, in the initial post-Cold War years Beijing and Moscow were very concerned about the hegemonic position and influence of the US and strongly opposed the unipolar world order of the Western countries.[11]

At present, roughly fifteen years since the strategic partnership was established, the Sino-Russian relationship is reminiscent of a kind of Potemkin village in reverse. In this reversed village it is not minsters like Grigory Potyomkin who are famously constructing fake villages to impress the travelling Empress, Catherine the Great, but rather the Emperors of both countries that are constantly constructing the hollow facades of a strategic partnership to fool the villagers. This reversed interpretation of the metaphor is valid to a certain degree if we compare the continuous top-level assurances about the strategic nature of the relationship with the actual achievements of the countries during the last decade or so. As a matter of fact, some scholars have even suggested that the relationship spiralled into strategic stagnation as early as a decade after the signing of the strategic partnership documents (see Ferdinand and Blank in this report).

The rapid development and successful modernization of China has integrated the country into the global economy to the extent that in many key aspects of the Sino-Russian relationship, such as economy, politics, energy, raw materials and even military technology, China is much less dependent on Russia than the other way around. If the current trend of development continues, the Sino-Russian relationship will enter an era of asymmetries where China will have the upper hand in all strategic issues.

Furthermore, it is evident that the countries share very few common interests of a strategic nature. The strongest common interest that Moscow and Beijing share is the maintenance of peace and stability between them. Nevertheless, the strategic partnership, if the concepts of 'strategic' and 'partnership' are to be taken literally, should be based on a broad and common set of values that provide depth, meaning and purpose for the relationship, as well as predictability as to how the parties will most likely react to the changing circumstances. On the contrary, most of the observers argue that the relationship suffers from an inherent lack of trust and that it can be characterized as utilitarian and instrumental in nature (see Blank in this report). However, it appears that the countries share a certain solid set of values that are repeatedly uttered in Moscow and in Beijing; resistance to the hegemonic US policies, the demand for a more just and multipolar world order, and adherence to non-interventionist foreign policy principles. Yet, a closer inspection of these assumed common values reveals that the reality is not black and white, but comes in all shades of grey.

In their statements, Beijing and Moscow are vocal in criticizing the US hegemonic policies and position in the world. However, at the same time, Moscow and Beijing are carrying out diverse bilateral policies with Washington. From Beijing's point of view, factors such as Moscow's oscillation between distancing and reproaching Washington, NATO, twists and turns in the missile-defence issue and the opening of the air-bridge to Afghanistan through Russian airspace for the US are certainly disturbing signals and introduce an element of unpredictability into the Sino-Russian relationship. From Moscow's point of view, the close interdependency between China and the US is even more disturbing, as it is obvious that for China the only relationship that is of a truly strategic nature is the one it has with the US. It must have been very unpleasant for Moscow to observe how some officials in the US government, a few prominent scholars and the global media called for the two powerhouses of the global economy, China and the US, to form a G2 alliance to resolve the global economic challenges. Although the Chinese leadership quickly shot down the idea of a G2, the whole discussion was a stark reminder to Moscow that the other pole in the sought-after future multipolar world would not be Russia, nor the Sino-Russian axel, but China alone. Bottom line, China couldn't survive without the US, but it would most likely survive without Russia.

During interviews in China, Russia's non-interventionist foreign policy principle was questioned by local scholars. It was pointed out that Beijing is closely monitoring how Russian foreign policy is constantly departing from this principle by using various coercive measures to interfere in its neighbouring countries' internal affairs. They particularly emphasized the "pipeline diplomacy" directed against Belarus and Ukraine, and the Georgian war in 2008. One Chinese scholar explained that this exemplified a kind of post-traumatic behaviour of a former superpower that no longer has the leverage to control the newly independent countries that used to be under its control during the Soviet days. The same scholar pointed out that some in China are of the opinion that there is something wrong with Russian foreign policy as they have very few friendly relationships with the countries they are bordering.

However, the pressure to break free from the non-interventionist and non-conditional foreign policy principle is mounting in China as well. So far, we have evidence that China is currently building both the political will and the military muscle for the improved risk management of its own national interests beyond its own borders. As pointed out earlier, it seems that, in certain cases, China has already flexed its financial muscle in setting conditions for recipient countries.

Russia's adjustment dilemmas

In analyzing the current state of the relationship and taking into account the development trajectories of the two countries, the only conclusion is that the relationship is evolving towards a situation that will give Beijing much greater leverage and manoeuvrability over Moscow than ever before in history. This development trend is already evident in the critical bilateral political, security, energy, economic and business arenas, in most of which Russia is more dependent on China than the other way around. So what options does Moscow have in adjusting its increasingly asymmetrical bilateral relationship with China in a balanced manner, whilst both countries are aware that the constantly altering configurations of relative power are increasing the atmosphere of low trust between them, despite their leaderships' claims to the contrary? As far as Russia is concerned, it appears that a limited number of adjustment strategies could theoretically be applied. Below is a brief analysis of balancing, containment, multilateral binding, bandwagoning and engagement strategies.

Russia's inability to marshal its internal weaknesses means that it will have very few possibilities to balance or contain its political and economic dependency on China. Furthermore, using external balancing or containment, meaning that Russia could establish political alliances with other status quo powers, namely the EU, NATO or the US, against China is likewise impossible. The impossibility lies in the fact that the EU countries and the US are all economically much more dependent on, and more deeply integrated with China than with Russia. Furthermore, the EU economies and the US are competing for recognition by Beijing, and forming a unified front within the EU against China would be very challenging, if not impossible. In addition, China has been very efficient in its *divide et impera* strategy with the European countries – meaning that China is imposing economic and diplomatic sanctions on those countries that are, from Beijing's point of view, interfering in Chinese internal affairs, while providing benefits for those countries that are working in accordance with the Chinese criteria. A number of examples of this *divide et impera* strategy exist, the latest example being the sanctions against Norway and Norwegian businesses in China after the Nobel Peace Prize was given to the Chinese dissident Liu Xiaobo in October 2010. Hence, it is obvious that neither the EU countries nor the US would jeopardize their relationship with China for the sake of Russia's ambitions.

Russia's possibility of using a multilateral binding strategy against China is likewise politically impossible. A multilateral binding strategy refers to a process whereby the rising power is incorporated into the existing global institutions and practices. This strategy is impossible for Moscow for the simple reason that Russia and China are the main critics of the prevailing practices of Bretton Woods institutions. In addition, all other multilateral institutions, including the Shanghai Cooperation Organization and the new evolving arrangement of BRIC countries, are too divided and lack the institutional framework and arrangements that Russia could use for any binding attempt. It is obvious that any Russian attempts to balance, contain or bind China would seriously harm the relationship and would most likely provoke a reaction from the Chinese side.

The only options left for Russia are bandwagoning and engagement with the rising China. Bandwagoning here refers to joining forces with the stronger party, in this case China. Yet, bandwagoning has proved to be difficult for Russia as it requires admitting that it has truly become China's "little brother" – a process that is politico-psychologically difficult for a country that was a superpower a mere two decades ago, a point that is brilliantly illustrated in Salin's chapter in this report. In addition, overt bandwagoning could also have domestic political consequences as the public could seriously begin to question the success of Moscow's reform policies.

Applying an engagement strategy with the rising China entails its own inherent challenges as well. An engagement strategy refers to the use of a balanced mix of concessions and credible threats to ensure that the growing power is using its muscle in ways that are consistent with peaceful change. In other words, the key to success lies in using a carrot and stick approach in guiding and satisfying the rising power. As a matter of fact, Russia has very few sticks at its disposal and Moscow has been very reluctant to provide China with the carrots that it wants. The only sticks Russia has available at the moment are energy and certain raw materials. On the one hand, China has geographically diversified its energy and raw material purchase and is much less dependent on the Russian supply than earlier (see Rautava in this report). On the other hand, if Russia utilized this kind of "pipeline diplomacy" against China, it would destroy the last vestiges of trust it has in Chinese eyes.

In addition, over the last decade Russia has proved increasingly reluctant to provide China with the carrots it requires: the latest state-of-the-art military equipment and a supportive investment environment. Russia is afraid that China will use reverse engineering to copy Russian military technology. As a matter of fact, Russia found out in 2006 that the Chinese were producing an indigenous version of the Sukhoi SU-27SK aircraft, the Shenyang J-II, which the Chinese were producing under a licence agreement signed in 1995. Furthermore, China has made great advances in developing its own military equipment and is no longer dependent on Russian technology. As Blank illustrates in this report, a different kind of tension and mistrust has surfaced between the Chinese and Russian armies.

The other carrot – opening up the Russian market and generating a favourable institutional environment for foreign direct investments – has proved to be equally difficult for Russia (see Rautava in this report). In fact, the hungry Chinese entrepreneurs and state-owned financial institutions are not waiting for Russia to open its markets, but are instead finding new unexplored markets elsewhere. As stated by a Chinese expert during an interview, “the Russian markets are very closed, corrupt, and local officials discriminate against Chinese businesspeople”. He added, “Africa is also corrupt but there is no discrimination against the Chinese and that is the reason why Chinese businesses in general find African markets more appealing”. Naturally, the same scholar admitted that the very low standard of business ethics of a number of Chinese businesspeople operating in Russia destroys the reputation of all Chinese businesses in Russia. As Ferdinand points out in this report, Chinese exports to Africa have now overtaken those to the Former Soviet Union region.

The engagement strategy is an efficient way to gradually gain experience and knowledge of the intentions of the rising power, but it is usually a time-consuming and resource-binding process. Given the different pace of the development trajectories of China and Russia, the application of the engagement strategy would mean that Russia would continue to lose its relative economic, political and military great power attributes in comparison to China. Concurrently, the challenges of adjusting to the changing power constellation will also become more complicated.

China's economic and political activities illustrate that Beijing is, and will become, more deeply integrated into the global markets. China is already the second largest economy in the world and if it manages to develop its domestic markets, it will provide China with even more economic leverage. In the years to come, Chinese investments and businesses expanding abroad will most likely have a greater impact on the world economy and system than the Japanese globalization process had in the 1970s and 1980s. Simply put, China's financial muscle and insatiable appetite dwarfs that of Japan in the 1980s. If Russia doesn't open up its markets to foreign and Chinese investments, it will be in a similar position to the one it was in during the Soviet era in the 1980s when it completely missed the stimulus of Japanese investments that began to pour out to East Asia, North America and Europe. Politically and diplomatically, China will most likely continue with its current strategy of treating Russia on equal terms, avoiding offending the prestige and national honour of the former superpower, while becoming increasingly concerned about the country's future.

Summary

World history illustrates that the rise of new powers has always generated tension and challenges of adjustment within the existing power structure. The reasons for this complexity in adjusting are universal and integral to the process of power transition between rising and status quo powers. These universal challenges of adjustment are, in the case of the Sino-Russian bilateral relationship, further complicated by Moscow's own struggle to adjust itself to the fact that Russia's international hierarchy of prestige and influence collapsed along with the fall of the socialist world order it created and was leading. Concurrently, Moscow is increasingly seen today as China's "little brother". In addition, the particular historical legacy, complex politico-psychological composition and escalating economic structural differences between the two countries are conditioning the strategies of adjustment.

Of at least equal significance are the medium- and long-term developmental expectations that the countries have of themselves and of each other that are also shaping their strategies and policies *vis-à-vis* one another. From Moscow's point of view, it appears that regardless of how fast it tries to run, Russia always seems to stumble at the first hurdle and the Kremlin can only observe how the country is effectively losing its relative and, in certain sectors, even absolute power and prestige to the swift China. Concurrently, Beijing is rapidly gaining speed as it surmounts the hurdles one by one with aplomb and, as a consequence, China is accumulating a competitive advantage in all the important facets of becoming a true superpower. At the same time, the decision-makers in Beijing's administrative Zhongnanhai district are becoming increasingly concerned about the fumbling modernization process of their strategic partner, Russia. Hence, it is evident that the escalating power transition generates different political and public perceptions, and provides dissimilar means, expectations, recourses and interdependencies for Beijing and Moscow to act upon.

In practical terms, the rapidly rising and relatively declining positions of Beijing and Moscow respectively present drastically different possibilities and challenges. In Zhongnanhai the decision-makers are viewing growth prospects at the global level and the leadership is preoccupied with the question of how to balance and adjust its growth on a global scale without causing consternation in places like Africa, South America or the European Union. Moscow's perspectives and vision, on the other hand, are much more near-sighted. The Kremlin's perspective is limited to the regional and neighbourhood level – how to proceed with its Euro-Asian strategy, how to regain control over newly independent states, whether to turn to Europe or to Asia, all the while becoming increasingly preoccupied with the overarching question of "How to adjust to the rise of China?"

However, as long as Moscow continues to muddle through with its reforms, wavering between West and East, being indecisive in opening up its markets and economy and being unable to create a favourable investment environment for foreign players, including Chinese investments, the gap between China and Russia will continue to widen. If this path-dependent pattern of short-sightedness and political indecisiveness prevails, Moscow will have even fewer options at its disposal when it comes to adjusting to the challenges of China's rise, and to dealing with its own relative decline.

Sino–Russian relations: an analytical overview

Peter Ferdinand

Sino–Russian relations are better than at any point in the last 50 years. Both governments have expended significant efforts in improving them in recent years. Yet, at the same time, their future continues to be clouded in mutual uncertainty and even mistrust.

Successes

During the Sino–Soviet dispute in the late 1960s and 1970s, the leaders of the USSR seriously contemplated a nuclear strike against China in response to fighting on the border. Mao responded to overtures from President Nixon and turned towards the US for hard balancing against the Soviet Union. Over the next decade relations stabilized in implacable confrontation. There was always a danger of renewed border clashes over disputed territory escalating into more serious conflict. The Soviet army massively expanded its forces in Siberia and the Far East, posing a continuous threat to Beijing. Soviet intervention in Afghanistan exacerbated Chinese concerns about possible Soviet expansion in Asia and kept them on high alert. Until at least the mid-1980s the official line in Beijing remained the inevitability of war, probably nuclear, with the Soviet Union seen as the most likely adversary.

Since then relations have gradually improved. Gorbachev was the first to seek détente. He proposed mutual withdrawals of troops from the border, and this quite quickly evolved into relieved reconciliation. This process was disrupted by the collapse of the Soviet Union, but as early as 1992 China and Russia signed an agreement on friendly relations, and this was consolidated with a Treaty for Good Neighbourliness, Friendship and Cooperation in 2001.

This relaxation of tension created a favourable environment for resolving the border disputes with Russia and Central Asian states, with the result that by 2011 all parties had signed agreements irrevocably delimiting the borders in perpetuity – a process that was marked by a reasonable display of give and take on all sides. Thus as long as all parties accept the permanence of the agreements, there should be no grounds for reopening the previous disputes and so there should be no suspicions about the long-term territorial goals of their neighbours.

Accompanying this relaxation has been an increase in trade between Russia and China. Admittedly this has not developed as much as either side had hoped, given that they are neighbours. China's exports to the Former Soviet Union (FSU) as a whole are still lower than to the Middle East, and they are dwarfed by China's exports to Europe and the US. But Chinese exports to Africa have now overtaken those to the FSU as well. So the FSU as a whole has proven a less important market for Chinese goods.

Underpinning these ties is a convergence in official views on the desirable shape of international relations and international governance. An illustration of this can be found in an analysis of voting patterns at the UN General Assembly, presented in Table 1.1. It compares the voting records of China with each of the other permanent members of the Security Council.

Table 1.1. Voting records of the permanent members of the UN Security Council in general assembly compared with the People's Republic of China, 1974–2008 (as a percentage of total number of votes cast)

	→	divergence	→
	Identical (yes/no/abstain)	1 yes/no + 1 abstain	1 yes + 1 no
France	36.26	34.84	17.32
Russia	65.99	17.64	6.53
UK	33.42	32.57	22.70
USA	13.21	23.20	50.80

Total number of votes = 3384 (figures do not add up to 100 because of the absence of at least one of the states from individual votes)
Data from: Erik Voeten and Adis Merdzanovic, "United Nations General Assembly Voting Data"

We should bear in mind that most resolutions of the UN General Assembly are passed without resorting to a vote, and that most of those that are submitted to a vote are approved with a large majority.

So states very often vote "yes", and when they have reservations, they can avoid committing themselves to positions that would cause difficulties with other countries by abstaining. So the really interesting figures are the occasions when one state votes "yes" and the other votes "no". It displays real foreign policy divergence. What we can see from this Table is the great disparity between the votes of the other permanent members compared with that of China. The UK and France had fairly similar degrees of convergence with China in voting, with France marginally more so. Where the US is concerned, the picture is quite different. Half of all the votes cast by these two states were on opposite sides of the particular issues. And in fact, the disparity was even greater during the George W. Bush administration. Between 2000 and 2008, the US and China voted the same way only 9.44 per cent of the time, whilst they voted in opposite ways on 64.92 per cent of the occasions. But Russia (and the former USSR) had the greatest similarity in voting behaviour with China, even during the era of the Sino-Soviet dispute, and the convergence increased under Gorbachev.

This underlying overlap of views on international affairs was crystallised in 1997 when China and Russia signed a Joint Declaration on a Multipolar World and the Establishment of a New International Order. It looked forward to the emergence of a more multipolar world, to which an increasing number of developing countries would also contribute. It asserted that:

> *Diversity in the political, cultural and economic development of all countries is becoming the norm… A growing number of countries are beginning to recognise the need for mutual respect, equality and mutual advantage – but not for hegemony and power politics – and for dialogue and cooperation – but not for confrontation and conflict.*[1]

They declared that the new international order should be based upon "mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual advantage, peaceful coexistence and other universally recognized principles of international law."[2] The Declaration reaffirmed the importance of the United Nations and the intention of both states to work towards its strengthening. As Larson and Shevchenko point out, both states reject the principle of liberal intervention to protect individual rights.[3]

Presidents Putin and Hu went on to sign an updated version of this declaration in 2005, adding support for multi-ethnic states and the need to refrain from policies that would divide them. The more recent BRIC summits have affirmed these principles as well.

What does China want from Russia?

China's relations with Russia are subordinated to two overriding goals of Chinese foreign policy. The first is to maintain a stable regional international environment that will allow China to advance its economic development. This is a very long-term objective, so that China can become a "moderately prosperous" nation by 2049, the 100th anniversary of the founding of the People's Republic of China. The second is to manage its "peaceful rise" (*heping jueqi*) or "peaceful development" (*heping fazhan*) globally so that it does not provoke confrontation with existing major powers which might thwart that rise. For China's leaders, that means a preoccupation with relations with the superpower, the US, which dwarfs its "strategic partnerships" with other important nations.

Allied to this are two secondary considerations. The first is China's consistent rejection of security alliances. The experience of the Sino-Soviet dispute and the threat that it posed to the PRC was sufficiently traumatic for China's leaders to wish to avoid dependence upon any other nation for its security again and thus to avoid too close an entanglement with any other power. Mao's doctrine of "self-reliance" encapsulated that conclusion, and although China's new strategic concept of 1998 reopened the way to fuller integration in world affairs on the basis of "mutual trust, mutual benefit, equality and cooperation", it has not diminished the desire to retain maximum independence. Indeed China's economic successes since then have increased its feasibility.

In recent years Chinese commentators have become extremely enthusiastic about the notion of "soft power", seeing it as a less threatening form of leadership in world affairs. President Hu Jintao emphasised to the 17th Party Congress the need to enhance culture as a form of the country's soft power.

The second consideration is the advice that Deng Xiaoping laid down for China's leaders in 1989 on the best way to manage its relations with the outside world in the aftermath of the massacres around Tiananmen Square and the international isolation that followed. This was summed up as: "coldly observe, secure our positions, cope calmly, conceal our capabilities and bide our time, keep a low profile, never take the lead, make a contribution". In practice Chinese leaders have been encouraged by the country's economic achievements and the growing respect that they are accorded by other countries to raise the country's profile and become more assertive. Nevertheless Deng's legacy still weighs heavily on the thinking of the current leadership.

So China looks to Russia for a stable regional environment, for economic cooperation and for cooperation in foreign policy. The most visible manifestation of the latter is the Shanghai Cooperation Organisation which has emerged out of President Yeltsin's impulsive offer of "strategic partnership" with China in 1996 when he felt that the West, especially the US, was not granting Russia the respect and equality that it deserved. This struck a chord among Chinese leaders who were also concerned about the security threat to Xinjiang from Afghanistan and possibly the rest of Central Asia. They initiated a process of regional cooperation at a meeting in Shanghai, which attracted most Central Asian states who were worried about the potential threats to their newfound independence from either of their "big brothers" to the north and the south. In 1998 this was turned into a formal diplomatic mechanism and in 2001 they held the inaugural meeting of the Shanghai Cooperation Organisation (SCO). Since then the SCO has set up a regional anti-terrorism centre (RATS) and a Business Council. It has held regular joint military exercises, usually directed against some supposed terrorist threat, and it has developed cooperation against narcotics-trafficking.

The SCO has only gradually made its presence felt on the world stage. There have been several reasons for this. Firstly, there have been difficulties in overcoming long-standing mutual suspicions or resentments between the members. Secondly, for China this has been an important learning process, since it is the first multinational organisation where China has taken the lead, and its reluctance to engage in alliances of any kind meant that it was also reluctant in the SCO to move towards too constraining ties. Thirdly, the members have diverged over the main priorities of the organisation. China has wanted it primarily to focus upon economic cooperation, as a way to open markets for Chinese goods, whilst Russia has wanted it to focus more upon military cooperation, fearful about opening further commercial opportunities for China. Fourthly, the natural focus for its policies has been Central Asia, and it is available to help provide a regional solution to the challenges of Afghanistan, but as long as NATO has been involved there, it has not been called upon to play a major role. Nor did it want to challenge NATO too directly, for fear of being left to deal with the Taliban itself. However, it has tried to prevent NATO and especially the US from acquiring a permanent presence in the region. Now that NATO seems to be about to begin to run down its operations there, the SCO is beginning to develop ties to the Afghan government, which would like to be admitted to Observer status, and it is seeking cooperation with other regional neighbours, such as India, Pakistan and Iran. The SCO numbers India, Pakistan, Iran and Mongolia as Observers, with Belarus and Sri Lanka as Dialogue Partners, so it could expand the scope of its activities more widely in the future, e.g. into South Asia. India has already expressed an interest to join, and so too has Iran, but this has been delayed until the international dispute over its nuclear programme is resolved. The 10th anniversary summit of the SCO in June 2011 is expected to agree the procedures for admitting new members. As a regional organisation it has also concluded an agreement with the UN for information-sharing.

However, the organisation falls far short of an alliance, since its members have made no commitment to come to each other's aid if attacked. Nor is there an integrated command structure for military operations. It is no rival for NATO, however much Russian propaganda may have tried to present it in that light. And there is as yet no momentum for economic multilateralism which might lead to a common market. All inter-state economic cooperation is still handled on a bilateral basis. Nevertheless it does provide reassurance for all the members about the ability to respond to guerrilla and terrorist challenges in the region, and the Central Asian states generally like it because it allows them to play off Russia against China rather than being forced to deal individually and unequally with both of them.

The second thing that China wants from Russia is economic cooperation. The evolution of their trading relationship is presented in Table 1.2. The evidence is disappointing.

Table 1.2. China–Russia trade, selected years (in US $ billions)

China	1992	1995	2000	2005	2010
Exports from: Russia	2.34	1.67	2.23	13.21	29.59
World	85.62	148.97	249.22	762.65	1580.40
As % of total	**2.73**	**1.12**	**0.89**	**1.73**	**1.87**
Imports from: Russia	3.51	3.80	5.80	15.89	25.81
World	81.87	132.16	225.18	660.22	1393.92
As % of total	**4.28**	**2.88**	**2.58**	**2.41**	**1.85**
Russia					
Exports from: China	2.74	3.38	5.23	13.05	23.46
World	39.93	77.60	103.00	239.30	403.76
As % of total	**6.86**	**4.36**	**5.08**	**5.45**	**5.81**
Imports: from China	1.67	0.86	0.95	7.24	32.55
World	34.98	46.40	33.85	97.41	232.66
As % of total	**4.77**	**1.85**	**2.81**	**7.43**	**14.00**

Source: IMF Direction of Trade Statistics database

What this Table shows is that in almost all respects Sino-Russian trade as a proportion of overall trade is now smaller than it was in 1992, which was not a good year generally for Russian exports anyway. Despite the fact that they are neighbours, with all the potential benefits of reduced transport and other costs, the only respect in which trade has grown proportionately is Russian imports from China. The combined level of Russian and Chinese exports to each other at $53 billion in 2010 is significantly lower than the targets that the two presidents set in earlier years of $80 or even $100 billion. At the end of 2010 Russia opened an oil pipeline to China, replacing previous supplies by rail. This will likely increase Russia's oil exports to China three- or fourfold over the next decade, and gas exports will rise sharply as well – an important new agreement is due to be signed at the SCO in June 2011. And in general, supplies of energy from Russia and Central Asia reduce China's heavy dependence upon seaborne supplies from the Middle East and Africa through vulnerable choke points such as the Straits of Hormuz and of Malacca. However, these figures hide the more general problem of Russia's inability to supply large quantities of manufactured goods to China that its consumers wish to buy. There is also an asymmetry in the relationship. China is more important to Russia than vice versa. China is Russia's second largest trading partner, after the EU. By contrast Russia is China's seventh largest trading partner.

However, Russia is an important source of two types of goods that China needs. The first is energy, and primary commodities in general. Both of these requirements have grown exponentially since the collapse of the Soviet Union. China only became a net oil-importing country in 1993, but since then its voracious appetite for energy has exploded. China now imports over 50 per cent of its oil consumption and the government has estimated that by 2020 this figure will have risen to 60 per cent. The timing of the surge in China's demand caused serious problems, since by then most established producers in the Middle East were already tied into long-term contracts with Western oil corporations, which limited China's scope to source most of its needs from there. This has forced China into energetic attempts to tie up long-term deals with marginal producers in Africa and Latin America. However, the Former Soviet Union offers the greatest opportunity for significant relief, given both its proximity and the opening of new oil fields which are not tied to existing consumers. To some extent the same considerations affect China's demand for natural gas, where again the FSU could be a major supplier, although the possibilities for China to obtain supplies from other regions of the world are somewhat greater.

But it is not just a question of energy. China's industrialisation surge has intensified the need for other raw materials and minerals. Again according to the Chinese government, China will need to import serious amounts of 19 out of 45 key minerals over the next twenty years, such as 40 per cent of its iron ore and 70 per cent of its copper. Russia is an obvious potential supplier. China is also currently going through a period of mass urbanization. By 2030 or even 2025 the urban share of the population will have risen from 40 to 60 per cent, namely a further 300–350 million people. This will suck in enormous quantities of materials such as timber, again from Russia. And a further consideration that is beginning to concern the Chinese leadership is food security. The food/population balance has always been delicate in China, which now has 23 per cent of the world's population but only 7 per cent of the world's agricultural land. Chinese agricultural output peaked in 1998 and the population will continue to grow for another 20 years. Chinese companies have begun to buy or lease agricultural land in Africa to provide long-term food supplies. Conceivably Russia could become a major supplier of foodstuffs to China as well.

The second type of import that China needed from Russia was defence equipment. Again, this was a fortunate coincidence, for both sides. The allied victory in the first Gulf war in 1991 was a profound shock to the Chinese high command, because it showed how much more advanced Western military technology was compared with China's. But then as now China was under a Western arms embargo after the massacres around Tiananmen Square, so there was no prospect that China could buy weapons there. The only alternative was Russia. At the same time, Russian military exports plummeted after 1991 and China became the most important client. Although it took some time for sales agreements to be signed, China started importing equipment – aircraft, naval vessels, and later air-defence and anti-ship missiles – from Russia. During the latter part of the 1990s and the first half of the current decade China imported US $1–2 billion worth of equipment from Russia annually, with figures peaking in 2006. All of this has given the Chinese armed forces a much greater offensive capability. Since then, however, total Chinese imports of military equipment have fallen precipitately from $3.8 billion in 2006 to $559 million in 2010. A large part of the fall can be explained in terms of China manufacturing its own equivalent equipment under licence, but also (Russia fears) in terms of copying. Yet towards the end of 2010 new deals were announced, primarily for exports of Russian engines for the aircraft that had already been sold or built under licence in China.[4]

There is a subsidiary economic issue for China as well. This concerns the use of trade with Russia and Central Asian states to help develop the provinces in China's north, whether in the northeast, that is Heilongjiang, Jilin and Liaoning, or in the central-western regions such as Inner Mongolia, Gansu, Qinghai and Xinjiang. For different reasons all of these provinces have been rather left behind in the general development of the country in recent years that has primarily benefited the southern coastal region. In the northeast the problem has been the concentration of outdated heavy industry, above all in Liaoning, which has suffered from increasing lack of competitiveness and the "systemic reform" or privatisation of state-owned enterprises that has taken place since the late 1990s. China hoped that increasing trade with the Russian Far East would help to generate investments that could facilitate the upgrading of industry. As for the central and western provinces, China has launched a high-profile "Go West" campaign from the late 1990s that was aimed at transferring investment to the western part there so that the region could gradually catch up with the more developed east. Once again relations with Russia and the CIS could contribute to that process. In practice, however, these links have failed to live up to Chinese hopes, in large part because of the lack of enthusiasm from Russian officials across the border.[5] And the continued dramatic growth in China generally has mitigated the problems in the north because it has generated extra resources that can be invested in these regions anyway.

Lastly there are the possibilities for foreign policy cooperation in international fora, such as the UN Security Council. This was most obvious in the case of Iraq, and it has recurred in cases such as Iran, Afghanistan and Libya. China has also declared its support for Russian membership of the WTO and of the East Asian Summit. But the extent to which this cooperation persists will depend at least in part on the actions and policies of other states. An assertive American foreign policy as tended to happen under George W. Bush could drive Russia and China together. But a "smart" US foreign policy, as advocated by Joseph Nye[6], would introduce greater fluidity.

Problems

Now let us turn to some of the problems that China experiences in its relations with Russia. At least eight can be enumerated.

1) The most fundamental reservation of the Chinese leadership concerns the depth of Russian commitment to the strategic partnership, that is the extent to which China can rely upon Russia over the long term. The restoration of the double-headed eagle as the symbol of the Russian state ironically symbolises the problem: the fact that whenever it seems to be looking one way, it can very quickly look in the opposite direction. This nurtures misgivings. A Chinese professor well disposed towards Russia, Zhou Li, has commented on the general unpredictability of Russian foreign policy over the decades. He remarks that Russian culture lacks a sense of

the "golden mean", and its foreign policy is instead prey to sudden changes of course.[7] To give an example, the Chinese leadership were profoundly shocked by the collapse of the Soviet Union, but they were also seriously shocked by the way that President Yeltsin (a former communist) then contemplated membership of NATO as well as the EU. Given the previous warming of relations under Gorbachev and the isolation of China at that time so soon after the Tiananmen massacres, the prospect of NATO stretching to Vladivostok was profoundly disturbing. The fact that only four years later President Yeltsin could propose a strategic partnership with China was at one level much more reassuring. So too was the personal chemistry between Presidents Yeltsin and Jiang Zemin. However, the Chinese worried that this might have simply been done as a way of pressuring the West into being more accommodating and that, if this succeeded, relations with China would be sacrificed again. Even though the Russian leadership maintained its commitment through the change of president and indeed found in President Putin someone who was later more combative in his treatment of the West, they also remembered that Putin had initially attempted to win increased cooperation with the US and had raised "hypothetically" the possibility of Russian membership of NATO. Now in President Medvedev they have a leader who has encouraged greater economic liberalisation and who seems more inclined to look westwards again. Even though he told a meeting of Russian ambassadors in 2010 that Asia was now the second foreign policy priority after Europe, that would still make relations with China dependent upon the success of Russia's diplomacy towards Europe. Admittedly the financial difficulties of first the US and later the EU have enhanced the economic attraction of Asia, especially China, which should strengthen Russia's commitment. Nevertheless, even though the new Russia has now demonstrated a sustained commitment to its relations with China, there remains the worry that smart Western diplomacy could lead Russia to look predominantly westwards again.

Of course, part of the problem is China's own antipathy towards alliances. Since China is unwilling to make a formal commitment to Russia beyond a "strategic partnership", it is not surprising that other states would want to keep their options open as well. So the problem partly of China's own making. China would like monogamy from Russia, but polygamy for itself. This is not realistic.

2) The next concern follows from this: how comfortable is Russia with a rising China? As a former superpower, how ready is Russia to cede its position to China? This is not just a matter of diplomacy. It also affects military relations. Whilst Russia has supplied China with many more advanced weapons than the Chinese could at that time produce themselves, the Chinese military are only too aware of the fact that Russia has not allowed the transfer of many of the most advanced forms of equipment. Some Russians do not disguise the fact that the main reason for this is the fear that they might at some point be directed back at them. Worse, Russian officials have stated publicly that they would have no problem in transferring more advanced equipment to India – one of China's biggest Asian rivals. Russian commentators have even suggested that Russia would be happy to develop stealth air and naval technology with India, but not with China. All of this keeps Chinese officials disgruntled.

Of course, the Russians are not only concerned about power rankings in general. Many in Moscow, and even more in the Far East, are concerned about the long-term viability of Russian rule over Siberia. Even though the Russian and Chinese governments have signed agreements recognising the current frontiers in perpetuity, many Russians do not have faith in their permanence. They fear that at some point in the future, when China is much stronger and Russia weaker, the Chinese government will revive their earlier claims to territory over which they had some authority before 1689 and the Treaty of Nerchinsk. As is reiterated in Russia – and noted by China – even the demographic imbalance between the populations to the north and the south of the frontier is destabilizing, not to mention the possibility of renewed military conflict. It is this fear that keeps Russia from supplying China with the most advanced weapons. But at the same time, given all the reassurances that China has offered, it is not clear what more they could do. If they offer to invest in Siberia, they are suspected of preparing for a takeover. So Chinese officials are entitled to feel a certain exasperation.

3) Linked to this is the Chinese government's specific concern about the Russian government's treatment of Chinese citizens living in Russia. Russian internal security forces are noted for their harsh treatment of ethnic minorities and foreigners living in Russia. In the case of the Chinese there, the problem is compounded by the wide discrepancies in estimates of the numbers of Chinese living in Russia.

This can range from a few hundred thousand to several millions. Officials in different agencies, local as well as national, assert wildly varying figures. It contributes to popular paranoia about a Chinese "fifth column" that is allegedly just waiting for the opportunity to take control of large swathes of the country. Serious attempts to come up with an authoritative, more moderate figure have failed to dispel popular prejudice, in part because corrupt Russian officials are known to take bribes, so ordinary Russians are sceptical about official figures. Chinese officials are entitled to feel exasperated by this problem. Despite the fact that Chinese migration to Russia is now regulated by visas, unlike in the early 1990s, there seems no way to take the heat out of the issue.

For China the worry is that this prejudice against Chinese living in Russia might lead to violence against them, in which case China would feel that it would have to take steps to protect them, which would damage relations with the Russian government.

4) In terms of business and economics, China's main concern is over energy supplies. One of China's biggest expectations of Russia was that it would seriously help to close their own energy gap. Yet agreements with Russia have taken much longer to achieve than the Chinese expected, and even afterwards have not always been implemented on time.[8] For example, when the possibility of an oil pipeline to China was initially mooted, the Chinese made it clear that they would be willing to take all the oil that Russia could offer. An agreement was signed with the Yukos oil company in 2002 for completion in 2005 costing Russia US $1.7 billion and supplying 20–30 million tonnes of oil per year. China would have only been responsible for the cost of the pipeline inside China – much less than that of Russia. Yet almost immediately the deal became embroiled in the break-up of Yukos after the arrest of its boss Khodorkovsky the following year, and in 2003 Japan also suddenly offered Russia a much larger sum for a pipeline to the Pacific.[9] In the end the Russian government decided to build the longer pipeline to supply China in part, but also Japan and South Korea. It changed the route, citing environmental reasons for one, so as to avoid the risk of spillage from the original route in an earthquake zone around Lake Baikal, but which the previous nearly 10 years of feasibility studies had apparently failed to identify. It was only at the end of 2010 that the pipeline to China was opened. Whilst this was earlier than the longer

pipeline to the Pacific which has still not been completed, it was also years later than originally agreed. It only supplies 15 million tonnes per year instead of 20–30 million, while China's demand has escalated in the interim, and it eventually cost $25 billion, of which China paid $15 billion in loans. China suspected that Russian companies procrastinated in the hope that China would have to pay more for the oil as world prices increased. China has also resented being charged European prices by Russia for the supply of energy, especially gas. Given China's growing energy needs, the experience of attracting Russian supplies – and the disputes over Russia's oil and gas shipments to Europe – have not encouraged confidence in Russia as a totally reliable long-term supplier.

In turn, China has responded by signing agreements with Central Asian suppliers, especially Kazakhstan and Turkmenistan. The Central Asians have appreciated the possibility of negotiating directly with China and thus reducing their own dependence on Russian cooperation for exporting their energy products. But these states cannot satisfy all of China's needs.

5) Also in terms of economics, China has been disappointed by the relatively leisurely growth in trade. To some extent this is not a crucial problem for either side, given that they both enjoy significant foreign trade surpluses. Nevertheless it shows that Russia has little to offer China by way of advanced technology, apart from the areas of defence, space equipment and nuclear power. Opportunities for joint projects between Chinese and Russian companies are likely to remain limited. There is a mismatch of economic interests between them. On the other hand, the Russian government seems unenthusiastic about increasing imports of Chinese consumer goods, even if it helps China pay for high-priced energy imports. Russia is allegedly more concerned with using its energy exports to enhance its strategic position in Pacific Asia.[10]

6) One problem that both sets of leaders recognised in the middle of the last decade is the relatively thin nature of political and personal ties between them. Even if personal relations are again very good at the very top, there are no longer many middle-level officials who have any direct experience of working with counterparts in the other country. Despite the long years of the Sino-Soviet dispute, there were still many Chinese leaders in the 1990s such as Li Peng and Jiang Zemin who had trained as engineers in the USSR in the 1950s and who

could still relate to Russians on a personal level. Their retirement left a big gap, however, and ignorance among their successors exacerbated distrust.

Presidents Putin and Hu initiated programmes of mutual familiarisation, most notably with the "Year of Russia in China" in 2006 and the "Year of China in Russia" in 2007. This was intended to spread cultural as well as business awareness, in addition to familiarising middle-level officials at the national and provincial levels with opportunities for mutual cooperation. It has had some effect. However, the numbers of students from both countries going to study in each other's country, for example, are still dwarfed by those going to study in the West, whether in the US or Europe. And provincial officials in the Russian Far East have tended to be less supportive of close ties with China – and more ready to mistreat Chinese citizens – than those in Moscow, so there is no doubt about the need for a change in their mindset if the relationship is to grow.

7) China is anxious about Russia's bouts of robust assertiveness against the West. Both have reasons to feel defensive *vis-à-vis* the West, but this comes out in different ways, reflecting the differing trajectories of their international power. Russia is or has recently been a declining power and it wants to remind others of its past glory so that it can deter them from taking advantage. It relies upon a harder concept of power. Russia's leaders are nostalgic for hegemony over the "near abroad", namely the war with Georgia, and they are certainly confronted by serious security challenges, both internally and externally. But sometimes the outbursts of Russian leaders, such as Putin's blistering attack on US international behaviour at the 2007 Munich meeting, seem too provocative. Moreover Russian attempts to reassert hegemony over the "near abroad" sometimes seem to contradict the principles of non-interference in the internal affairs of other states to which both Russia and China have formally committed themselves. It was striking that China – and the rest of the Shanghai Cooperation Organisation as well – refused to endorse Russia's recognition of Abkhazia as a separate state after the conflict with Georgia. China by contrast may have been a great power before the 19th century but not in recent memory. Now it is a rising power and its political leaders are anxious to avoid any provocation that might give other powers, above all the US, a pretext for action to prevent China from developing its full potential (though there are

senior Chinese military figures who would be more inclined to stand up to the US[11]). According to Galenovich, Chinese officials and experts seemed to want Russia to take the lead in challenging the US, for example over Iraq.[12] Their chief red line concerns Taiwan, and the SCO has already expressed support for a one-China policy.

8) Finally, from a constructivist view of international relations, the basic problem is that there is only a limited sense of shared values between Russia and China – namely the modest success of the Year of Russia in China and the Year of China in Russia. It is true that the mantra of the current Russian leadership is that it is a Eurasian state and so must share common values with both Europe and Asia. But in practice the Russian leadership presents itself as partly Asian when it is talking to the West, as a way of brushing off excessive Western demands for liberalisation and democratisation. When Russian officials, especially those in the Far East, are talking to counterparts in China or Asia, they easily lapse into thinking of themselves as the last outposts of Western civilisation facing the Tartar hordes.

Conclusions

All these problems still leave opportunities for cooperation on the basis of shared common interests. Since China is averse to any kind of formal alliance, their mutual relationship is bound to depend upon the effectiveness of soft power, though the security issues related to Afghanistan will also provide a basis for mutual cooperation. Relations with Iran and Pakistan will provide challenges whose resolution may help to strengthen ties. They can stitch together their foreign policies based upon basically similar positions on many world issues, even if the styles of implementation may vary. But unless the West, and especially the US, become overbearing, soft power is the main catalyst for cooperation between Russia and China. That is easier for China to handle than for Russia. Thought to be a rising power with a powerful economy, China has greater intrinsic soft power than Russia on the world stage. Can Russia adapt and match it? Ultimately the question is whether Chinese soft power and harder Russian power can be harnessed in long-term dynamic cooperation.

Russia's economic policy and Russia–China economic relations[1]

Jouko Rautava

The weight of the emerging countries in the world economy has grown rapidly and as a result their political importance has also been on the rise. Perhaps the most visible manifestation of this is the establishment of the G20 group of countries and its expanding role as a discussion forum. At the same time, the large emerging economies have tried to strengthen their mutual cooperation within the framework of the unofficial alliance of the BRICS group. China is of course the dominant actor among this emerging group.

Russia has benefited enormously from the growth of the world economy through increased demand for and higher export prices of its energy and raw materials. At the same time, it has sought to compensate for earlier losses of economic and political weight by taking an active part in new international groupings like BRICS and the Shanghai Cooperation Organisation, in particular through closer engagement with China. However, while relations between Russia and China are arguably better than ever and trade between them has increased rapidly, some superficiality and lack of vision seems to plague their dealings, and the prospects for deeper economic integration are not very promising.

This paper examines economic relations between Russia and China and the impediments to their deeper economic integration. The analysis is predominantly from the Russian viewpoint because advances in integration and opening up would be more important to Russia than to China, as argued later in the paper.

First we review the size and development of the Russian and Chinese economies since these factors largely determine the potential for cooperation, and they also affect how the countries evaluate each other. Next we analyse the growth of trade between the countries and focus on market share developments and changes in the structure of trade. The market share analysis is extended to the countries of the Commonwealth of Independent States (CIS) since this region adds an interesting dimension to the Russia–China mix. As energy issues are of utmost importance for the economic relations of Russia and China, they are examined separately. After this, we discuss how the industrial policies of Russia and China may hamper economic integration between the two countries. The last section summarises the main findings and comments on future prospects.

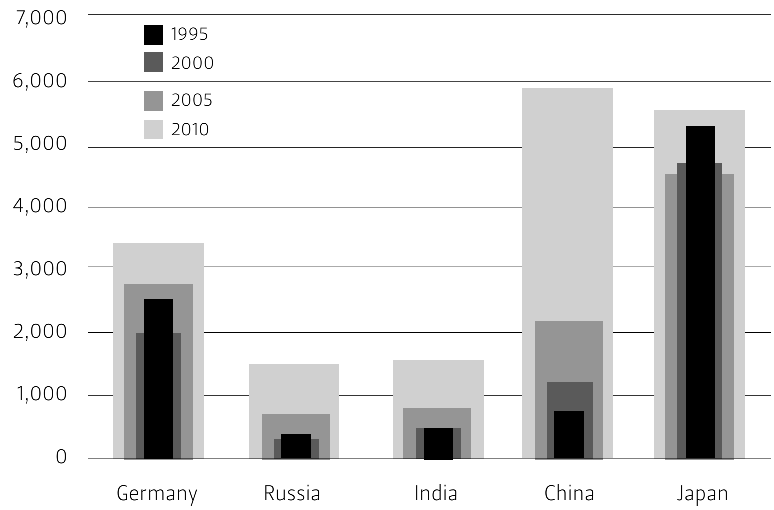
Size and growth of the Russian and Chinese markets

Economic relations between Russia and China are largely determined by the geography and economic potential of the countries and how this potential is exploited. Developments in the last ten years reveal interesting changes in the relative economic power of Russia and China, which are important for understanding the evolution of their bilateral relations.

Since the beginning of the last decade, the Russian economy has posted robust growth, although the global financial crisis hit Russia hard in 2009. Due to the rapid economic growth and strengthening of the rouble, Russia's nominal GDP almost doubled between 2005 and 2010 to reach 1500 billion dollars. This places it 11th among the largest economies. However, Russia's – as any other country's – economic record pales in comparison to that of China. China's nominal GDP was nearly 5900 billion dollars in 2010, as China overtook Japan to become the world's second largest economy after the United States.

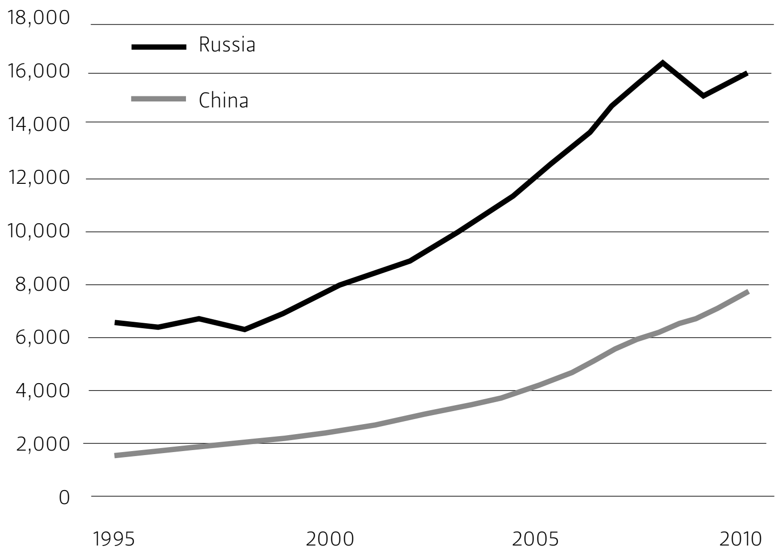
While nominal GDP provides a metric for the size and growth of the market and is thus a key criterion for companies when they make strategic business and investment decisions, a better indicator of the "true" size of the economy and how much it uses resources is the purchasing power parity adjusted GDP (PPP). By the latter indicator, Russia's share of global output has remained around 3% over the last fifteen years, while in the same period China's share has increased from less than 6% to almost 14%.

Graph 1. Size of the market; nominal GDP in some countries, USD billion



Source: IMF WEO April 2011

Graph 2. Living standards; GDP per capita, USD (PPP)



Source: IMF WEO April 2011

As a result of higher growth rates in China than in Russia, the disparity in living standards between the two has also diminished in relative terms. While in the second half of the 1990s the per capita GDP (PPP) of China was only one-third of the Russian level, ten years later China's income level is about half that of Russia. However, the absolute difference in income levels has actually increased and the Chinese will, of course, long remain on average much poorer than the Russians.

When we consider economic growth in Russia and China during the last ten years, we would do well to note that the rise of Russia has been significantly fuelled by price developments in energy and raw materials. In contrast, China has grown despite an increase in the prices of inputs, which emphasises its achievements in growth policy. Excessive dependence on volatile export prices makes Russia's business environment problematic. Moreover, while energy prices may remain high in the future, they are not likely to increase at the pace seen in the last decade and hence there will be less support for economic growth from price developments in Russia.

In connection with commodity price developments, and before we move on to discuss bilateral relations, it is worth emphasising that China influences the Russian economy to a large extent indirectly through the world market. A World Bank study, based on a global general equilibrium model, finds that a major source of benefits to Russia from the growth of China and India is likely to be terms-of-trade improvements due to higher energy prices. The report notes that this transmission mechanism is quite different from that for many developing countries which benefit primarily through expanded bilateral trade with these emerging giants.[2]

Russia-China trade developments

Before the Second World War, the geography and poor transport connections as well as a complicated economic and political situation in both countries hampered the development of trade relations. In the 1920s and 1930s, China typically accounted for only 3–5% of the foreign trade of the Soviet Union. As regards the economic relations of that time, revolutionary activities in China and their financing by the Soviets probably received more attention than conventional trade issues.[3]

The birth of the People's Republic of China in 1949 and its construction of a Soviet-type economic system, with massive support from the Soviet Union, led to the rapid growth of trade and economic relations between the countries. The importance of these relations was underlined by the East-West confrontation as well as the aim of communist countries to become economically self-sufficient. In the 1950s, China's share in the Soviet Union's foreign trade was 15–20%. The share of the Soviet Union grew rapidly to account for more than half of China's foreign trade, and it was still about 40% at the start of the 1960s.

However, long-held mutual suspicions, competition within the communist block and a lack of trust between the leaders in Russia and China caused an increase in disputes between the countries and finally led to a total political break and a collapse of trade by the mid-1960s. The share of China in the Soviet Union's external trade was only a few percentage points in the middle of the decade and after the border conflict in 1969 there was practically no trade between Russia and China. Although relations improved, particularly after 1985 when President Gorbachev came to power, trade remained modest. In the last years of the Soviet Union China's share of its foreign trade was less than 2%. The share of the Soviet Union in China's foreign trade fell below 10% in the mid-1960s, and a quarter of a century later, just before the Soviet Union broke up, the share was about 3%.[4]

Even though political relations between Russia and China continued to improve after the break-up of the Soviet Union in the 1990s, their economic relations were burdened by Russia's unstable conditions and poor economic performance. Added to that, the Chinese economy had yet to reach such a critical mass as would lead to deeper cooperation in respect of commodity exports from Russia to China. Finally, the Asian crisis in the latter part of the decade made the cooperation even more difficult, as it caused growth concerns in China and, due to a collapse in oil prices, accelerated Russia's descent into a full-scale financial crisis in 1998.

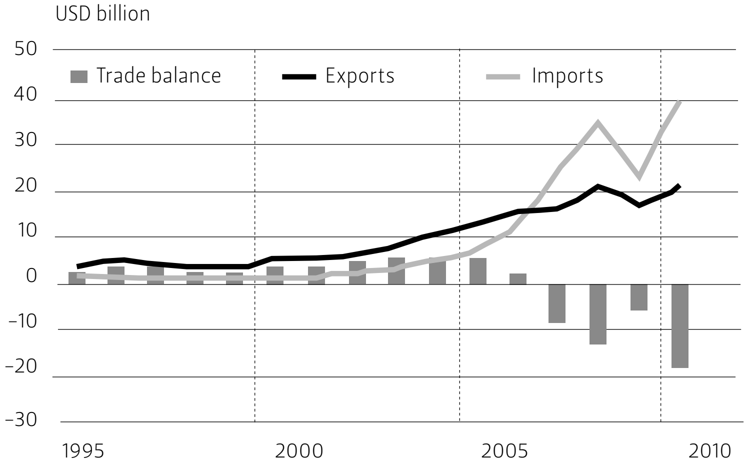
After the turn of the millennium, trade between Russia and China finally gained new momentum, albeit from a very low level. China's strong growth began to have an increasingly visible impact on the global economy, as its demand for energy and raw materials boosted prices. At the same time, Russia increased its oil and raw material exports to China. As a result, the value of Russian exports quadrupled from $5 billion at the beginning of the 2000s to $20 billion in 2010. China's share in Russia exports, however, rose at best to just over 6%. In 2010, China was Russia's fifth largest export market with a 5% share.

The impact of increased trade with China is more striking in Russia's imports. After the 1998 crisis, the Russian economy started to recover rapidly at the beginning of the 2000s, and the rise in incomes was supported by the strengthening of the rouble and a rise in international energy and raw material prices. Imports also increased rapidly, particularly imports from China. As a result, the share of China in the Russian imports increased at an astonishing pace, from 3% at the start of the decade to 17% in 2010. As regards imports, China is now by far Russia's most important trading partner. While the increase in China's market share implies first of all that third countries have lost market shares in Russia, it of course also means much tougher competition for domestic Russian firms.

In the latter part of the last decade, robust import growth turned Russia's trade balance with China into deficit territory in spite of a rise in commodity prices. Only in 2009, when the global financial crisis hit Russia's imports hard, did the trade between Russia and China move more or less into balance. In 2010, the Russian trade deficit with China was some $19 billion, even as the total Russian foreign trade was almost $170 billion in surplus.[5]

In spite of the fact that the trade between Russia and China has grown rapidly, the importance of Russia, measured by market shares, has remained modest for China. The share of post-Soviet Russia in China's imports and exports hovers stubbornly around 2%. China's transformation from being the junior partner assisted by the Soviet Union in the 1950s to the current dominant global player is impressive. This must have some impact on how the Russians evaluate not only Russia-China economic relations but also Russia's position more generally in the modern world.

Graph 3. Russia's trade with China, 1995–2010, USD billion



Source: UN Comtrade

Graph 4. China's share in Russia's foreign trade, %

Source: UN Comtrade

Changes in the structure of trade

In addition to looking at the growth of trade and developments in markets shares, one should also focus on changes in the structure of Russian-Sino trade in order to understand the development of economic relations between the two countries. The trade statistics of Russia and China indisputably show that during the last fifteen years or so the share of energy and raw materials in Russia's exports to China has increased, whereas high-technology products have become increasingly important in Russia's imports from China.

The Russian authorities have repeatedly articulated that Russia needs and aims to diversify and increase the share of high-tech manufacturing products in its exports. However, in reality the structure of exports has moved in the opposite direction. In the first half of the last decade a private Russian oil company, Yukos, started to transport oil to China by rail. Due to increased volumes and prices, the share of energy and raw materials in Russia's exports started to rise. The share of oil and raw materials (SITC 2 and 3)[6] in exports from Russia to China almost tripled from some 10% in the mid-1990s to about 30% by the start of the 2000s, and five years later it was more than 60%. In 2010, oil and raw materials accounted for 70% of Russian exports to China. In addition, many other important product categories (food, chemical products, and base metals) comprise products that are not highly processed.

The share of machinery and transport equipment (SITC 7) in exports to China collapsed in the second half of the 1990s, and was only 1% in 2010. Overall, the proportion of highly processed products in Russian exports to China seems to be less than 10%. In this regard, the situation is similar to Russia's trade with developed countries.

The development of the arms trade, which the Russians view as reflecting the high-tech potential of their country, clearly demonstrates the changes in the relative positions of Russia and China. According to information from the Stockholm Peace Research Institute (SIPRI), Russian arms exports to China peaked in 2005 and have since fallen rapidly, so that the quantity exported to China in 2010 was only 13% of the level of five years earlier. At the same time, China's share of total Russian arms exports plummeted from more than 60% to less than 7%. The collapse of arms exports to China is due to Russia's reluctance to sell the latest military technology to China but also because of China's own advances in the field of military production and technology. During recent years, China has succeeded in substantially increasing its arms exports and is emerging as a major supplier in the international arms trade in this decade.[7]

The changes in the structure of Russian imports from China are at least as vast as in exports. They indisputably show the rise in the technology level of Chinese exports. Even though the value of imports of Chinese food products (SITC 0 and 1) has more than doubled since the mid-1990s, the share of food products in Russia's imports from China has plummeted from 26% in 1996 to 5% in 2010. Furthermore, the value of imports of miscellaneous manufactures (SITC 8), which consists mainly of clothing and shoes, increased sharply in the last decade. While these imports still play a big role, their share in Russia's imports from China has halved during the last ten years.

Shoes and garments have had to make room for machinery and equipment (SITC 7), the share of which has increased to over one-third of Russian imports from China. This product group includes mainly computers, phones and home electronics. Within this product group, imports of motor vehicles have also risen rapidly, which has raised concerns among Russian carmakers. Rapidly increasing imports of base metals and products thereof (included in SITC 6) indicate growing competition also in this field for Russian producers. Actually, Russia has already taken safeguard measures to restrict, for example, steel pipe imports from China, to protect Russian producers.

Developments in the last ten years show that China's success in the Russian markets is not based solely on low-wage, low-technology industries. In addition to increased exports of goods like garments and shoes, China has diversified its product range and has begun to export ever-increasing quantities of high-tech goods. This is something Russia has tried but failed to do. Moreover, while China has become a major player in the Russian market, Russia's role in the Chinese economy, with the exception of energy and some raw materials like roundwood, has remained marginal.

Table 2.1. Structure of Russia's trade with China, %*

Russian exports to China

SITC	1996	2000	2005	2010
Food and live animals (0)	4.2	7.3	7.2	5.3
Beverages and tobacco (1)	0.0	0.0	0.0	0.0
Crude materials, inedible, except fuels (2)	7.1	18.1	20.5	20.6
Mineral fuels (3)	4.6	13.5	41.3	49.3
Edible oils (4)	0.1	0.0	0.0	0.0
Chemicals (5)	29.5	19.8	13.8	11.0
Manufactured goods by material (6)	32.3	30.1	15.1	12.2
Machinery and transport equipment (7)	17.7	4.1	1.9	1.3
Miscellaneous manufactured articles (8)	3.1	1.7	0.2	0.3
Other items (9)	1.3	5.3	0.1	0.0
TOTAL	100.0	100.0	100.0	100.0

Russian imports from China

SITC	1996	2000	2005	2010
Food and live animals (0)	26.1	6.2	4.7	4.7
Beverages and tobacco (1)	0.5	0.9	0.1	0.1
Crude materials, inedible, except fuels (2)	2.7	1.8	0.7	0.5
Mineral fuels (3)	1.4	2.2	1.0	0.7
Edible oils (4)	0.0	0.0	0.0	0.0
Chemicals (5)	2.4	3.8	3.6	5.2
Manufactured goods by material (6)	6.9	6.8	13.8	18.6
Machinery and transport equipment (7)	5.7	7.2	19.1	35.4
Miscellaneous manufactured articles (8)	54.3	71.2	57.0	34.8
Other items (9)	0.0	0.0	0.0	0.0
TOTAL	100.0	100.0	100.0	100.0

* Data are from the Chinese statistics, as they are believed to convey a more accurate picture, particularly in the earlier years.

Source: UN Comtrade

China challenges Russia in the CIS region

Russia has traditionally played a central role in the economy of the CIS region. It has sought to maintain its position through various arrangements such as the customs union of Russia, Kazakhstan and Belarus. Russia also seeks to become a regional financial centre and wants to see the rouble as a leading regional currency. On the one hand, regional trade and financial arrangements can reduce obstacles and enhance trade and economic cooperation among the participating countries. On the other hand, there is a danger that regional trade agreements are discriminatory *vis-à-vis* third parties and thus may reduce economic well-being. In fact, there are some signs that the increasing role of China in the area may provide an important motive for some of the CIS countries to join their mutual customs union. Nevertheless, economic cooperation and the building up of institutions in the heterogeneous CIS region has been difficult. While the Russian position in the region is still very strong, foreign trade flows clearly indicate that the situation is changing, not least because of China's growing presence.

The external trade statistics of the CIS countries are in many respects incomplete and unreliable, and in many countries a substantial part of the trade takes place beyond the reach of official statistics. Nonetheless the statistics reveal interesting and plausible developments concerning the roles of China and Russia in the economies of the CIS region. However, before we move on to the analysis we should note that market share developments are significantly affected by fluctuations in energy prices. In fact, there have been several sources of energy price increases in the CIS region during the last two decades: 1) the average price of oil on the world market increased from about $20 USD per barrel in 1996–2000 to more than $75 USD per barrel in 2006–2010; 2) natural gas prices in the CIS region have started to track international oil prices more closely; 3) the pricing mechanism of energy supplies between Russia and the CIS countries has seen major changes as countries have begun to use prices that reflect international market prices more closely. All this implies that Russia's loss of market shares in the CIS area during the last fifteen years would look even more dramatic if comparisons were based on constant prices.

Table 2.2, which describes trade developments in the CIS countries *vis-à-vis* Russia and China over the last fifteen years, underlines the heterogeneity of the CIS region. While the geography, the distance between countries, transportation routes, and energy and raw material resources seem to largely determine trade flows, there are other factors involved.

Russia plays a major role in the foreign trade of its western neighbours, Ukraine and Belarus, although its share has fallen considerably. While the share of China in these countries' external trade is still modest, imports from China have increased rapidly in recent years. The same applies to Armenia and Azerbaijan, although for these countries Russia is not as important a trade partner as it is for Belarus or Ukraine. The decrease in Russia's share in the exports of Azerbaijan in the early 2000s is partly linked to the completion of a new oil pipeline from Baku to Georgian Supsa on the Black Sea at the end of the 1990s. After the mid-2000s, a pipeline from Baku to Turkish Ceihan on the Mediterranean gave Azerbaijan oil an additional route external to Russia.

Central Asian Kazakhstan is a particularly interesting country due to its natural resource base and its location between Russia and China. Kazakhstan plays an important role in China's energy strategy, and the Chinese state-owned energy companies have acquired substantial stakes in Kazakhstan crude oil production, refineries and pipeline transports. The completion of the oil pipeline from Kazakhstan to China at the end of 2005 significantly increased the oil export capacity of Kazakhstan. The new gas pipeline from Turkmenistan to China, which was completed at the end of 2009, is also to be used to export Kazakh gas to China. Moreover, China is involved in the production of other raw materials in Kazakhstan.

China's ability to provide financing for energy projects gives it a big competitive advantage over Russia and other competitors. In spring 2009, when China's state energy giant CNPC acquired a majority stake in MMG, an energy company in Kazakhstan, the deal included China's $10 billion credit to Kazakhstan. The Indian and Russian state energy companies also sought a stake in MMG.[8]

Although Russian companies are still key players in the economy of Kazakhstan, the influence of Chinese companies is becoming more and more visible. In fact, during the last five years, China seems to have been the most active player in Kazakhstan. This is also reflected in the trade statistics. Russia's share of the exports of Kazakhstan has fallen from almost one-third in the latter half of the 1990s to about 10% in the last five years. In the same period, China's share of Kazakhstan's exports has doubled to around 15%. As regards Kazakhstan's imports, Russia's market share is about one-third and, in spite of its share having declined, Russia still enjoys a strong position in Kazakhstan. However, the growth of China's share in Kazakhstan's imports from only about 2% to almost a quarter in ten years clearly demonstrates the force of the Chinese economy.

Regarding the other Central Asian countries, problems with trade statistics are even more obvious, and the picture presented by statistical data is in many cases suggestive at best. In Kyrgyzstan, both Russia and China have increased their role in imports, but the changes on the export side are modest. Kyrgyz dealers trade huge amounts of goods from China to Kazakhstan and other countries in the CIS region, and in order to ensure continuance of this business Kyrgyzstan has plans to join the customs union of Russia, Kazakhstan and Belarus.[9] In Tajikistan, both Russia and China have increased their import shares. As far as Tajik exports are concerned, China has for Tajikistan become equally as important a trade partner as Russia.

The gas pipeline from Turkmenistan through Uzbekistan and Kazakhstan to China, completed in December 2009, opened up an important new export market for Turkmenistan gas. This is evidenced by the increase in China's share of Turkmenistan exports from zero in the latter part of the 1990s to almost one-third in 2010. In Table 2.2, which reports five-year averages, this is reflected in the increase in China's share to 7% over the period 2006–2010. At the same time, the share of exports to Russia has plummeted, which is partly explained by the explosion of the Turkmenistan-Russia gas pipeline in spring 2009. As regards Turkmenistan imports, China is already an equally important player in the Turkmenistan market as Russia. In Uzbekistan, Russia has maintained its leading position, but China is there too and is rapidly increasing its visibility in both exports and imports.

The opening up of opportunities to export to China has reduced Central Asia's dependence on Russia, which is reflected, for example, in the higher prices of their exports. While China's demand has promoted competition in the area, the avalanche of Chinese products into Central Asia has already aroused fears of a narrowing of the domestic production base in these countries. Kazakhstan's decision to enter the customs union with Russia and Belarus is perhaps partly explained by the government's wish to prevent an excessive flood of Chinese goods into home markets and its policy to protect domestic production.

Table 2.2. Shares of China and Russia in CIS countries' foreign trade, five-year averages, %

	Belarus				Kazakhstan				Ukraine			
	Exports		Imports		Exports		Imports		Exports		Imports	
	China	Russia	China	Russia	China	Russia	China	Russia	China	Russia	China	Russia
1996–2000	2	58	1	56	7	29	2	45	6	27	1	47
2001–2005	2	47	1	65	10	15	8	39	3	20	3	38
2005–2010	2	35	3	58	15	10	24	34	2	23	6	29

	Armenia				Azerbaijan				Kyrgyzstan			
	Exports		Imports		Exports		Imports		Exports		Imports	
	China	Russia	China	Russia	China	Russia	China	Russia	China	Russia	China	Russia
1996–2000	0	22	1	19	0	15	1	19	6	18	5	23
2001–2005	1	14	2	16	1	5	4	15	5	18	10	26
2005–2010	1	16	8	19	1	5	7	18	3	19	18	37

	Turkmenistan				Uzbekistan				Tajikistan			
	Exports		Imports		Exports		Imports		Exports		Imports	
	China	Russia	China	Russia	China	Russia	China	Russia	China	Russia	China	Russia
1996–2000	0	12	1	13	2	25	2	18	1	15	1	14
2001–2005	0	2	4	15	7	22	6	23	1	10	3	20
2005–2010	7	1	12	15	10	19	15	25	11	9	16	28

Sources: IMF Direction of Trade Statistics, UN Comtrade

Energy in Russia–China economic relations

Energy issues are at the core of Russia–China economic relations, as evidenced above. China's growing demand for energy and dependence on energy imports offer a natural basis for the expansion of the Russian energy industry into the Asian markets. In fact, developments in the energy sector reveal interesting aspects of the economic relationship between Russia and China.

Imported oil already accounts for more than half of China's crude oil consumption, and its dependence on imported oil is growing rapidly. In 2010, China's own oil production was 204 million tonnes and its imports 239 million tonnes. According to Chinese statistics, annual imports from Russia in recent years have amounted to some 15 million tonnes, or 3–4% of China's total oil consumption and 6–7% of its oil imports. China has effectively diversified its oil imports; Russia is the fourth largest supplier of oil for China after Saudi Arabia, Angola and Iran. Kazakhstan's share in China's oil imports was just over 4% in 2010.

China's share in Russian oil exports has slowly increased to the current level of 5–6%. However, the role of China and the other Asian countries in Russia's energy exports is expected to increase in the future. The Russian energy strategy adopted in 2009 suggests that Asia will account for 22–25% of Russia's oil exports by 2030.

In 2008, after a long and difficult negotiating process, the Chinese state oil company CNPC and the Russian state pipeline monopoly Transneft agreed on the construction of an oil pipeline from Russia to China. The construction work started the following year after the China Development Bank promised to lend a total of $25 billion to Transneft and the Russian state oil company Rosneft against future oil deliveries. Oil deliveries to China through the new pipeline began at the start of 2011 and the existing agreements imply that Russia is to supply 15 million tonnes of oil per year through the pipeline during the next 20 years. Until now, Russian oil has been transported to China by rail and via the Kazakh pipeline system, so the new pipeline significantly increases the capacity for oil exports from Russia to China. However, this is not yet reflected in actual oil deliveries, as in January–March 2011 China imported less oil from Russia than in the same period a year earlier. The pipeline to China is a branch of the East Siberian Pacific Ocean (ESPO) pipeline, which is due for completion by 2013–2014.

Besides the oil pipeline issue, Russia and China have already been long negotiating over the possibility to construct a gas pipeline from Russia to China, but progress on this issue has been slow. In spite of several letters of intention, a dispute over the gas price has delayed the final agreement. As far as is known, Russia wants to link the price of gas to China to the price of gas delivered to Europe; the Chinese have not accepted this, and have demanded a lower price. If Russian Gazprom were to strike an agreement on the pricing issue with the Chinese in the summer of 2011, the supply of gas through the Altai gas pipeline could perhaps start in 2015. There are also plans to transport gas from the Russian Pacific region to China. According to Russia's energy strategy, Asia's share in Russia's gas exports is estimated to rise from the current zero to about one-fifth in the next twenty years.

Considering the emphasis given to energy issues in the speeches of the Russian and Chinese leaders during the past ten years, the progress has been slow. There are several reasons for this. Russia's energy policy has been unpredictable, which has hampered investments in energy production and transportation. Private oil companies in Russia have not been able to proceed with their plans to increase supplies to China due to interventions by authorities and state-run energy companies. Moreover, high and increasing energy prices have given the Russians some flexibility, with the result that there has not been immediate economic pressure to hasten China-related energy projects. Russian efforts to force – in a very non-transparent way – potential Japanese and Chinese customers to compete with each other on alternative pipeline routes have slowed the progress on the projects, and such a policy is known to irritate both Japan and China. Naturally disputes on pure business matters such as the financing of projects and the price of energy have also delayed energy projects. The Russians have repeatedly complained that the Chinese are not willing to pay market prices for their energy supplies.[10]

Mutual distrust is often cited as a basic reason for the problems in Russia-China economic relations. The Russians are afraid of the growing influence of China, and economic issues are ultimately linked to security policy. On the other hand, the indecisiveness of decision-makers in Russia has made the Chinese suspicious about whether the opposite side is able to implement agreed business plans. Particularly in the Russian Far East, difficulties related to negotiations on energy and raw materials reveal the strong economic and political interests related to these sectors.

The opening up of the energy-rich Central Asian region has brought a new dimension to the Russia-China energy game. In Central Asia, China has been able to invest directly in the production and transport of energy and, consequently, exports from Kazakhstan, Uzbekistan and Turkmenistan to China are growing rapidly. In Russia, foreign energy companies have found it difficult to move ahead in the strategic energy sector, which has slowed the development of the Russian energy sector and China's energy imports from Russia. From the viewpoint of Russia, deepened economic cooperation between the Central Asian countries and China has reduced its negotiating power in relation to both China and Central Asia. In the longer term, the increased competition and the emergence of new options will force Russia to re-evaluate its current policy stance not only in relation to China but overall as well.

Incompatibility of Russia's economic policy with true economic integration

Aside from foreign trade in goods, there are other forms of economic cooperation, not to mention deeper economic integration, between Russia and China. While the statistics on foreign direct investment are very unreliable in the globalised world, when combined with other information they do reveal that investment flows between Russia and China are very small. According to Russian statistics, the total FDI to Russia in 2010 was about $52 billion, and only $300 million of this came from China. Similarly, total investment by Russian enterprises in other countries was $41 billion, but in China only some twenty million dollars. Chinese statistics also demonstrate that Russia's role in China's inward and outward FDI is almost non-existent.

The low level of direct investment between Russia and China is an interesting phenomenon. Given the fact that enterprises in both countries have actually started to globalize only recently and that both countries have a relatively poor record in numerous international business environment comparisons, it is perhaps understandable that Russian and Chinese companies have found the markets in third countries more attractive. Moreover, it is relatively easy to understand the small amount of Russian investment in China, as outside of the energy and raw material sectors there are simply no

Russian companies as yet which could successfully compete in the Chinese markets. As regards the Chinese energy sector, the market is dominated by the gigantic Chinese state enterprises, which makes it challenging for foreigners to enter this market.

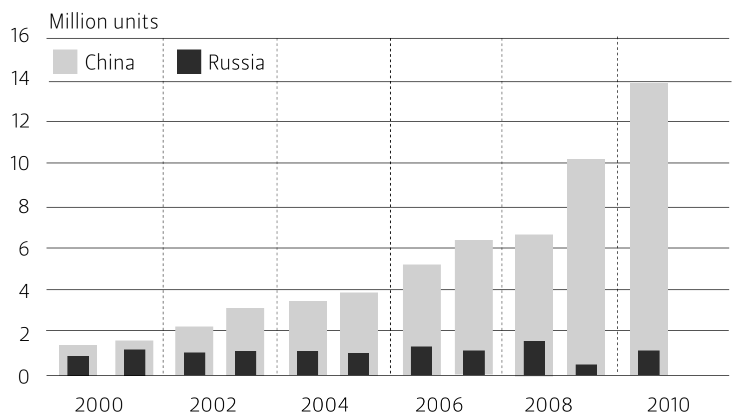
It is more difficult to understand the low level of investment from China to Russia. China is already accustomed to large investment projects in energy and raw materials sectors geographically much further from Russia and in conditions that are more unstable than those in Russia. Thus it would seem that there is something peculiar in the workings of Russian markets and politics that may explain at least to a degree the lack of Chinese investment in Russia.

The interest of Chinese labour-intensive industries to invest in Russia is dampened by Russia's higher wage level and relatively low labour productivity. Large-scale investments in these sectors would require Chinese workers to move to Russia. This is not yet a real possibility although there are perhaps some hundreds of thousands of Chinese involved in the agriculture and construction sectors particularly in the Siberian region and in the Russian Far East.[11] As regards capital-intensive sectors, the small amount of Chinese investment is due to Russia's overall unwelcoming attitude to foreign investors and to Chinese investors in particular.[12] In the energy sector, foreign companies have seen many turnarounds in Russia and many of them have had to give up their businesses in favour of Russian state companies. Even when foreign companies have been private, their problems with Russian companies have also often influenced state-level relations. This may partly explain why the Russian government has not allowed huge Chinese state enterprises to acquire major holdings in the Russian energy sector. In the strategic energy sector political considerations override economic factors. In some respects, the same applies to other raw materials. A few years ago, an increase in export duties on roundwood was apparently directed mainly at China, but due to uniform trade policy considerations, higher duties were also applied in the European parts of Russia in spite of the fact that they were economically imprudent and caused political problems with the EU.

Strategic sectors and industrial policies have considerable weight in the economic policies of Russia and China. This may, however, complicate economic cooperation between the countries, as the priority sectors are largely the same in both countries, and there are strong protectionist tendencies associated with these sectors.

In both countries, strategic industries include, inter alia, shipbuilding, aircraft manufacturing, nuclear power and telecommunications. China is already the world's leading manufacturer of conventional cargo ships, and the domestic Russian shipyards, particularly in the Russian Far East, face tough competition not only from the Chinese but also from the South Korean and Japanese shipyards. In the aeroplane industry, China's determination, financing possibilities and cooperation with the leading European and American parts suppliers already gives one the impression that it will soon surpass Russia, if it has not already done so, also in this field. China's achievements, such as those with jumbo jet and stealth fighter projects, attest to its progress in the aeroplane industry. While in 2010 a Chinese company lost a bid to build a nuclear power plant in Belarus to a Russian competitor, it is estimated that in a few years China will reach a level where its own technology and lower cost level will enable the Chinese suppliers to seriously compete in the international nuclear power business. In telecommunications, the Chinese telecom giants ZTE and Huawei ranked second and fourth in the list of companies that filed the most international patents (PCT) applications in the world in 2010. The number of patent applications from each of these companies was about three times the total number of international patent applications from Russia.

Graph 5. Production of passenger cars in Russia and China, million units



Source: CEIC

A good example of the success of industrial policies in Russia and China is the car industry. In both countries, the small number of cars per capita and rapidly growing incomes have promoted the growth of the auto market. In Russia, the domestic automotive industry has not been able to take advantage of the situation, as the growth in demand has been satisfied by imports, and from 2003 onwards, increasingly by foreign car manufacturers doing their assembling in Russia. In 2010, the number of cars produced in Russia was some 1.2 million, and the number of cars exported from Russia is very small. In China, car production has increased rapidly and exports are also on the rise, although from a relatively low level. The Chinese car manufacturers have applied for permits to set up production plants in Russia, but so far there is only some small-scale assembling of Chinese cars by Russian manufacturers, and the domestic Russian carmakers have managed to convince decision-makers to prevent the entry of Chinese car manufacturers into Russia.

The integration process between Russia and China in the real sector has been slow and difficult, and the same applies to the financial sector. The possibility to use the rouble and the yuan in the Russia/China border areas or the swap arrangements between the Central Bank of Russia and the People's Bank of China do not yet justify saying that there is significant financial integration between the two countries. While Russia hopes to make the rouble at least a regional key currency and Moscow an international financial centre, these plans will face a formidable challenge from China, as the international role of the yuan is already rapidly increasing and Shanghai and Hong Kong are superior as global or regional financial centres compared to any Russian city. Actually, the absence of strong common interests – or in many cases, the presence of conflicting interests – is also reflected in the multilateral international cooperation. It is difficult to imagine that the BRICS group, for example, could become a real player in the global economy.

As both Russia and China protect and support largely the same key sectors, the scope for deeper economic integration between them remains relatively narrow. China and Chinese companies have in many respects been extremely difficult partners for foreign operators, but China's cheap labour as well as the size and growth of the market have made the country an indispensable business partner. Cooperation has been facilitated by the fact that China is truly outward oriented and wants to integrate into the rest of the world economy. China's WTO membership in 2001 is a concrete display of the country's approach, and the usefulness of this approach to China itself and the other WTO members is beyond doubt. Given the discussion concerning strategic sectors and industrial policy, it is well worth bearing in mind that China's exceptional economic growth and technological rise are mainly due to private sector activities and competitive export production, and not a result of the protection of large state enterprises.

Compared to China, Russia does not have the huge and fast growing markets or cheap/efficient labour to compensate for an otherwise poor business environment.[13] Russian economic policy lacks a genuine desire to open up, which is demonstrated by its indecisiveness and unwillingness during the WTO negotiations. Russia's industrial policy is reduced to protectionism and state interventionism. Finally, as both Russia and China seem to consider cooperation with other countries more attractive than mutual interaction, the basis for deeper integration is still quite flimsy.[14]

Conclusions

After the break-up of the Soviet Union, it took a dozen years before trade between Russia and China gained momentum. Although political relations between the two countries are arguably better than ever, the growth of trade has been driven by economic forces. China's phenomenal economic growth, its export success, and the need to find new energy and raw material suppliers have been the engine of growth in Russia-China trade. Political breakthroughs directly supportive of economic relations have been rare and the necessary decisions have been reached only after lengthy and difficult negotiations. While it is easy to give individual examples of mutual investments, economic cooperation between Russia and China is largely limited to trade in goods. As regards crucial energy issues, China has proceeded much faster with the Central Asian countries than with Russia.

A certain superficiality and lack of vision plagues Russia-China dealings, and the prospects for deeper economic integration are not promising. This is often said to reflect the burden of history and mutual distrust. In this paper, we argue that Russia–China economic relations are also burdened by industrial policies that emphasise strategic sectors, which has led to a rise in protectionism, particularly in Russia. The fact that the actors are often state-owned companies, which in addition to business factors take into account the owner's political interests, complicate the situation.

Russia–China economic relations are currently reduced to individual business projects with no clear framework or direction. While this resembles Russia's cooperation with other countries, the approach is in striking contrast to the rules and institutions-based approach which characterises (naturally in relative terms) China–US or China–EU economic relations.

The current situation is not a problem for China: it can get the energy and raw materials it needs from Russia, and regular talks concerning mutual investments and cooperation within the BRICS are enough to satisfy the political needs. Moreover, China's rapidly developing economic relations with other CIS countries enhance its negotiation power *vis-à-vis* Russia as regards energy issues. From the Russian point of view, the situation is far from satisfying, as Russia–China economic relations to a large extent highlight the overall weaknesses of the Russian economy. Falling behind China, which has succeeded in modernising and diversifying its economy, and the fact that Russia has become a pure raw materials supplier even among the emerging markets, is not what the leaders in Russia had promised.

The major barrier for wider economic cooperation between Russia and China – or any other country – is Russia's inward-looking, statist and protectionist economic policy. While Russian decision-makers seem to think that the Russia–China economic relationship and Russia's role in the CIS region somehow grant it a specific role and rules in the global economy, the actual situation is likely to be quite the opposite; the rise of China's economic power in Russia and the CIS region will force Russia to re-evaluate the costs and benefits of its current approach. This may take time, and meanwhile enterprises in Russia and China will of course continue to search for new business and cooperation opportunities and will keep the weak integration process alive.

How Russians perceive China

Pavel Salin

Defining the problem

The past decade has been marked by a noticeable transformation of Russian attitudes towards China (which concerns both the elites and the population). In the Soviet era and in the first post-Soviet decade, China was considered a "younger brother" and a "strategic partner", but now the situation is not so unambiguous. The perception of China by the population and the elites is changing quickly in accordance with the changing role of the country in the world. In the Soviet era the perception of China was characterized by a relative consensus maintained by researchers and experts as well as among the population, but these days opinions are cardinally opposed on the prospects for bilateral relations. This divergence is attributable not only to objective differences of opinion, but also to the active work of the anti-China and pro-China wings in the Russian Establishment, the expert community and the mass media. The information pressure is exerted primarily on the elites, but the public at large are also demonstrating a change of attitude towards the former "younger brother".

The issue of relations with China in general and the Chinese threat in particular has been quite topical during the past few years in the Russian expert and media discourse. To some extent, there are objective reasons for this, as it is impossible to ignore relations with a neighbour that will soon become a world leader in many spheres, or has already become a leader in some. However, the stimuli for the intensification of such a discussion are to a great extent artificial, giving rise to a process currently underway that could be termed "the battle for Russia". Some researchers say that Russia, as a source of resources for China, occupies a unique place, despite the fact that China uses practically all the regions of the world as its resource base.[1] The fact remains, however, that there are mainly maritime routes of delivery of raw materials to China (except from Central Asia and Russia); so, in the event of a military conflict with the USA, given the latter's full dominance in the World Ocean, sea routes will be blocked. Supplies from Central Asia come through the unstable

Xinjiang province where the USA also has certain positions, at least as long as it maintains its presence in Afghanistan.

Thus, Russia is the only supplier of resources to China that can guarantee stable supplies should there be a military conflict between Beijing and Washington or simply if the situation in the World Ocean is destabilized, affecting China's interests. Chinese strategists also acknowledge Russia's unique role in this respect. For instance, one of the prominent Chinese military strategists, a senior colonel in the People's Liberation Army Air Force, Dai Xu, claims that the USA is keeping China in a semicircle in the shape of the letter "C". This semicircle starts from Japan and extends southwards, including states that claim part of Chinese territory. The circle is not complete as it breaks off along Russia and North Korea, but in the future its ends may meet.[2]

Thus, Russia's unique role in providing China with raw materials urges leading players to intensify their efforts towards engaging Moscow in the zone of their interests. In the expert and mass media discourse, and to some extent in the scientific discourse, this seems to be reflected in the enhanced activities of the anti-China and pro-China wings that promote a project of strategic partnership with a corresponding centre of force. But from the methodological point of view, both parties consider Russia not as a self-sufficient player with its own interests but as a satellite of one of the poles of influence and thus, Russia should follow a package of strategic obligations that may be contrary to its national interests. Since there is a tendency to curtail the value-based approach to international policy and replace it with an interest-based policy, lobbyists of both parties appeal first of all to interests, manipulating with combinations of risks and potential benefits from this or that variant of strategic partnership.

The anti-China party

Unlike western countries, until recently China paid little attention to its PR promotion in Russia, opting instead for direct contacts with officials and business people close to state authorities. This explains the domination of the anti-Chinese party, although this domination is not as absolute as it was several years ago.

The most noticeable representative of the anti-China party and its most influential alarmist wing in the expert community is Alexander Khramchikhin, the head of the analytical department of the Institute for Political and Military Analysis. Khramchikhin regularly posts articles about the Chinese threat in leading Russian mass media sources. Given his heightened activity in the mass media, it can be said that despite acting alone (other members of his institute are all but absent from the media), he actually defines the trends of the anti-China party in the Russian expert community. It should also be noted that the range of arguments he employs in his publications is more or less the same; there has been nothing new over the past few years.[3] On the whole, his reasoning is based on the points listed below. The arguments he employs are both indisputable and questionable, and he is also prone to exaggerate the existing problems.

1) China is highly overpopulated, and as a result it needs new territories for its excessive population. In particular, Khramchikhin points to growth in the Chinese population even amid the birth rate control programme. Although the results of the latest census posted in spring 2011 somewhat undermine this argument, they do not refute it completely. The Chinese authorities that launched the family planning policy 30 years ago have managed to noticeably decrease the pace of the population increase, although in absolute figures it still looks formidable. Over the past ten years the population of China has grown by 73.9 million, totalling 1.34 billion people, which represents a growth slightly above 0.5%.

Moreover, the representative of the anti-China party does not take into account the rising living standards and demands of the Chinese population, which have a strong impact on the geographical direction of the Chinese demographical expansion. In particular, the Chinese authorities are pursuing a course of accelerated urbanization of the country; the recently declared vector of reorienting the economy from external markets to domestic consumption will only provide additional impetus to this course, since the level of consumption per capita in urban areas is a priori much higher than in rural areas.

For instance, the urban population in China was 666 million in 2010, which was 49.68% of the total population. The pace of urbanization in China has accelerated: from 2000 to 2010 the share of the urban population grew from 36.22% to 49.68%. When China initiated economic reforms in 1978, just 17.9% of its people lived in towns and cities; the 30% level of the urban population was not reached until 1995.

2) One of the few mining sectors where China manages to satisfy the domestic demand and ensure exports is in the production of rare-earth metals that the county possesses in abundance. However, in general China has a resource deficit, which is another reason why it needs new territories for production. Indeed, China has to import a significant percentage of its resources, primarily energy sources, with Beijing being a net importer of coal, oil and, more recently, of gas and timber. In particular, China is pressing Russia to double its oil deliveries.[4] However, the deficit of resources in China does not automatically entail a conflict of interests with its neighbours, including Russia, which *inter alia* is prepared to serve as a source of raw materials.

3) China experiences problems associated with the demographic imbalance caused by the excessively male population. Medical advances that make it possible to determine a baby's gender in the early stages of pregnancy combined with the rural mentality have led to an excessive number of male infants. In rural areas boys are considered household "assets", while girls are "liabilities". Thus, according to Khramchikhin, in the next few decades there will be dozens of millions of young men in rural China who will not be able to find a spouse. To offset this the government will have to engage in expansion – either of the economic and peaceful kind in the form of "trekking to find a bride", or aggressively in the form of military expansion. A large number of casualties resulting from military conflict might even be desirable as this would absorb the excessive male population.

Notwithstanding the existence of a potential problem in general (its consequences will become apparent in the next two decades), it is not as acute as it once was. According to the latest census, the gender imbalance in China has become less severe. In 2000 the ratio of men to women in China was 106.74 to 100, while in 2010 it was 105.2 to 100 (incidentally, these figures contradict unsubstantiated statements by Khramchikhin, who claims that there are at least 20% more boys than girls in the population structure[5]). Moreover, in the search for a better life, a major part of the excessive male population will relocate to cities, where single households are becoming more common. For a rural person, the impossibility of marrying and having a family would be disastrous, but for a career-oriented city dweller a family may even be something of an inconvenience. What is more, the introduction of a state pension scheme (the Chinese authorities intend to make it universal as in Russia) will reduce the necessity of having a spouse and children in old age – the Chinese are getting used to counting on the state in this regard.

4) China is steadily preparing itself for a military conflict with Russia to seize part of its territory; it is conducting concomitant military exercises and reinforcing a military arsenal. According to Khramchikhin, the official Chinese historiography currently considers Russia's actions towards China since the 17th century as aggression and all agreements, except for the Treaty of Nerchinsk, unequal and unfair.[6]

When analyzing China's military threat, the anti-China party is guided by an article published in *Jiefangjun Bao*, an official newspaper of the People's Liberation Army (PLA), on April 3, 1988. Commenting on the concept of strategic boundaries of living space, the article stated: "Effective control conducted during a prolonged period of time over a strategic district that is implemented outside geographical borders will ultimately result in a shift of geographical borders".[7] This gives grounds for the conclusion that sooner or later Russian districts economically explored by the Chinese will be occupied by the Chinese army.

Two arguments are given to prove this thesis. Firstly, PLA military exercises near the Russian border are being carried out with the aim of preparing for combat with the Russian army. In 2009 China conducted its largest ever military exercises, Stride-2009, which did not involve the participation of the Nanjing military region troops responsible for the Taiwan direction, which would be logical if the military were training for in operations aimed at joining the island to mainland China. However, the exercises did involve units of the Beijing, Shenyang and Lanzhou military regions aimed at Russia, Mongolia and Central Asia, as well as the Jinan military region, which serves as a backup for the aforementioned.

The second argument of the anti-China party in the military sphere concerns the peculiarities of China's policies and the rearmament of its armed forces. In particular, until recently in Russia it was widely held that China could not conduct efficient military operations against Russia as it was technologically dependent on Moscow. This was due to the fact that, until recently again, China was procuring a major part of its weaponry from Russia. Being the designer of this weaponry, Russia had an advantage as it could either utilize more technologically sophisticated arms in the event of a possible conflict, or it could sell outdated models that could easily be destroyed by the more advanced weapons of the Russian armed forces.

Representatives of the anti-China party claim that China only purchased military equipment from Russia that could be used in operations against the USA and Taiwan (as long as Beijing was seriously planning to seize the island). Accordingly, China did not buy any weapons for its ground forces because in the event of war against Russia these are the forces that would be deployed.[8] Since the military and strategic arguments of the anti-China party are wholly refuted in scientific circles, they will be analyzed in the corresponding section based on the opinion of leading specialists.

Another semantic line has been promoted recently in the mass media and expert community by the anti-China party. According to this line of reasoning, NATO poses no threat to Russia[9] and Moscow should establish allied relations with NATO *inter alia* to defend itself against the Chinese threat. They claim that NATO has become noticeably weaker as a geopolitical alliance and is unable to impose its will on Russia, let alone overthrow the existing political regime (cf. the Libyan operation), while the centre of gravity in the military sphere has shifted eastwards (clearly hinting at the PRC). These claims are intended to allay the mounting concerns of the Russian elites over the construction of the European anti-missile system in line with the US scenario, as well as fears that the Arab uprising will spread to Russia with western assistance.

As far as the thesis of NATO's non-hostility is concerned, this anti-China-party line of reasoning objectively overlaps with the line taken by supporters of Russia's accession to NATO. Some representatives of this school, without invoking the notion of the Chinese threat, point out that Russia should lean towards NATO. In particular, Dmitri Trenin, director and chair of the scientific board of the Carnegie Moscow Center, suggests the formation of a Euro-Atlantic security community that would rule out war as the means of settling conflicts.[10] According to Trenin, this should become one of the main components in the new course of Russia's foreign policy. Moreover, he points to the necessity for Russia to lean towards the

USA and its allies – Japan, Canada and South Korea in the eastern direction. In other words, Moscow is offered the same model of foreign policies aimed at a strategic alliance with the West, but its transatlantic projection is replaced with the Pacific.

Although the above-described analysis of the position of the anti-China party was based on theses by Alexander Khramchikhin, he is not the only member of this expert group. However, due to his numerous publications and access to respected mass media sources, his influence on the elites and the politically active population significantly exceeds that of his colleagues in the party.

Another noteworthy representative of the anti-China group and its alarmist wing is the expert Alexander Aladin. Unlike Khramchikhin, he does not belong to any expert group that can confer any status upon him. However, several years ago he gained publicity for submitting a complaint to the Constitutional Court against the actions of the Russian state authorities concerning the transfer of part of the territory to China within the framework of the programme on demarcating the state border. He subsequently became a regular expert on Russian-Chinese relations in many Russian mass media sources – mainly nationalistic and national-patriotic ones – that are not very popular and cater mainly for the masses. At the same time, unlike Khramchikhin, Aladin focuses on social, economic and infrastructure threats posed by China, not on military and political ones.[11]

The pro-China party

The influence of this group of experts on the Russian mass media and expert community is much weaker than the influence of the anti-China group or even its alarmist wing. In the expert community this group is represented mainly by current and retired servicemen employed mainly in the informational and analytical bodies of the Soviet/Russian army. One of the components of the core of the pro-China party in Russia is the Institute of Russian-Chinese Strategic Interaction, which does not have a website. Its spokesmen are director Dmitry Regentov and deputy director Andrei Devyatov.

This group of experts concentrates its efforts in two main directions. The first is promotion of China and the Chinese culture and society in Russia and attempts to work out a kind of common language for Russian-Chinese interaction, a single terminological and semantic basis that could provide both sides with the possibility to clearly understand each other and dispel fears that have no basis in actual fact.[12] The strength of this group lies in their deep understanding of the Chinese philosophy and realities that define the policies of this state. Their weakness is their inability to render the peculiarities of Chinese thinking and politics understandable to the Russian elites and the population, coupled with their poor presence in the mass media. However, the pro-China group is gradually ridding itself of these vulnerabilities.

The second strategic direction of the activities of this expert group is centred on refuting myths about the Chinese threat promulgated by the anti-China party by explaining Chinese interests and, more importantly, their corresponding means of achieving them. For instance, Devyatov does not deny that China views some areas in the Far East and Eastern Siberia as being within the sphere of its strategic interests. Yet, their military occupation is unlikely because Chinese history and traditions prefer assimilation, in contrast with the European and generally Western tradition of conquest.[13]

Moreover, a further objective of this group of experts stemming from the aforementioned ones is its declaration of the struggle against the strategic misinformation that hinders the development of closer relations between the two countries. In particular, they say that many sources which official state bodies use for their analysis provide information that often differs substantially from the real state of affairs. At the same time, there is a clear indication that the activities of the anti-China party in Russia are under Western influence.[14]

In addition to the group of experts from the Institute of Russian-Chinese Strategic Interaction, there are some other members in the pro-China party such as the Club of Friends of the Military Institute of Foreign Languages of the Red Army[15], but they have even less presence in the mass media, and their influence behind the scenes through corresponding channels in the military and related circles is very hard to estimate.

When analyzing the work of the pro-China party in Russia, one should also mention certain activities engaged in by the Chinese that are becoming more and more persistent and which correspond to Western standards of soft power. The first of these concerns the work of the Russian-Chinese Center of Trade and Economic Cooperation.[16] This body, established in the late 1990s on the initiative of the Russian Union of Industrialists and Entrepreneurs (a powerful lobbying association of Russian businesses), is currently exerting an increasingly significant influence on bilateral relations. The Center lobbies Chinese interests in Russia. Previously, the lobbying was focused mainly on economic issues, but recently the Center has been paying more attention to the humanitarian component of its activities – promoting China's positive image in Russia and blocking *inter alia* the informational activities of the anti-China group. The executive chair and main spokesman of the Center is Sergey Sanakoyev, who has been in the presidential HR reserve since 2009, which attests to the serious lobbying potential he and his allies possess.

Several interconnected components of the humanitarian side of Sanakoyev's and the Center's work can be singled out for analysis. The first is the promotion of China's image as Russia's strategic and most important partner. A whole series of articles and interviews revolves around this objective.[17] Moreover, he portrays the West (first and foremost NATO) as the main threat to Russia. Thirdly, this representative of the pro-China party regularly refutes the theses about a demographic threat and expansion by China. According to Sanakoyev, it is not the Chinese who are moving to Russia (despite the fact that the northern districts of China are allegedly deserted), but the Russians who are gradually migrating to China because of the better infrastructure, which in general corresponds to the reality of the past few years.

Another important component of the Chinese segment of the pro-China party is the work of the Confucius Institutes in Russia. A look at their geographical location leads one to conclude that the Chinese prefer establishing such bodies either in large cities or in practically all the large regional centres of Siberia and the Far East. The declared intention of these establishments is the promotion of the Chinese culture and language, which means that their work on lobbying for Chinese interests is more long-term and indirect compared to the similar efforts of the Center of Trade and Economic Cooperation. However, Russian law enforcement agencies uncovered a threat to national security in the activities of these bodies. For instance, in 2010 the Yakutian department of the Federal Security Service (FSB) blocked an attempt to open a Confucius Institute in Yakutsk as the institute was aiming "to promote penetration of the Chinese ideology and economic expansion in the Russian territory".[18]

At the same time, it should be noted that impeding the penetration of the Chinese ideology into Russia is the position held by one law enforcement body in particular, rather than a consistent position of the state in general. For instance, high-ranking delegates from Russia's ruling United Russia Party regularly visit China where they meet their counterparts from the Communist Party of China to share experiences. The latest visit took place in mid-May 2010, after which Russian participants positively evaluated the Chinese experience of building a party system.[19]

In conclusion, when speaking about the activities of the pro-China party in Russia, it has to be said that the Chinese cultural expansion in Russia is most visible in terms of popular culture. Previously, Chinese feature films were shown in cinemas and sold on video cassettes and DVDs in Russia, but drew the interest of only a narrow circle of Chinese history and culture devotees. Of late, there has also been an increase in Chinese blockbusters which sacrifice historical authenticity to special effects and plot twists. However, this is unlikely to be due to any Russian stratagems, as China is well able to buy into the US cultural expansion and adopt Hollywood techniques if it so wishes.

The academic community

Any analysis of the academic community's discourse in respect of its influence on forming foreign policies is of less interest when compared to the mass media and expert communities. The reason for this is simple. As indicated above, the Russian state authorities approach bilateral relations from an economic angle, while the academic community educated in Soviet traditions thinks in line with foreign policy interests. In other words, strategic decisions are made on the basis of the situational demands of major Russian companies (such as the demand for credit by Rosneft and Transneft during the economic crisis) rather than on the existing foreign policy plans.

Such economization of the eastern vector of Russian foreign policy is attributed to its focus on Europe, which prevailed until recently.

Given this approach, the Russian elites were even ready to sacrifice part of their profits to become full-fledged members of the European "board of directors" (for example, many asset swap deals between Russian and European companies were rather doubtful from the point of view of profitability). A major role in pursuing such policies was played by political planning institutes, including those that have historically established cooperation with academic circles. The eastern vector of Russian policies (including the Chinese direction) is characterized by the business approach which, to a large extent, explains why there is no need to attract experts from the academic community to develop strategies.

Most publications by these researchers are dedicated to polemics against the anti-China party. Scientists, adherents of accuracy that they are, are often indignant about the biased selection of facts and sometimes flagrant misinformation. A case in point is Yury Morozov, candidate of military sciences, leading research fellow of the Center for Strategic Problems of North East Asia and SCO of the Institute of Far Eastern Studies of the Russian Academy of Sciences, who published a series of articles entitled "Chinese Threat in Khramchikhin's Head"[20], in which he harshly criticized the main provisions of the military and strategic doctrine of the alarmist wing of the anti-China party, as well as some other theses.

According to Morozov, China is not as overpopulated as claimed (per sq km). Moreover, the country occupies first or second place in the world in terms of reserves of coal, iron, manganese, copper, tungsten, tin, aluminium, gold and others. The author also points out that in the modern world goals are mainly achieved by employing non-military methods, which is somewhat questionable. However, he stresses that the development of the military scenario against Russia and the Central Asian states would not be advantageous for China, because a military conflict would inflict substantial damage on the mining infrastructure, and its restoration would be extremely time-consuming. Furthermore, employing calculations based on military theory and strategy, Morozov categorically contests the scenario of possible armed aggression against Russia suggested by Khramchikhin in one of his publications.

Some other members of the academic community also publicly voiced their position towards the most prominent representative of the anti-China party. In particular, Sergey Kazennov, the head of the geopolitics group of the strategic research section of the Institute of World Economy and International Relations of RAS, issued material in which he argues against his opponent regarding the probability of the Chinese threat.[21] Acknowledging the exposure of the weak points of the Russian army by Khramchikhin, the authors doubt that a possible conflict between Moscow and China would be defiantly won by the latter. Moreover, just like their colleagues, they question the thesis of China's desire to expand northwards as well as China's readiness to solve all its problems by combative means. Finally, it is stressed that Russia possesses strategic nuclear deterrent forces that Moscow could deploy to compensate for the possible imbalance in conventional arms. Added to this, the USA is unlikely to remain a bystander if China decides to expand its territory into Russia by military means.

Public opinion on Russian-Chinese relations

It also seems expedient to briefly analyze the main trends in Russian public opinion on bilateral relations and the perception of China. Ultimately, this will be one of the main parameters, as it indirectly influences the policy content in this direction (in the future, rather than at the present moment). Both the anti-China and pro-China parties try to influence public opinion in addition to the elites, despite the bureaucratic and behind-the-scenes character of the political decision-making process in Russia.

On the whole, the Russian population's perception of China has been changing dynamically over the past decade with some parameters showing sinusoidal motion. In particular, public opinion on China is inversely proportional to relations with the West – the worse the relations with the West, the better the perception of China and vice versa. For instance, in mid-2001 when anti-West sentiments caused by NATO's operation against Yugoslavia in 1999 were still being felt in Russia, some 31% of respondents thought that China would be Russia's ally in the 21st century, while only 3% believed it would be an enemy.[22] The residual junior brother effect certainly should be taken into account as it had not completely faded from post-Soviet consciousness by 2001.

By 2005 the share of adherents to the allied approach had dropped to 22%, although the share of the opposite camp rose insignificantly to 6%; the rest of the respondents had more comprehensive points of view. In 2007 at the height of anti-Western sentiments (cf. Vladimir Putin's Munich speech, for instance), the share of those who held positive views on China again rose to 28% (the share of those that perceived China as an enemy dropped to 4%), but in 2009 the share of adherents to the allied approach dropped to 20%.[23]

Another interesting pattern concerns the perception of China by people in different Russian regions and the population's attitude towards the prospects of cooperation with China. In general some 66% of Russian respondents believe that the participation of Chinese firms in the development of natural resources in Siberia and the Far East is dangerous. In the Siberian Federal District their share is 71%, and in the Far Eastern Federal District it is 81%, the highest parameter among federal districts.[24] While in Russia in general some 21% of respondents believe that China should become Moscow's main partner in Southeast Asia, the share of such people in the Far Eastern Federal District is almost twice as high – some 36%.[25] In other words, as the population of the Far East is already engaged in economic relations with China and acknowledges the Chinese threat, it does not see any alternative other than economic cooperation and integration with the country.

Moscow's official position, problems of bilateral relations

The content of the Russian foreign policy course towards China does not correlate in practical terms with the expert and scientific discussions. The essence of bilateral relations can be briefly summed up as "Russian natural resources for access to Chinese financial resources, including tied loans". This position of the Russian state authorities was officially embedded in the text of the agreement signed by the leaders of the two countries in New York in 2009, pursuant to the 2001 framework agreement on neighbourliness, friendship and cooperation between the Russian Federation and the People's Republic of China.[26] Formally, it concerns the trans-boundary cooperation of the regions of the two countries (the programme of cooperation between the regions of the Far East and Eastern Siberia of the RF and China's northeastern regions in 2009 to 2018). However, de facto this is a prime example of the kind of format in the current situation which does not give rise to any serious objections from the Russian elites. For instance, during Dmitry Medvedev's visit to the PRC in autumn 2010 a number of accords of different levels were signed, most of which concerned trade and economic issues.[27] Moreover, over the past few years some more concrete contracts have been made between the state and state-affiliated companies of both countries. In particular, Rosneft and Transneft were on the receiving end of credit guaranteed by long-term oil deliveries to China (Rosneft), and for completing the construction of the Eastern Siberia-Pacific Ocean pipeline (Transneft).

It is telling that the signing of this strategic document went practically unnoticed by Russian federal mass media sources, while in the Far East the reaction was reflected in headlines along the lines of "Moscow surrenders Far East to China". Following the signing of this document and the discussion it had generated in the Russian mass media by mid-2001, two points of view on the project implementation emerged. According to the first, Russia and China have fundamentally different approaches to the cooperation development, because practically all of the projects in Eastern Siberia and the Far East are based on the production of raw materials, while in China's northeastern provinces plans are being made to create processing facilities. The key objective of China's policy is to gain access to energy and natural resources and to form long-term mechanisms for economic links between trade and economic cooperation and Chinese interests.

According to the other view, one cannot conclude that broadened cooperation will have purely negative consequences for Russia. Exports of natural resources are important for Russia and its transit location provides natural opportunities to develop the transportation, storage and servicing infrastructure. This explains why China is considered Russia's natural partner in Asia as it possesses two necessary factors of production: capital and labour.[28] However, when analyzing the content of bilateral relations in general, it is possible to draw the conclusion that the raw material trade will dominate Russian-Chinese cooperation and become a long-term trend. Thus, the anti-China party activities that have been so prevalent in the

Russian mass media until recently hardly influenced the sentiments of the Russian elites.

Yet, bilateral relations are not restricted to the economy alone. Russia and China try to collaborate at least within the framework of two other international forums – the Shanghai Cooperation Organization (SCO), which celebrated its 10th anniversary in 2011, and BRICS. The SCO was initially planned to be an instrument of regional security, primarily in Central Asia. However, over the past few years it has turned into an instrument for promoting China's influence, which put Russian authorities as one of the initiators of the bloc into a difficult position. Notably, over the past two years, the SCO has been almost completely supplanted by the Collective Security Treaty Organization in the Russian mass media discourse.

As far as BRICS is concerned, it is aimed at coordinating efforts to destroy the absolute hegemony of the West in international affairs, rather than at attempts to coordinate collaboration in the sphere of security. In particular, this body has recently been employed to coordinate the interests of developing nations before G20 summits, in contrast to G7 meetings where the position of western countries is agreed upon. However, Russia's simultaneous accession to the G8 and BRICS confuses the whole set-up in general, and the mechanism of Russian-Chinese cooperation in the world arena in particular.

Yet, over the past six to twelve months there has been a perception among the Russian elites that the economic dependence which they have nothing against is gradually turning into political dependence. Given that the centre of world politics, including the strategic decision-making centre, is gradually shifting to the Asia-Pacific region, this has been a cause of concern for the Russian Establishment. In the past, the Russian authorities made numerous unsuccessful attempts to be granted access to the decision-making process within the framework of the old, post-Soviet world order that was characterized by Western domination (the USA and, to a lesser extent, the EU). Now a similar chance to gain its seat on the world "board of directors" in the Asia-Pacific region may be missed due to the existing structure of economic relations with China.

In this regard, the Russian authorities often make haphazard moves aimed at displaying Russian interests in the region. A case in point was the trip to the Kuril Islands by President Medvedev (for the first time in history) and later by several ministers. These visits were probably made with domestic political objectives in mind, and not aimed at rubbing Japan up the wrong way, yet they markedly worsened Russian-Japanese relations and revealed the lack of a clear-cut and consistent strategy for joining the processes in the region. The expert and academic communities are also taking steps to eliminate China's monopoly on Russia. In particular, in 2010 the ASEAN Center opened at the Moscow State Institute of International Relations (MGIMO); and in spring 2011 MGIMO held the first joint conference of the ASEAN Center and the Singapore-based Institute of Southeastern Asian Studies (ISEAS).[29]

In summarizing this chapter, the following issues need highlighting. Firstly, discussions in the media and expert communities on Russian-Chinese relations exert a greater influence on the public discourse in this sphere than similar debates in the very exclusive academic community. At the same time, the state authorities make decisions while being abstracted from both discussions, but guided by the highly pragmatic economic interests of the moment. However, the media and expert discussions, which influence the elites as well as public sentiments, stand a chance of being noticed by the state authorities when the latter start constructing an integral policy of promoting Russian interests in the Asia-Pacific region. Besides, the Russian elites have started to realize that the economic dependence on China which has not bothered them to date, is turning into political dependence amid the shift in the decision-making centre towards the Asia-Pacific region, and this must surely be a cause for concern.

Russo–Chinese relations at a crossroads: An American view[1]

Stephen Blank

There is no "American" view of Russo-Chinese relations. Obviously the US government does not generally comment publicly about other states' relations with third parties. But Russo-Chinese relations are unique since these are the only two states that could pose a mortal threat to the US. Furthermore these relations are constitutive relations in Asia that exercise a formative influence upon the ties of all interested parties to Russia, China, Central and Northeast Asia. Therefore they have major geostrategic and geopolitical ramifications for most, if not all of Asia and world politics in general. So while some US experts have commented on these relations, far fewer have done so than one might have imagined. This relative neglect is surprising given the importance for Moscow and Beijing of their mutual ties. Indeed President Medvedev stated that China tops the list of Russia's diplomatic priorities, that the relations are developing in all fields and even proposed a new security system for Asia.[2]

Why Russo-Chinese relations should concern the US

Indeed, these two states' "normative convergence", their virtually identical positions on North Korea as seen in the crisis generated by North Korea's nuclear and missile tests, and their demands for a new international financial, political, and economic order, not to mention their critique of US democracy promotion and other policies, like NATO's Libya operation, suggests the possibility of even closer convergence in the future, often at US expense. Moreover this convergence suggests not just converging interests but also that their relations are driven by converging values, a point generally overlooked by US analysts. Currently both sides say that these relationships are at their high point, argue that they represent a model for other countries' relations, and contend that they can only get better as recent interchanges between them indicate.[3] This would concur with Russell Ong's argument that, "the basis for China's strategic partnership with Russia lies in countering the global export of America's liberal values". Furthermore he notes that Russia's professed political values, namely sovereign democracy, comport with so-called "Asian values" much more than with European ones.[4]

In fact, one Chinese analyst, Professor Ouyang Wei at the Crisis Management Research Center of China's National Defense University, suggested that this relationship is a strategic partnership or even quasi-alliance as both sides normally use the former term. He distinguished between this kind of relationship and an alliance in the following way with reference to the July 2009 Sino-Russian military exercises "Peace Mission 2009":

> The natures of joint military exercises are different when the relations of countries are different. If the relations are of a coalition or alliance nature, joint military exercises are similar to those conducted in their respective countries. Such exercises have strongly defined objectives in mind and are strongly marked with actuality. There are also such relations as strategic partnership or quasi-alliance, under which joint military exercises bear a strong symbolic and political nature, with less clearly defined targets in mind. There are relations between friendly countries, which conduct joint military exercises in specially designated spheres, such as providing disaster rescue and humanitarian aid. This will help strengthen mutual understanding and mutual trust.[5]

Consequently there is a real danger that their ideological-strategic rivalry with Washington could harden into a polarized, bilateral, and hostile division of Asia into blocs with a Sino-Russian bloc confronting a US alliance system led by alliances with Japan, South Korea, and Australia.[6] As early as the 1990s prominent analysts of world politics like Richard Betts and Robert Jervis, and then subsequent CIA studies, postulated that the greatest security threat to US interests would be a Russian-Chinese alliance.[7] In fact, some analysts of East Asian trends regard the confluence of the energy and other current international crises as contributing to an already-formed Russo-Chinese alliance against American power and ideas in Northeast and Central Asia.[8]

The debate over the nature of Russo-Chinese relations

These two states' current closeness is incontestable. Marcin Kaczmarski's 2008 analysis of Russia's Asian policies observes that:

> The scale of cooperation between Russia and China is reflected in the extensive infrastructure of dialogue between the two states. Regular contacts are maintained at nearly all levels of central Authority. Political dialogue takes place within an extensive framework for bilateral consultations, including meetings of Heads of State held several times a year (at least once a year on a bilateral basis, and also during several multilateral meetings); meetings of prime ministers and foreign ministers; consultations on strategic stability (at the level of deputy foreign ministers); consultations on military cooperation (at the level of defense ministers); and consultations on security issues (between national security advisors since 2005).[9]

Yet Western and US writers mostly tend to downplay this possibility and rather complacently assume that Russia and China do not share enough strategic interests to represent a lasting alliance or threat to the US.[10] Kaczmarski argues that since 2006 a strategic stagnation has set into these relations, aggravating unresolved issues between them and an inherent lack of mutual confidence.[11] James Bellacqua argues that this relationship is essentially a pragmatic one based on common interests but which has discernible fault lines.[12] Likewise, Gilbert Rozman argues that:

> There exists no cause for alarm about a Sino-Russian alliance or a renewed split marked by hostility. Efforts to check direct challenges to the existing world and regional order by each country can continue without serious concern that they will be driven into each other's arms.[13]

Others like Richard Weitz, Rajan Menon, Kaczmarski, Bobo Lo, and Rozman emphasize Russo-Chinese divergences that preclude a relationship beyond a partnership and certainly would not lead to an alliance. They argue that Russo-Chinese relations are primarily utilitarian and instrumental. This is the view adopted by most commentators and has become the prevailing or conventional wisdom.[14] Since there are real frictions in the bilateral relationship we must accurately assess them. But Weitz, Menon, Kaczmarski, and Lo diverge in that Lo suggests that the relationship between Russia and China is evolving towards a situation that will give Beijing much greater leverage over Moscow than before and that will transform this partnership into something rather different with one side, China, being the rider, and Russia the horse, to use Bismarck's analogy of an alliance.[15] In that case, even without a formal alliance Russia will be increasingly and visibly dependent upon China to assure its interests in Northeast Asia. In effect, then China would define the parameters of those interests and the guarantor of them in return for some form of Russian acceptance of this hegemony. This would not be far removed from the traditional sense of the Chinese tributary system that dominated Asia until the onset of modernity, a trend that at least some writers see as already taking place in Asia.[16] Indeed, China is now seen abroad as the gateway or gatekeeper to Russia's acceptance in Asia.[17] Elsewhere too this writer has argued that we are at the inception of the creation of such a Chinese-dominated order in Asia and analyzed the causes and consequences of Russian failure in Asia.[18] This author has, in other, longer papers and in forthcoming works also attempted to analyze the multiplying signs of Russo-Chinese military tensions that contradict elite statements about their mutual closeness and reflect rising Russian unease about China.[19] Meanwhile the signs of growing Russian dependence on China in economics and energy are palpable.

Some Russian and Russian-born writers now residing in the West argue along similar lines. Dmitri Trenin writes that, "China is emerging as the state driving the bilateral agenda. For the first time in 300 years, China is more powerful and dynamic than Russia – and it can back up its economic and security interests with hefty infusions of cash."[20] Fyodor Lukyanov, the editor of Russia in Global Affairs, argues similarly that "neither Russia nor the United States knows how to structure relations with China, or more accurately, they are structuring them to China's Diktat."[21] Likewise, Andrei Tsygankov writes that:

> Overall, Russia is increasingly unable to resist China's economic and political influence. Both in state action and on the level

> of national discourse, China's importance has considerably expanded, which has translated into the growing prominence of Russian Sinophiles in national debate. Russia's relative economic and administrative weakness will continue to challenge its ability to fully preserve political independence and other attributes of a great power. Although the nation has largely recovered from the chronic malaise of the 1990s, gaining greater confidence and preserving important attributes of a great power, in the foreseeable future it cannot act on a par with the West and China. Despite the rhetoric of Russia's resurgence, Russia has not become and is not in a position to become a rising great power in the face of growing international challenges, such as the continued expansion of the Western and Chinese influences in Eurasia. The fact that Russia continues to muddle through is not a guarantee that it will be able to do so in the future; the economic crisis narrows the Kremlin's options still further.[22]

He also argues that the pro-China faction throughout the elite now increasingly dominates policymaking and official discourse.[23] Finally Sergei Karaganov, director of the well-connected Council on Foreign and Defense Policy, openly claims that Russia is drifting away from Europe to alignment with China as its "younger brother", albeit a respected one (one suspects that Karaganov may have been taken in by China's astute handling of Russia here).[24]

Close examination of the recent trends in this relationship suggest that Lo's, Karaganov's, Tsygankov's, and Trenin's analyses are on the mark and that we are in the early stages of a trend suggesting China's superiority over Russia in Asia with ensuing geostrategic implications for Russia, particularly as an Asian power. Similarly, both Bellacqua, and Rozman see the increasing likelihood of a more competitive relationship between the two states, and Bellacqua actually calls Russia a junior partner to China, exactly the formulation that Russia opposes *vis-à-vis* the US and exactly what Russian writers like Trenin openly fear.[25] Postulating this trend allows us to avoid being bogged down in the sterile debate as to whether or not this relationship in some way threatens US interests. The more interesting question is whether or not a new Chinese order is coming into being in Asia, not only at the possible expense of the US as so many fear, but also if it is occurring at Russia's expense, and if so, what does that mean?

A new Chinese order?

This paper can only raise the question, or the alarm. But there is abundant evidence for this view. Russia's fundamental objective in East Asia is straightforward and simple: a restoration of its acknowledged earlier status as a great independent system-forming power capable of influencing the Asian (particularly Northeast Asian) security equation in its own right through its own actions.[26] Beyond that, Medvedev wrote in November 2009, "Russia wants Siberia and the Russian Far East to be directly involved in regional integration."[27] Nevertheless, thanks to a combination of its own policy failures and developments beyond its control, Russia is failing to achieve that goal and must increasingly acquiesce in China's creation of a new Asian order, mainly using Chinese economic power. The first signs of this order are already upon us and are visible both in and beyond Northeast Asia, in Central Asia, for instance.[28] Russia's failures to achieve its goal are also visible both in its economic policy towards Asia, which is primarily an energy policy, and also in its foreign and defense policies there. Those failures are visible as well in regard to the key individual actors there, China, Japan, and the two Koreas, in particular the six-party process regarding North Korea's nuclearization. These failures possess critical significance for Russia's "Ostpolitik" because it is clear to Russian policymakers, even if they will not admit it openly or explicitly, that it needs that foreign acknowledgement and support if it is to play a role in Asia. For example in his annual review of Russia's Asia policy for 2008, deputy foreign minister Alexei Borodavkin emphasizes that all of Russia's Asian-Pacific neighbors support its integration into the Asia-Pacific region (APT), "regarding our country as a factor of strategic stability and sustainable economic development in the region."[29] If this were actually the case it would be obvious to everyone and go without saying. The fact that this must be stated underscores Russia's dependence on a third party or parties to ensure its full acceptance as an Asian power and its failure to secure that full acceptance.

Therefore, Russia remains dependent on others for its full entry into Asia. But due to its past failures with Japan and in the Korean peace process, it remains excessively dependent upon China's support for securing the status it so desperately craves. Thus, the most consequential aspect of those failures emerges in Russia's relations with China, which is its most important partner in Asia going back to 1992 when Russia opted for partnership with it over Japan, a decision that owed as much to an antipathy to the liberalism that Japan represented and an affinity for Chinese authoritarianism as it did to geopolitical interests.[30]

Chinese ascendancy can be seen in the following economic and energy areas. In Central Asia China is poised to be a bigger customer than Russia for Turkmenistan and all of Central Asia's gas. Russia has been forced to acquiesce in China's huge investments in Central Asia. China organized a successful opposition within the Shanghai Cooperation Organization to recognizing the independence of Abkhazia and South Ossetia. Finally, it collaborated with Uzbekistan to block Russian intervention in Kyrgyzstan's ethnic pogroms of 2010.[31]

In Northeast Asia Russia has now been forced to build an oil pipeline exclusively to China, hoping to finish the intended East Siberian Pacific Ocean (ESPO) pipeline with other infusions of foreign cash in the future. Given the huge Chinese loans it had to take, even if the oil sells at market price, China will get the 15,000 tons of oil a year for twenty years at a huge discount and we can be sure that Rosneft and Transneft, and their leaders were handsomely compensated "under the table". Moreover, this deal has opened the way to large-scale Chinese equity investment in Russian oil and gas firms in the Russian Far East (RFE) that were hitherto off limits to China.[32]

Still worse for Russia, despite years of attempting an autarchic policy of developing its Far East or of trying to stimulate as much foreign investment as possible, in 2009 it had to accept the failure of all its plans, that it would hitherto tie its reginal development plan to China's regional development plan for neighboring Heilongjiang, and effectively remain a raw material appendage to China. For lack of an alternative, on May 21 2009 Medvedev more or less admitted that unless China invested in large-scale projects in the Russian Far East, the grandiose development plans undertaken by Moscow in the past could not be realized. Medvedev frankly admitted that the economic development of the Far East would depend not on Russia's ties to Europe but rather on the development of its ties with Russia's main Asia-Pacific partners. He also stressed that the RFE's regional development strategy must be coordinated with China's regional strategy of rejuvenating its old industrial base in Northeast China, for example Heilongjiang province.[33] As TASS noted, "Essentially speaking, China now has the ability to pick and choose the fields of cooperation with Russia and the projects of cooperation and holds both the initiative and the power to choose in its hands."[34] That initiative applies equally to energy imports because China has diversified its sources and can often get energy for less than Russia wants to charge. Certainly, China needs Russian gas less than Russia needs to sell it to China. As a result, as of May 2011 there is still no agremeent with Russia to sell gas to China. Meanwhile China's deals with Australia and Turkmenistan have obviated any compelling necessity to buy Russian gas or to accept Russia's price for it. So here too Russia depends more on China than China does on Russia. Thus China's interest in expanding the number of projects where it collaborates with Russia is moving forward largely on Beijing's initiative. Chinese analysts apparently also believe that Russia's dependence on China as a gateway to the Asia-Pacific mitigates Chinese apprehensions about Russia reemerging as a future threat to China.[35]

Therefore Russia has had to solicit Chinese intervention in its economy and welcome Chinese economic power in ways that have forced it to reverse long-standing Russian policies in the RFE. Russia's Bank for Development and Foreign Economic Affairs, Vneshekonomobank (VEB), had to borrow money from China. And as China has now become a major stockholder in Lukoil, China indirectly has leverage over that firm along with the bank. Second, after having excluded foreign firms from bidding on the huge Udokan copper mine in Southeast Siberia, Moscow had to welcome Chinese, South Korean, and Kazakh miners and refiners back into the bidding. Moscow has also had to welcome back other foreign investors, such as Shell (two and a half years after forcing it to sell its share of Sakhalin-2) and Total. All these moves signify a complete reversal of past Russian policy for energy and mineral investment dating back to 2003. Similarly, Bloomberg News reported that Russian companies may invest in oil exploration and natural gas distribution in China (for which they lack the captial at present) but that Chinese firms (who have huge amounts of capital for investment) may also invest in developing oil and gas fields in Russia along with liquefaction plants.[36] This was also a point on China's behalf in the virtually simultaneous loans for oil deal that it made with Russia in 2009.[37]

Chinese companies are buying up vast swathes of agricultural land in the Russian Far East (850,000 acres as of mid-2010) that the shrinking population there has abandoned and encouraging Chinese migrants to work there on a seasonal basis.[38] Moreover, the Chinese are driving hard bargains regarding the terms of trade between the RFE and China. As Andrew Kramer of the *New York Times* reported:

> The Chinese are pressing for discounts from world prices because of the remoteness of the border region. They argue that the Russian commodities should be cheap because of their abundance – and because without China as a near and ready buyer, the vast reserve in eastern Siberia would be far less valuable. The Russians, on the other hand, argue that without their commodities, buyers in northeast China would have to pay much higher prices to suppliers from farther away.[39]

Similarly, China appears to be pursuing competitive unilateral interests, for example regarding a trans-Asian railway. For a long time Moscow has championed the idea of a Trans-Siberian railway link to a projected Trans-Korean railway (TSR-TKR) as a vital aspect of its policy toward both Korean states, and this railway, if it is built, would have important consequences for the development of Asiatic Russia, especially Primorskiy Krai (the Maritime Province, the easternmost province of the RFE). The TSR-TKR also reflects the rivalry among the four major powers of Northeast Asia, who each have vital interests at stake in Korea, for influence over developments there. Putin stated in 2002 that if Russia did not build this railway, linking the two Koreas and thus Asia to Europe, "our beloved neighbor, China" would do so, a sarcastic and telling reference to the oft-cited competition between these two states for influence in Pyongyang and Seoul.[40]

Russia is also floating a grand plan for an overland freight service along the Trans-Siberian railway from China to Europe, which would be made possible by the completion of the ESPO, freeing railway capacity. However, China currently has no plans to work with Russia on a Far East high-speed railway.[41] At the same time, China has launched a global offensive to build low-cost high-speed railways, including Russia to undercut Japanese and potential Russian competitors. And officials again are not shy about saying that due to these railroad investments not only will Chinese products spread further, the image of Chinese brands will also improve, and the completion of these projects will "heighten China's political influence in the importing countries."[42] Such projects help underscore why officials like Xi Jinping maintain that Russia is a vital market for China's "going global" business strategy.[43] Perhaps the understanding of what the consequences of the present trend could be explains why a recent article in the Russian Ministry of Foreign Affairs' journal *International Affairs* stated openly that the economic development of other countries in the Asia-Pacific region is a threat to Russia because it leads to an unbridled geopolitical competition of influence.[44]

Since Russian leaders have expressly tied the development of the RFE to Russia's capacity to play this "system-forming" role in Asia, the failure to develop the area and its consignment to being linked to China's regional development plan contributes to the failure of Russia's "Ostpolitik". This failure also has strategic implications. We have already alluded to rising military anxiety in Russia and to a forthcoming analysis of that point. In the remaining space we must note that we see Russia equally being unable to cope with Chinese intellectual piracy and subsequent competition with Russia in third-party markets for arms sales. Meanwhile the deployment of Russian-based systems goes on and those systems, as Moscow now realizes, could easily be deployed against the RFE. Although China now buys only 10 percent of Russian arms sales, it is still pressing for and sometimes getting high-tech and top of the Russian line systems despite the misgivings of Russian arms sellers. Here the government refuses to cut the connection to China despite their frustration, so Russia is now fully aware that it is helping its most likely enemy in the Far East.[45]

Given the mounting tensions in the relationship, it is odd that Russian leaders continue to profess so close an identity of aims and interests with China. But apart from personal financial interests (which play a role in energy if not elsewhere) the most likely explanation for this self-defeating behavior is the antipathy to America and to the values it represents. Fyodor Lukyanov, editor of *Russia in Global Affairs*, writes that:

> The mentality of Russian politics is such that relations with the United States remain at the center of universal attention and virtually any problem is seen through an American prism. This is partially a reflection of inertia of thinking which is finding it hard to break with perceptions of Cold War times. It is partially

> a demonstration of a hidden desire to have a sense of our own significance. There is still a desire to compare ourselves specifically with the only superpower.[46]

Similarly, Leonid Radzhikhovsky observed that, "the existential void of our politics has been filled entirely by anti-Americanism" and that to renounce this rhetoric "would be tantamount to destroying the foundations of the state ideology."[47] Accordingly, we ignore the ideological and value-laden aspect of Russian foreign-policy thinking at our peril. Moscow may profess to be, and in considerable measure is, a pillar of the Church of an atavistic Realism in international affairs, but historically, even before the Soviet revolution, Russian foreign policy was prone to ideological posturing abroad and the exposition of a heavily value-oriented foreign policy. That tradition, though denied, still lives and is most visible in the Kremlin's China policy. While Russian interests demand amity with China, they do not demand an identity of interest in the face of the rising and visibly aggressive policies that China has conducted since 2008. Yet Moscow continues to bandwagon with it despite that aggressiveness, or perhaps because of it. Certainly Beijing has every reason to incite Moscow to oppose Washington and align itself with China. But do Russian leaders want to be China's tributary, even if the tribute takes the form of oil and gas rather than kowtowing? Barring a major reversal of policy, the latter, not partnership, appears to be the future of Russia's role in Chinese policy. That role is a singularly unappetizing role for anyone, least of all elites driven by a centuries-old legacy of imperial pride.

Russo-Chinese military tensions

Russo-Chinese military tensions have grown largely due to rising apprehension about Chinese military power in the Far East. Since 2009 we see more signs of elite awareness that China is not only outstripping Russia economically but also that it has successfully created a potentially threatening, modern, and informatized military.[48] China's example impresses Russian leaders as they have conspicuously failed to emulate it and their current military reforms are in trouble.[49] Consequently there are ever more overt expressions of anxiety about China's military capabilities. Even when Moscow moves publicly against Japan or the US in Asia like moving Borey Class submarines to the Pacific in 2008 or strengthening the Kuril Islands in 2011, these capabilities are also usable against China.[50]

China's 2009 Great Stride exercises triggered the Russian military's first open discussion of the potential threat and probably inspired some of the planning for Russia's Vostok-2010 exercises in Asia that ended with a simulated tactical nuclear strike against the People's Liberation Army.[51] According to Russian observers, these Chinese exercises involved "approximately 50,000 Ground Force and Air Force servicemen [who] participated in the exercises, which were conducted on the territory of four military districts, and the latest arms systems and the national satellite navigation system were tested. The depth of the combined-arms divisions' push was increased from 1,000 km (in 2006) to 2,000 km."[52] Soon afterwards, Lieutenant General Sergey Skokov, Chief of the Ground Forces Main Staff, for the first time publicly described threats in the East. "If we speak about the East, this can be a millions-strong army with traditional approaches to conducting combat operations straightforwardly, with great concentration of manpower and firepower in individual areas."[53] Chief of Staff, General Nikolai Makarov gave a briefing in 2009 where one of the slides "show(ed) that it is, after all, NATO and China that are the most dangerous of our geopolitical rivals."[54]

By the time Russia's 2010 defense doctrine was published, the rise of China was beginning to be considered as an example to emulate, and as a potential threat to the Russian Far East. This doctrine reiterated the long-standing invocation of a NATO threat but also added new threats that apparently focus, albeit implicitly, on China. Specifically, it cites a "show of military force with provocative objectives in the course of exercises on the territories of states contiguous with the Russian Federation or its allies" and "stepping up the activities of the armed forces of individual states (groups of states) involving partial or complete mobilization and the transitioning of these states' organs and military command and control to wartime operating conditions".[55] Domestic and foreign commentators interpreted this language as underscoring Russian perceptions of an increased potential Chinese threat based on China's military modernization and the 2009 exercises that seemed to presage operations targeting the RFE.[56]

The advances in Chinese capability that so concern the US also potentially target Russia. And Russia has responded. Experts see a primary mission of the four new operational-strategic commands (directions in Russian) for the Russian Navy and its new modernization program as being protection of Russia's access to oil, gas, and other mineral reserves on Russia's continental shelf. All in all, 36 submarines and 40 surface ships are to be added by 2020.[57] But beyond this primary mission and the plans for future naval construction, these plans reorient Russia's naval emphasis to the Asia-Pacific to meet China's challenge and compensate for its vast conventional inferiority in numbers and quality *vis-à-vis* China in the RFE.[58]

Nuclear issues are no exception. China's new DH-10 cruise missile represents a significant advance in China's own tactical nuclear weapons (TNW) capability, as does the operationalization of several cruise missile brigades and the DF-16IRBM.[59] Even if Taiwan remains the focus of Chinese military planning, that planning still identifies Russia and the US (along with Japan and India) as potential enemies, thereby envisaging possible nuclear scenarios against them.[60] If Vostok-2010 is any guide, the simulated launching of TNW and of Tochka-U precision missile strikes against China suggests that the role of TNW in Asia will grow, not decrease.[61]

Yuri Solomonov, the general designer of the Moscow Institute of Thermal Technology claims that while China lags behind Russia in missile technologies by 10-15 years, it will make up that difference in 5-10 years.[62] While Taiwan, the US, and Japan remain the priority theaters of Chinese military developments:

> Within the jurisdiction of No. 51 military base, the 810th Brigade (96113Unit) stationed at Jinzhou District of Dalian and Ji An City is at a very high level of combat readiness. An instruction unit of this brigade is located at the Dalijiazhuang Township of Dalian. Among all the intermediate range ballistic units of the PLA Second Artillery Force, the 810th Brigade is the only one that has the capability to strike the whole of the Far East region of Russia and the Pacific Fleet nuclear submarine base on the Kamchatka Peninsula. This also indicates how seriously the PLA Second Artillery Force regards nuclear deterrence upon Russia. 96113 Unit was originally armed with DF-3 intermediate range ballistic

> missiles. Further observation on whether it has started to deploy DF-21c Missiles is warranted.[63]

This may explain why Russia insists that any new arms control negotiation should comprise all the nuclear powers, including China.[64]

In October 2010 the Commander in Chief of the Russian Navy, Admiral Vladimir Vysotsky, announced the continuing buildup of the Pacific and Northern Fleets in the Arctic, along with the efforts to build up the coastal reconnaissance surveillance system and the Air Forces. Likewise, submarine patrols will also continue in the Arctic.[65] And Moscow may also step up Arctic patrol flights by Ilyushin IL-38 and TU-142 aircraft.[66] But most amazingly, Vysotsky, probably speaking with authorization from above, singled out China as a threat to Russia in the Arctic because China has disputed Russian territorial claims in the Arctic.[67] Vysotsky said that:

> There are a lot of people who wish to get into the Arctic and Antarctic from an economic point of view. … We have already been observing how a number of states, which are not members of the Arctic Council, are setting out their interests quite intensively and in various ways. In particular, China has already signed agreements with Norway to explore the Arctic zone. We know about the economy and infrastructure that exist in China today, which is becoming our serious partner from both positive and problematical sides. … Therefore Russia needs to form its rational position and, at the same time, not give up any of its interests. … There are not long-standing relationships, overt opponents, or overt allies in the Arctic yet. But I believe the most problematic relations will be with those countries which are not traditional members of the Arctic Council.[68]

Towards a US policy response

Given this emerging picture, Washington has both a motive and the means to redress the situation. China is intent on defending North Korea and blocking the US there, and in 2011 there were signs of a change in American perspectives as the US military strategy now accepts Russia as a potential partner in East Asia.[69] Moreover, the Russian press and government have noticed that acceptance too.[70] But to implement this strategy we, our allies, and Russia must take coordinated and reciprocal steps and above all think strategically. The clear and present danger is not a Soviet-Chinese alliance but rather a Chinese-dominated partnership with Russia and North Korea as junior partners that menace an increasingly apprehensive Japan and South Korea. This means prior agreement on the basis of intense consultations with Japan and South Korea on vital issues facing them. First, the US must formulate an initiative towards Russia that helps bring it over to the US side in the Six-Party talks on Korea. This entails the much greater US engagement with Pyongyang that North Korea wants. While conservatives will oppose this, their policy of isolating North Korea has failed principally because North Korea can count on Sino-Russian policy to reduce any cost to Pyongyang for its provocative behavior. Ultimately, there is no way around this issue except via a negotiated settlement or war, as we cannot count on North Korea surrendering or collapsing.

This process is not merely about North Korean disarmament. Rather, it is about creating a new, legitimate, enduring and peaceful order in Northeast Asia where all the parties can participate securely. Despite withering crises, the regime has survived and is currently undergoing a succession transition. While its leadership transition may be a major source of its provocative behavior, no external source has much influence over it, so thus North Korea has gained a certain measure of stability. Moreover, its possession of nuclear weapons increases its interlocutors' interest in its stability, not its disintegration. The idea that China will exert pressure on North Korea on Washington's behalf is another unsound idea that has failed to materialize. Therefore Washington should seek to reshape the East Asian order that would duly emerge there to its advantage and not Beijing's. In the absence of a coherent or viable allied approach, North Korea will, like Russia, end up as China's economic protectorate, thereby undermining any hopes for stability in Northeast Asia for a long time.

Meanwhile, Russia benefits greatly by having an American option with which to counter China. While it would not be an ally or even a full partner with the US, that offer could appreciably distance it from its lockstep identification with China's Korea policy. For example, a US guarantee to underwrite the cost of providing North Korea with

Russian energy as part of any subsequent accord would certainly sit very well in Moscow. Such an initiative might also make North Korea sit up and take note that a 3+3 bipolarity in the talks had changed to 4+2 against it where China does not relish being left along with North Korea. Moreover, only direct engagement with North Korea allows the US to shape the future of the two Korean states in positive ways without leaving the field to a Russo-Chinese alliance dominated by Beijing with Pyongyang as another Chinese satellite. That approach would play well in South Korean politics and also grant Seoul a greater say in what happens to or in North Korea than would otherwise be the case. Meanwhile, Russia could then add its leverage to a US plan to engage North Korea within the Six-Party framework as China and others have recommended. Then it might be possible to resume negotiations with North Korea under conditions acceptable to the other parties and with the promise of an expanded direct US engagement that is essential to any lasting peace process.

The second prong of this strategy relates to Russo-Japanese relations, which are now at an impasse. Before the earthquake of March 2011 Moscow apparently thought it could bully Japan into accepting the postwar settlement of the Northern Territories or Kuril Islands and simultaneously induce large-scale Japanese investment in Russia, even as it insults Japanese sensitivities and refuses to reform its economy to attract more investment. Now it is offering Japan emergency energy supplies to stimulate the RFE's development, induce Japan to invest there, and persuade it to accept Russian political conditions.[71] Thus Moscow plays to its domestic galleries, and sends cabinet ministers to the Kuril Islands, even as it is launching a development plan and military buildup there.[72] But Russia's plans are probably doomed to failure. Japanese experts doubt that Russian energy fields there can be developed on sufficiently large a scale to fulfill Moscow's expectations of huge East Asian markets for its energy. Japan's domestic politics also inhibit Tokyo from relaxing its claim to all four Kuril Islands, and US support for this position adds to its inflexibility.[73] However, Japan has no viable answer to Russia's chauvinistic policy other than to impede investment in Russia.[74] Though Japanese businesses would like to invest in Russia if they could guarantee profitability, they will not act until Russia changes its policies, nor will the government encourage them until the territorial issues are settled.[75]

Here too there must be a US initiative. We would probably be doing Japan a service if we persuaded it to accept Putin's resurrection of Khrushchev's Russia's 1956 offer of two of the four Kuril Islands as the best it will get for now, because the dangers posed by a nuclear North Korea and a rising China that defends it outweigh the benefits of domestic posturing for otherwise unattainable territories.[76] Indeed, that is the only proposal that would have any chance of normalizing Russo-Japanese relations. And it too would give Russia a Japanese option for investing in the RFE and completing a pipeline to the Pacific coast that would free it from excessive, even unilateral dependency on China's energy market. These initiatives, especially if they are coordinated with US allies, would reduce China's unilateral ability to rearrange East Asia's balance of power to its benefit and help bring about a solution to two current long-lasting problems. First, the urgent one of finding a way to reduce the North Korean nuclear threat while bringing North Korea into some sort of durable, legitimate regional order and second, the abnormal relationship between Russia and Japan. In the absence of such initiatives, Russia will almost certainly incline toward China. Indeed, some experts claim that Russia has agreed with China's position on the disputed Senkaku (or Diaoutyi) Islands with Japan in order to gain Chinese support for its position on the Kuril Islands, thus essentially forming a diplomatic anti-Japanese alliance.[77] Russia is also trying to persuade China to invest in the Kuriles to burn its bridges further with Japan.[78] This kind of bloc is precisely what we have worked to prevent since 1949 and it should not be allowed to form because too many observers here are too complacent about Sino-Russian relations to notice their trend lines.

The key benefits of these moves for Russia go beyond the fact that it need no longer rely exclusively on China as its gateway into Asian diplomacy or face a potential Chinese military threat alone. Such initiatives would unlock possibilities for Russia to undertake successfully what is the essential precondition for its success in Asia, reinvestment, with large-scale foreign help in Siberia and the RFE. But for these US and allied initiatives to succeed, Russia cannot just be a passive recipient that pockets these reforms and happily exploits them. It too must act to attract these initiatives and give Washington, Tokyo, and Seoul lasting reasons for believing that they will succeed. Russia must allay the heavy burden of past suspicions arising out of its policies. To make itself worthy of partnership in East Asia and to survive as a great Asian power Russia too must change its policies to keep pace with the huge changes occurring there. But the changes that Russia must make to gain from these offers, survive, and even flourish as an independent Asian power go deeper than that.

The changes that must occur relate to the opening up of the RFE, if not Russia as a whole, to foreign investment. The sums required for these tasks are astronomical and will not be forthcoming unless and until Russia can guarantee, as China has done since 1978, the security and profitability of foreign investment without being expropriated by local or central governing elites' capricious whims. Essentially, this means no more Khodorkovsky or Magnitsky affairs, to cite only two of the most outstanding examples of governmental raiding of businesses in Russia. Only if Russia changes its laws and policies to ensure that property owners' rights will be legally defended and subjected to exclusively legal processes during disputes can it attract the investments it needs to develop the country as a whole and the RFE in particular.

We should not shy away from indicating our awareness that these changes entail profound and hopefully lasting changes in Russian politics and economics. But they are the only changes that can allow Moscow to realize its twin desires to rebuild the RFE and play a meaningful independent role in East Asia. A Russian failure to make these moves, which we must admit is quite likely, essentially means renouncing those foreign policy objectives and the RFE becoming by default a Chinese economic colony. Indeed, as Russian leaders know and say; development is the precondition for any successful policy in Asia.[79] If Russia fails to become "a worthy economic partner" for Asia and the Pacific Rim, Deputy Prime Minister and Finance Minister Aleksei Kudrin warned that, "China and the Southeast Asian countries will steamroll Siberia and the Far East."[80] China would then also steamroll Russia in Central Asia too. Similarly, Putin warned local audiences in 2000 that if Russia failed to reform, then they would end up speaking Chinese, Japanese, and Korean.[81] Russian leaders clearly know what will happen if only China invests significantly in the RFE.

A US initiative treating Russia as a serious East Asian partner, engaging in a real dialogue on security threats there, and a strong public expression of US willingness to invest in the RFE in return for real guarantees of that investment, and to encourage concurrent

Japanese and South Korean investment there could well elicit a favorable Russian response. But this means a fundamental change in Russian policy whose scope and far-reaching implications cannot and should not be underestimated. Therefore it is quite possible that the Russian government will fail, as it has since 1970, to seize the opportunity in East Asia. The Russo-Chinese partnership has been largely an anti-American and anti-liberal affair since its inception.[82] It continues because it reinforces the nature of Russia's economic and political system that has led it to the brink of marginalization in Asia but which rewards its leaders handsomely. The reform of that system and of the accompanying mentalities and even pathological economic and political behaviors that accompany it are not only in the US and its allies' interests. Above all they are in the interests of Russia's people. And insofar as Asia is concerned they are in the interest of the Russian state because otherwise only China will be interested in the RFE. If that happens, China, not Russia, will benefit from that outcome.

The US should launch these initiatives because it needs help in Asia to balance a rising and increasingly aggressive China. In that context, the satellization of Russia is a blow to a strategy that has lasted since 1898 when John Hay formulated the Open Door policy. Moreover, Russia's failure to develop on its own or to escape the condition its leaders now perceive of being isolated from everyone in Asia only redounds to China's benefit and jeopardizes the overall balance or equilibrium in East Asia.[83] Washington should make the offer out of a deep consideration of its evolving national interest in East Asia. But should it launch these initiatives to no avail due to Russia's refusal to accept them, it will still be able, with its allies, to cope with strategic trends in East Asia. But if Russia should fail to take up the opportunity that might now be offered to it, Russia's interests will not be at stake. Rather, its survival as a great independent Asian power will be at risk, for that issue is now on the table. Even if Moscow does not fully realize this fact, we should realize it and extend these offers to Russia, for that is the most we can do. But in Asia, as elsewhere, Russia's future is in its hands. A proverbial American joke asks how many psychologists it takes to change a light bulb. The answer is one, but the light bulb has to really want to change. In this parable the US, so to speak, is the psychologist. But it is Russia that must change if it wants to survive in Asia.

Conclusions

Arkady Moshes

The evolution of relations between Russia and China since the collapse of the USSR has been, and remains, a success story. This is a remarkable example of how two big and powerful states, their difficult common past and modern challenges notwithstanding, have been able not only to manage and reconcile their differences, but to establish the relationship often referred to as a strategic partnership. Some observers view this state of affairs with concern, while others are more willing to explore the prospects, but the importance of Russian-Chinese relations for the future of Eurasia, Asia, and the global geopolitical order is almost universally accepted.

The question, however, naturally emerges of how long, or indeed whether, the partnership pattern can be sustained between the world's largest and the world's most populous states. One reason to ask this question is the fact that whereas the Russian-Chinese relationship with all its pragmatic underpinning may look stable, it is not static. China is growing a lot faster than Russia could realistically hope to in the foreseeable future, and this is changing the correlation of power potentials between the two on a daily basis.

More importantly, this relationship is asymmetrical in the sense that the need for Moscow and Beijing to rely on one another is not equally strong. For China, the trade with Russia makes up a minuscule fraction of its total turnover, and it is not going to develop a critical degree of dependence on Russian energy supplies any time soon. As a rising power, it is increasing its influence across the world, which comes in addition to – not at the expense of – a versatile economic cooperation with the Western countries, and even in the post-Soviet space Beijing is actively exploring the possibilities of strengthening its presence. In other words, it has a lot of freedom of manoeuvre, and options to choose from. In the meantime, Russia, with its one-dimensional energy-based structure of exports, depopulating Far East, oscillating relations with the EU and the US, and a self-evident inability to remain the only centre of gravity even for the CIS countries, depends on China's positive attitudes much more than vice versa.

A view prevails among Western observers that the Russia-China partnership as a whole works to China's advantage. This view is directly or indirectly also shared inside Russia. For example, an influential group of analysts has recently issued a report in which it concludes that "the growing power of Beijing is causing concerns regardless of its course, thus far cautious and peaceful", and warns about the "probability of Russia becoming an energy and raw material appendage, and in future, also "a junior political brother" of the rising China.[1]

There is little basis for assuming that Russia could cope with the rise of China on its own. If so, then in the most general terms, hypothetically, one can imagine two radically different choices which Russia could make in these circumstances. One would be to bandwagon China, to allow the scenario of a "junior brother" to become a reality, while possibly negotiating the best possible terms of the alliance. The other would be to balance China by means of leaning on the Western powers, even more so then the "reset" in relations between Russia and the US, and Europe's supportive attitude towards Russia's plans of modernization, would provide a good ideological environment for such a policy.

Yet, repeatedly, this constitutes a hypothetical picture, which only indicates that an alternative exists. There is insufficient research into and analysis of which choice is more likely to be made, if any, whether or not the US and Europe are interested to see this choice actually being made, and whether they are ready to nudge Russia in one direction or the other.

In this study the Finnish Institute of International Affairs has been trying to partially fill this gap, to look at different trends which co-exist in the Russia-China relations and consider possible alternative trajectories concerning their future. FIIA commissioned an international group of scholars who presented their views in respective individual chapters, while the editors conducted research and interviews in Moscow, Beijing and Shanghai.

Below are the project's main findings and conclusions.

To start with, it is worth reiterating that Russia and China have apparently found a workable *modus operandi*. It is easy to understand that the official or semi-official praising rhetoric, which characterizes relations as "best historically", "best in the last 40 years" or "best among China's strategic relationships" does have grounds. Trade volumes are growing, and the complementarity between an energy exporter and an exporter of manufactured goods plays its positive role, even if this fact alone is not sufficient to explain the trend. Russia and China share an interest in fostering good neighbourly relations, in guaranteeing regional stability, and in combating terrorism and religious extremism in Central Asia. China respects Russia's status of a great power, even if in decline, and not only shows no inclination to discuss Russia's internal order, but does not openly challenge Russia's claim to have privileged rights in the post-Soviet space.

Most importantly, for both countries, this relationship has a self-sufficient value and, therefore, is not a direct function of their respective relations with the West, which has to be taken into account when thinking of Russia's possible behaviour. Whereas it is apparent that the wish of both Moscow and Beijing to limit the influence of the US in Central Asia – as well as, earlier on, the pronounced joint resistance to the US global hegemony or the formation of a notorious "unipolar world"– were indeed a strong centripetal factor for the two countries, it would not be correct to imply that there is, or might be, a real geopolitical triangle. The nature of Russia's and China's respective cooperation with the West is different – predominantly economic in the latter case, and for this reason, fortunately, the rapprochement between the West and either of the two states will not automatically be disadvantageous for the other.

That said, however, the signs of mutual discontent are also easy to detect. To provide an aggregate measurement of whether or not the contradictions are growing stronger is probably not possible, but certain steps in order to correct the situation somewhat, undertaken by Russia, signal that dissatisfaction has reached a certain level and can no longer be overlooked.

Russia is not happy with the state of the bilateral trade relations. The growing turnover may be a good thing, but the deficit, the negligible share of manufactured goods in Russia's exports, and China's readiness to purchase Russian energy only if it is specially and preferentially priced, are hardly acceptable for Moscow. In turn, it makes little sense for China to import goods which are not quality-competitive compared with other options available on world markets simply in order to please the "strategic partner". But whereas

Russia cannot afford to turn openly protectionist *vis-à-vis* China, as a non-member of WTO and centre of the Customs Union, which also includes Kazakhstan and Belarus, it certainly can apply measures in order to limit imports from China, which would be painful for individual Chinese economic actors. In turn, China is likely to have a reserved attitude towards Russia's modernization, for if it were to succeed, Chinese companies would only face more competitors. The politically-driven economic agreements, like the use of national currencies in mutual trade, have a limited scope and few prospects, for if Moscow and Beijing were to seriously try making the rouble and yuan international currencies, they would obviously act as rivals.

The military balance in the region is constantly changing in favour of China, which is causing alarm among Russia's general public and its military. This trend keeps the question about the future of its Far Eastern regions at the centre of the Russian debate. Beijing has been doing its best to alleviate Moscow's concerns, but the possibility of Russia's periphery becoming China's periphery exists objectively, and one only has to visit certain business districts in Beijing, let alone cities in the north of China, to understand this.

The foreign policy cooperation has exposed its limits as well. The Shanghai Cooperation Organization (SCO), the 10th anniversary of which is celebrated in 2011, does not look like a dynamic and developing body today. It has successfully performed its role in facilitating China's political and economic arrival in Central Asia and has found its niche in regional cooperation, but the SCO's chances of gaining further importance and influence look slim. China is not likely to agree to India's full membership, a country with which it has a complicated relationship, which effectively makes the enlargement of the SCO unlikely, whereas Russia has recently been paying more attention to the Collective Security Treaty Organization, in which it is the only leader. BRICS remains, and is likely to remain, a forum for exchanging opinions, as its member states are too different in terms of size and interests to have a comprehensive common agenda.

True, China-Russia relations in Central Asia are fairly stable and balanced – despite some residual discontent in China that Russia had "allowed" or "welcomed" the Western military presence in the area after 2001. At the same time China's growing activism in other parts of the former Soviet Union will not be to Russia's liking. Beijing may attribute its interest in the region of the Western NIS in particular to the search for new markets primarily, but China's arrival, with all its resources, will automatically diminish the influence of Russia. A special case in point is Belarus, the leadership of which, while performing his country's balancing act between the West and Russia, is consistently seeking China's economic and political assistance.

Despite all the official efforts to extend the knowledge about their respective cultures, and the growing people-to-people contacts, the cultural gap between the two countries does not seem to be narrowing. Furthermore, both are increasingly concerned about the possible rise of nationalism and racism. This affects the general level of confidence, which is lacking. There were several cases of top-level agreements, in the energy sphere in particular, where, according to the Chinese, Russia did not deliver on its promises or delivered with unacceptable delays.

Finally, in China there is an obvious lack of trust in the future of Russia as an efficient country and even in its long-term stability – a view which clearly undermines the prospects for partnership. Chinese experts are very critical about corruption in Russia, poor legal discipline, and demographic problems – in other words, all those features which are the focus of Western analyses as well. No wonder a very condescending view of Russia is emerging in China, which is a natural attitude for a rising and successful nation to adopt towards its weakening neighbour.

So, what is Russia likely to do and can it do anything to make the situation more advantageous for itself? First, it seems that the tough choice between bandwagoning China and balancing it by means of an alliance with the West, indicated above, is a false dilemma altogether. For both cultural and political reasons it cannot voluntarily accept the role of China's junior partner, even if the symbiosis of non-transparent economic interests and lingering anti-Western sentiments could produce a powerful lobby for this option inside Russia. But nor can Russia go beyond a certain point in the direction of an alliance with the West. A union which resembled an anti-China alliance – especially if it came to Russia NATO membership – would place Russia in the position of a front-line state and deprive it of considerable independence and a free hand in international affairs, which it values highly.

The hard choice could be avoided if Russia were to or could become a Euro-Pacific power, if it could be integrated into the system of international relations in Asia as a country which simultaneously had good relations with the West, starting with the US, and good potential for interaction with Pacific countries. This is the direction in which the Russian expert discussion seems to be developing and which is encapsulated in the formula "Lean on the West, stabilize the South, and go East"[2]. The benefits of this option are obvious as Russia would be able to benefit from the rise of Asia, while not doing anything which could alienate China.

The problem with this strategy, however, is that while highly logical and non-controversial on paper, it is rather unrealistic for today's Russia and its leadership to implement. The economy is again a key factor, for as long as Russia has little to export besides energy and weapons, it will not be an attractive partner for other regional giants, including India. As long as it fails to improve relations with Japan – and the situation around the Kuril Islands only worsened in 2010 – the prospects for security cooperation with the US will be impeded, and Japanese investment in the Russian Far East, which is critical in terms of balancing the Chinese economic influence, will remain a dream. As long as Russian internal ills, tarnishing its international reputation universally – as the same Chinese discussion proves – are not overcome, Russia's declining trajectory will be hard to change altogether. And as long as the West remains a central point in Russian security planning and is viewed as a part of the problem and not a part of the solution, it will be hard to count on having a credible regional alliance with the West's key representative, the United States.

It is much more likely in the medium term that Russia will choose the path of inertia in its China policy. The current model of cohabitation suits China better than it suits Russia, but changing the pattern would require vision and leadership, which the country needs – and lacks – on too many issues, among which relations with China is apparently not seen as the most urgent one. The long-term consequences of this option may be suboptimal, but in order to free itself from path dependence Russia would need a profound general political shift, which it does not appear to be approaching.

The immediate implications of Russia's most probable "non-decision" for the West are few. Apparently, Russia and China do not intend to form a real anti-Western alliance, and furthermore, the limits of bilateral political rapprochement have been exhausted in substance, albeit not in rhetoric. Another pipeline or increase in the trade turnover will not qualitatively change the picture that encompasses both the potential for cooperation and the areas of disagreement.

In general, there seems to be rather little linkage between Russian-European and Russian-Chinese relations. Therefore, the Western actors, and Europeans in particular, should have no expectations that the rise of China will automatically push Russia towards cooperation with the EU. And vice versa: for Russia, energy export to China cannot be a substitute for energy export to Europe, while Europe's investment resources and technologies will be of interest to Russia regardless of how promising the Chinese direction appears.

Consequently, Europe should pursue the policy of engaging Russia regardless of the China factor. The EU's promotion of a value-based agenda towards Russia will not make Russia's alliance with China more likely, even though rhetoric of this kind is getting stronger. The EU needs such a change in Russia that would diminish the normative divergence between the two, and it should seek to establish the relationship on a set of clear, mutually respected and enforced rules. Notably, when it comes to such issues as Russia's WTO membership, Europe would probably find its position not too far removed from that of China.

From the US standpoint, the situation may look different. Even if, in a hypothetical scenario, Russia did become China's junior partner in the longer run, and not an independent political player in Asia, the Asian security order would look a lot more challenging for the US. At the moment, the American discussion demonstrates little wariness and concern about such a scenario, thus revealing a certain neglect of Russia, but this may change. A serious US-Russia dialogue on security threats in East Asia could save the dynamics of the "reset" process, and gradually raise the interest of the US and its regional allies to invest in the Russian Far East. Such a development would take Russia a major step closer to the optimal scenario, discussed inside the country.

Yet, repeatedly, in order to benefit from a possible American repositioning in East Asia, as advocated in this report, as well as from Europe's interest in Russia's modernization, the latter should be willing to change internally, to open itself to and guarantee the security of foreign investment, and to get rid of the instinctive anti-Westernism of its foreign policy elite. The implications of a failure to do so would extend far beyond a decrease in Russia's influence *vis-à-vis* China or its geopolitical positions in Asia.

About the authors

Stephen Blank is a research professor of national security affairs at the Strategic Studies Institute of the United States Army War College.

Peter Ferdinand is the associate professor of politics and international studies at the University of Warwick.

Arkady Moshes is the programme director of the EU's Eastern Neighbourhood and Russia research programme at the Finnish Institute of International Affairs.

Matti Nojonen is currently a research fellow at Aalto University in Helsinki. He worked as a researcher at the Finnish Institute of International Affairs while this report was being produced.

Jouko Rautava is an economist at the Bank of Finland Institute for Economies in Transition (BOFIT).

Pavel Salin is an expert at the Russian Center for Current Politics and the Director of the Center for Political Studies at the Finance University under the Government of the Russian Federation.

References

Introduction: Adjusting to the great power transition

[1] B. Turner (ed) (2009): *Handbook of Globalization Studies*. London: Routledge.

[2] Schweller, R. (1999): Managing the Rise of Great Powers, (1–32) in Johnston, A. and Ross, R. (eds). *Engaging China: The Management of an Emerging Power.* London: Routledge. Kennedy, P. (1989): *The Rise and Fall of the Great Powers*. New York: Vintage.

[3] 阎学通 (2004): 和平崛起” 的分歧、意义及策略.中國社会科学 2004/5.

[4] http://www.washingtonpost.com/wp-dyn/content/article/2006/10/11/AR2006101101610.html (accessed 15 June, 2011).

[5] Wang, Y. (2010): *Harmony and War: Confucian Culture and Chinese Power Politics*, Columbia University Press.

[6] Swaine, M. (2011): “China’s Assertive Behaviour”, *China Leadership Monitor*, No 34. http://www.hoover.org/publications/china-leadership-monitor/article/67966 (accessed 25 July, 2011).

[7] http://www.gov.cn/2011lh/content_1825838.htm (accessed 24 July, 2011).

[8] http://news.xinhuanet.com/english2010/china/2011-03/31/c_13806851.htm (accessed 24 July, 2011).

[9] *Financial Times*, Jan 25, 2011 “Beijing puts its huge piles of cash to work”. www.ft.com/cms/s/0/0d768fea-273f-11e0-80d7-00144feab49a,s01=1.html (accessed 16 June, 2011).

[10] Mattlin, M. and Nojonen, M. (2011): *Conditionality in Chinese bilateral lending*, Bofit Discussion Papers 14/2011.

[11] Person, R. (2006): Crouching Tiger, Hidden Jargon: The Sino-Russian Strategic Partnership. http://www.stanford.edu/group/sjir/3.1.10_person.html (accessed 16 June, 2011), Nojonen, M. (2007): *The Dragon and the Bear ‘facing a storm in a common boat’ – an overview of the Sino-Russian relationship.*

http://www.tse.fi/FI/yksikot/erillislaitokset/pei/Documents/Julkaisut/Nojonen_192007.pdf (accessed 15 June, 2011).

Sino-Russian relations: an analytical overview

[1] 'China-Russia: Joint Declaration on a Multipolar World and the Establishment of a New International Order', *International Legal Materials* 36(4), 1997, p. 987.

[2] Ibid.

[3] Deborah Welch Larson and Alexei Shevchenko, 'Status Seekers: Chinese and Russian Responses to US Primacy' (*International Security* 34(4), 2010, p. 94.

[4] Stephen Blank, 'Turning a New Leaf in Relations: Russia's Renewed Arms Sale to China' (Jamestown Foundation 28/1/11, http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=37427&tx_ttnews%5BbackPid%5D=517).

[5] Nataliya Ryzhova and Grigoriy Ioffe, 'Trans-Border Exchange Between Russia and China: The Case of Blagoveshchensk and Heihe' (*Eurasian Geography and Economics* 50(3), 2009, pp. 348–63).

[6] Joseph S. Nye, Jr., *The Future of Power* (NY: PublicAffairs, 2011).

[7] Zhou Li, 'Eluosi wenhua de jiben jingshen yu waijiao' (*Eluosi Yanjiu* 2010(4), pp. 80–1).

[8] Zhou, 'Eluosi wenhua', p. 80.

[9] Yu Bin, 'China-Russia Relations: the Russian-Chinese Oil Politik', http://csis.org/files/media/csis/pubs/0303qchina_russia.pdf, accessed 10 June 2011.

[10] Tian Chunsheng, 'Zhong E jingji hezuo guanxi xin xi'. (*Eluosi yanjiu* 2010(1), pp. 31–40).

[11] Willy Lam, 'Hu's State Visit Exposes Rift in Chinese Foreign Policy', Jamestown Foundation, 28 January 2011, http://www.jamestown.org/single/?no_cache=1&tx_ttnews%5Btt_news%5D=37426&tx_ttnews%5BbackPid%5D=517.

[12] Iu.M. Galenovich, *Rossiia-Kitai-Amerika: ot sopernichestva k garmonii interesov?*, Moscow: Russkaia panorama, 2006, pp. 270, 567).

Russia's economic policy and Russia-China economic relations

[1] The opinions expressed in this paper are those of the author and do not necessarily reflect the view of the Bank of Finland.

[2] Ianchovichina, Ivanic, Martin (2009), Implications of the growth of China and India for the other Asian Giant: Russia, the World Bank, Policy Research Working Paper 5075.

[3] Estimates on Sino-Soviet trade are based on data collected from the following sources: (i) The official foreign trade statistics of the Soviet Union and China; (ii) Kang Chao (1964), Pitfalls in the Use of China's foreign Trade Statistics, The China Quarterly. No. 19, pp. 47–65; (iii) Jiaming Zhu (1991), A Chinese Exploration of Sino-Soviet Relations since the Death of Stalin, 1953–1989, University of Glasgow (a doctoral thesis).

[4] For the "the burden of history" in Russia-China relations, see Bobo Lo (2008), Axis of Convenience: Moscow, Beijing, and the New Geopolitics, Chatham House (London) and Brookings Institution Press (Washington D.C).

[5] According to Chinese statistics, China had a $4 bn deficit in 2009 and a $4 bn surplus in 2010 with Russia.

[6] The SITC numbers refer to the Standard International Trade Classification system.

[7] According to data published by SIPRI, the Chinese share of Russian arms exports was on average 33% in the period from 1992 to 2010 (data of May 7, 2011). As a result of the decreasing importance of China for Russia's military industry, India has become the most important export market and also a key partner in developing weapon systems. This could potentially be a burden for Russia-China relations. In recent years, China's arms exports have increased by 36–70% per year, and its share of the global arms market has increased from 1–3% at the beginning of the 2000s to nearly 6% in 2010.

[8] BOFIT Weekly 21/2009.

[9] BOFIT Weekly 16/2011.

[10] Downs (2010) puts a lot of emphasis on energy prices and how their level has affected the motives of Russia and China to proceed with negotiations concerning the oil and gas pipelines in different times. See Downs, Erica S. (2010), Sino-Russian Energy Relations: An Uncertain Courtship, in Bellacqua James (ed.) (2010), The future of China-Russia relations, The University Press of Kentucky.

[11] Lotspeich (2010) discusses, inter alia, various aspects of migration and economic integration between Russia and China. See Lotspeich, Richard (2010), Economic Integration of China and Russia in the Post-Soviet Era, in Bellacqua James (ed.) (2010), The future of China-Russia relations, The University Press of Kentucky.

[12] This is, of course, part of a more general problem concerning the overall business environment. In Russia, the investment ratio, i.e. investments to GDP, is only around 20%, while typically in fast growing emerging economies it is 30–40%. So, even investments by domestic Russian firms are relatively small.

[13] In the Doing Business 2011 report, a joint project of the World Bank and the International Finance Corporation to measure the regulatory burden of businesses in different countries, China ranks 79 and Russia ranks 123 among 183 countries. In the IMD World Competitiveness Scoreboard 2011 China ranks 19, while Russia ranks 49 among 59 economies.

[14] A good example of the lack of support for integration is the fact that in spite of many discussions spanning more than a decade, so far there is not a single bridge across the Amur river to connect the Russian border regions to Heilongjiang in northeastern China. Now, however, it seems that the construction of the first bridge will start in 2011.

How Russians perceive China

[1] See e.g. http://www.memoid.ru/node/SSHA_obkornayut_Rossiyu_chtob_ne_okitailas, P. Salin, "Beijing Solitaire", *Russia in Global Politics*, 2010, No 4.

[2] V. Skosyrev, "Washington and Beijing to Hunt after Pirates", *Nezavisimaya Gazeta*, 20 May 2011.

[3] See e.g. A. Khramchikhin, "Moscow Offered Very Sad Choice, *Nezavisimaya Gazeta*. 10 September 2010; A. Khramchikhin, "China will Attack Russia with 95–99% Probability", http://www.nr2.ru/moskow/331405.html.

[4] See e.g. O. Gavshina," Chinese Redistribution", *Vedomosti*, 5 May 2011.

[5] A. Khramchikhin, "The Threat that Won't be Resolved on Its Own", *Independent Military Review*, 22 February 2008.

[6] Ibid.

[7] Quoted by A. Khramchikhin, "Why Will China Crush Russia", http://www.apn.ru/publications/article20421.htm .

[8] A. Khramchikhin, "China will Attack Russia with 95–99% Probability", http://www.nr2.ru/moskow/331405.html.

[9] See, e.g. A. Khramchikhin, "NATO Scares with its Weakness", *Nezavisimaya Gazeta*, 15 April 2011.

[10] D. Trenin, "Egoism Outdated", *Vedomosti*. 18 May 2011.

[11] See e.g. A. Aladin, "Fatal Mistake of Leader", http://www.chaskor.ru/article/rokovaya_oshibka_lidera_18924; A. Aladin, "China Readying Attack on Russia from South", http://www.vened.org/statii/4216-kitai-gotovit-udar-po-rossii-s-yuga-aladin-aleksandr.html.

[12] See e.g. report by D. Regentov at the 2nd Conference of the Institute of Russian-Chinese Strategic Interaction "The Future of China and the Whole World", http://politiky.net/content.

[13] A. Devyatov, "Russia and China – Neighbors on the Flank. The Front Faces Pacific Ocean", http://www.gzt.ru/Gazeta/intervjyu2/281211.html.

[14] Report by D. Regentov at the 2nd Conference of the Institute of Russian-Chinese Strategic Interaction "The Future of China and the Whole World", http://politiky.net/content.

[15] http://www.clubvi.ru/.

[16] http://www.rus-china.com.

[17] See e.g. S. Sanakoev, "The Chinese do not Want to Work Like in Russia", http://svpressa.ru/society/article/27127.

[18] http://sakhalife.ru/news/30606.html.

[19] See e.g. A. Gabuyev, "Russia Learning Democracy from Chinese Communists", *Kommersant*, 19 May 2011.

[20] See e.g. http://onolitegi.ru/index.php/2010-02-03-17-38-52/42-political-analyzis/119-chinese-miths.html, http://www.onolitegi.ru/index.php/component/content/article/120-chinese-miths2.html.

[21] S. Kazennov, V. Kumachev, "No Need to Absolutize Threat from the East", *Nezavisimaya Gazeta*, 13 August 2010.

[22] http://wciom.ru/index.php?id=268&uid=346.

[23] http://wciom.ru/index.php?id=268&uid=12005.

[24] http://wciom.ru/index.php?id=268&uid=1607.

[25] http://wciom.ru/index.php?id=268&uid=4397.

[26] http://archive.kremlin.ru/text/docs/2001/07/30565.shtml.

[27] http://news.kremlin.ru/ref_notes/718.

[28] See also: "Coordination of Efforts on Developing Russia's East and China's Northeast Poorly Expressed ...", http://www.trud-ost.ru/?p=75390.

[29] For more on this, see: "Russia-ASEAN: Foundations and Prospects of Partnership", http://www.mgimo.ru/news/international_contacts/document186488.phtml.

Russo-Chinese relations at a crossroads: An American view

[1] The views expressed here do not represent those of the US Army, Defense Department, or the US Government.

[2] "Medvedev: China Ties Top Russia's List of Diplomatic Priorities", *People's Daily Online*, September 26, 2010, http://english.people.com.con90001/90776/90883/7151083.html.

[3] Moscow, *Interfax,* in English, June 15, 2009, *Open Source Center, Foreign Broadcast Information Service Central Eurasia* (Henceforth *FBIS SOV*), June 15, 2009; Beijing, *Xinhua*, in English, June 17, 2009, *FBIS SOV*, June 17, 2009.

[4] Russell Ong, "China's Strategic convergence With Russia", *Korean Journal of Defense analysis*, XXI, NO. 3, 2009, p. 320.

[5] Li Xuanliang and Bai Ruixue, "PRCE Expert Says Joint Military Exercises Have Become Important Channels For China-Foreign Military Exchanges", Beijing, *Xinhua Domestic Service*, in Chinese, July 19, 2009, FBIS *SOV*, July 19, 2009.

[6] Some have raised this possibility already, e.g. Kim Yo'ng Hu'i, "The Relevance of Central Asia", Seoul *JoongAng Ilbo Internet Version*, in English, July 11, 2005, *Open Source Center, Foreign Broadcast Information Service* (Henceforth *FBIS SOV)*, July 11, 2005; Lyle Goldstein and Vitaly Kozyrev, "China, Japan and the Scramble for Siberia", *Survival*, XLVIII, No. 1, Spring, 2006, pp. 175–176.

[7] Robert Jervis, "U.S. Grand Strategy: Mission Impossible", Naval War College Review, Summer 1998, pp. 22–36; Richard K. Betts, "Power, Prospects, and Priorities: Choices for Strategic Change", Naval War College Review, Winter 1997, pp. 9–22; John C. Gannon, "Intelligence Challenges Through 2015", http://odci.gov/cia/publicaffairs/speeches/gannon_speech_05022000.html.

[8] David Kerr, "The Sino-Russian Partnership and US Policy Toward North Korea, From Hegemony to Concert in Northeast Asia", International Studies Quarterly, XXXXIX, No.3, September, 2005, pp. 411–437; Constantine C. Menges, "China: The Gathering Threat", Nashville, Tennessee: Nelson Current Publishers, 2005; Stephen Blank, "Towards Alliance?: The Strategic Implications of Russo-Chinese Relations", National Security Studies Quarterly, VII, NO. 3, Summer 2001, pp. 1–30.

[9] Marcin Kaczmarski, *An Asian Alternative? Russia's Chances of Making Asia an alternative to Relations With the West*, Centre for Eastern Studies, Warsaw, www.osw.waw.pl, 2008, pp. 35–36.

[10] See the reviews of literature on Russo-Chinese ties in Susan Turner, "China and Russia After the Russian-Georgian War", *Comparative Strategy*, XXX, NO. 1, 2011, p. 52; Paul J. Bolt and Sharyl N. Cross, "The Contemporary Sino-Russian Strategic partnership: Challenges and Opportunities for the Twenty-First Century", *Asian Security*, VI, NO. 3, 2010, pp. 192–193.

[11] Kaczmarski, pp. 36–37.

[12] James Bellacqua, "Introduction", James Bellacqua Ed., *The Future of China-Russia Relations*, Lexington, KY: The University Press of Kentucky, 2009, p. 8.

[13] Gilbert Rozman, "The Sino-Russian Strategic Partnership: How Close? Where To?", *Ibid.*, p. 29.

[14] Minnie Chan, "Sino-Russian Pact Lacks Trust, Experts Say", *South China Morning Post, Online*, in English, July 25, 2009, *FBIS SOV*, July 25, 2009; Gian Paolo Caselli, "Russian Economy In Sync With the Old Continent", *Limes*, in Italian, April 27, 2009, *FBIS SOV*, July 25, 2009; Richard Weitz, *China-Russia Security Relations: Strategic Parallelism Without Partnership Or Passion?,* Carlisle Barracks, PA; Strategic Studies Institute, US Army War College, 2008; Richard Weitz, *Sino-Russian Security Relations: Constant and Changing*, Forthcoming in Stephen Blank Ed., *Russia's Armed Forces Today and Tomorrow*, Carlisle Barracks, PA: Strategic Studies Institute, US Army War College, 2010; Kaczmarski, passim; Bobo Lo, Axis *of Convenience: Moscow, Beijing, and the New Geopolitics*, Washington D.C.: Brookings Institution Press, 2008; Rozman, pp. 13–29; Susan Turner, "Russia, China, and a Multipolar World Order: The Danger In the Undefined", *Asian Perspective*, XXXIII, NO. 1, 2009, pp. 159–184.

[15] Lo

[16] Robert S. Ross, "Balance of Power Politics and the Rise of China: Accommodation and Balancing in East Asia", William W. Keller and Thomas G. Rawski, Eds., *China's Rise and the Balance Of Influence in Asia*, Pittsburgh: University of Pittsburgh Press, 2007, pp. 121–145 and the essays contained throughout the book; James Manicom and Andrew O'Neil, "Accommodation, Realignment, or Business as Usual?: Australia's Response to a Rising China", Paper Presented to the Annual Convention of the International Studies Association, New York, 2009; David C. Kang, C*hina Rising: Peace Power and Order in East Asia*, New York: Columbia Press, 2008.

[17] Gaye Christoffersen, "Russia's Breakthrough into the Asia-Pacific: China's Role", *International Relations of the Asia-Pacific*, X, NO. 1, 2010, pp. 61–92.

[18] Stephen Blank, "Toward a New Chinese Order in Asia: Russia's Failure", Forthcoming, *National Bureau of Research Asia, www.nbr.org;* "Russia and the Six-Party Process in Korea", Korea Economic Institute, Ed., *Tomorrow's Northeast Asia*, Washington, D.C.: XXI, 2011, pp. 207–226; "The Implications of Russia's Recent Energy Deals in Northeast Asia", *Journal of East Asian Affairs*, XXIV, NO. 1, Spring-Summer, 2010, pp. 1–38; With Younkyoo Kim, "Russia and the Six-Party Process in Korea", *Problems of Post-Communism*, LVII, NO. 4, July-August, 2010, pp. 37–51; *Russia's Far East Policy: Looking Beyond China*, Institut Francais des Relations Internationales (IFRI) Russie.Nei Visions, No. 54, August 2010; Stephen Blank, *Chinese Energy Policy in Central and South Asia* Testimony, Before the US-China Economic and Security Review Commission, The Impact of China's Economic and Security Interests in Continental Asia on the United States, May 20, 2009 available at www.uscc.gov.

[19] Stephen Blank, "The Military Dimension of Russo-Chinese Relations", Forthcoming from the Institute for Security and Development, Stockholm.

[20] Dmitri Trenin, "Russia Reborn; Reimagining Moscow's Foreign Policy", *Foreign Affairs*, LXXXVIII NO. 6, November-December, 2009, p. 73.

[21] Fedor Lukyanov, "Politics According to Copenhagen", *Gazeta Online*, in Russian, December 28, 2009, *FBIS SOV*, January 4, 2010.

[22] Andrey Tsygankov, *What Is China to Us? Westernizers and Sinophiles in Russian Foreign Policy*, Russie.Nei.Visions, No. 45, Institut Francais Des Relations Internationales (IFRI), 2009, p. 21.

[23] *Ibid., passim.*

[24] Sergei Karaganov, "The West is Declining, But Russia Might Slow the Process", *Moscow Times*, December 29, 2009.

[25] Bellacqua, p. 8; Rozman, pp. 13–29.

[26] Paradorn Rangismaporn, *Russia As An Aspiring Great Power in East Asia: Perceptions and Policies From Yeltsin to Putin,* London and New York: Palgrave Macmillan, 2009.

[27] Dmitry Medvedev, "APEC: Toward a Stable, Safe, and Prosperous Community", www.kremlin.org, November 13, 2009.

[28] Blank, *Chinese Energy Policy in Central and South Asia.*

[29] Alexei Borodavkin, "The Asia Pacific Dimension of Russian Foreign Policy: Unity of Bilateral Relations" and "Multilateral Diplomacy: The Asia Pacific Region – Challenges and Opportunities", Ministry of Foreign Affairs of the Russian Federation, December 28, 2008, http://www/,od.ru?brp_4.nsf/itogi/CF2C8E023D9DCE42C32575300002AB623.

[30] Stephen Blank, "We Can Live Without You: Dialogue and Rivalry in Russo-Japanese Relations", *Comparative Strategy,* XIV, No. 1, 1993, pp. 173–198; Stephen Blank, "Diplomacy at an Impasse: Russia and Japan in a New Asia", *Korean Journal of Defense Analysis*, V, No. 1, Spring/Summer, 1993, pp. 141–164; "Yeltsin Okays Russian Foreign Policy Concept", *Current Digest of the Post-Soviet Press* (Henceforth *CDPP*), Vol. XLV, No. 17, May 26, 1993, p. 15, Yuri S. Tsyganov, "Russia and China: What is in the Pipeline", in Gennady Chufrin, Ed., *Russia and Asia: The Emerging Security Agenda*, Oxford: Oxford University Press for SIPRI, 1999, pp. 301–303.

[31] Turner, "China and Russia After the Russian-Georgian War", pp. 50–59; *Open Source Center, OSC Feature, Russia, OSC Analysis,* "Russian Officials Laud Ties With China; Observers Express Concerns", *FBIS SOV*, July 20, 2009; Stephen Blank, China's Central Asian Profile Continues Growing", *Eurasia Daily Monitor*, March 21, 2011; Stephen Blank and Younkyoo Kim, "China's Hour in Central Asia? Recent Chinese Policies in Central Asia", Forthcoming, *Central Asian Survey.*

[32] Stephen Blank, "The Implications of Russia's Recent Energy Deals in Northeast Asia", *Journal of East Asian Affairs*, XXIV, NO. 1, Spring-Summer, 2010, pp. 1–38.

[33] "Russian President Urges Coordination With China on Regional Development", *People's Daily Online*, May 21, 2009; "Medvedev: Russia Should Interest China in Investing in Far East", *People's Daily Online*, May 21, 2009; "Excerpts From Transcript of Meeting With Students From Pacific National University, Khabarovsk", www.kremlin.ru, May 21, 2009.

[34] Quoted in Xing Lijan, "Putin Visits China to Boost Sino-Russian Economic and Trade Cooperation", *Beijing Qingnian Bao Online*, in Chinese, October 14, 2009, *FBIS SOV*, October 14, 2009.

[35] Christoffersen, p. 77.

[36] "Russia, China May Jointly Invest in Oil, Natural Gas Products", *Bloomberg News*, June 30, 2009.

[37] On that deal see Blank, "Loans for Oil, The Russo-Chinese Deal and Its Implications", pp. 19–29.

[38] Andrew E. Kramer, "China's Hunger Fuels Exports in Remote Russia", *New York Times*, June 10, 2010, www.nytimes.com. See also Paul Goble, "Window on Eurasia: Beijing 'Renting' Russian Border Area for Chinese Farmers", June 1, 2010.

[39] *Ibid.*

[40] "North Korea's Kim In Return Visit to Russian Far East", *Current Digest of the Post-Soviet Press (CDPP)* (2002) LIV September 18, 2002, p. 7.

[41] Kramer; and Beijing, *Xinhua*, in English, March 13, 2010, *FBIS SOV*, March 13, 2010.

[42] Tokyo, *Asahi Shimbun Online*, in English, August 5, 2010, *FBIS SOV*, August 5, 2010.

[43] Beijing, *Xinhua*, in English, March 22, 2010, *FBIS SOV*, March 22, 2010.

[44] M. Nikolayev, "The Asia-Pacific Region and Russia's National Security", *International Affairs* No. 3, 2010, p. 71.

[45] Stephen Blank, *Shrinking Ground: Russia's Decline in Global Arms Sales*, Occasional Paper, Jamestown Foundation, Washington, D.C. October 2010; Idem. New Strains Emerge in the Russo-Chinese Military Relationship, *Jamestown China Brief*, X, NO. 21, October 22, 2010.

[46] Fyodor Lukyanov, "Political No-Road Map", Moscow, *Gazeta.ru*, in Russian, April 3, 2008, *FBIS SOV*, April 3, 2008; Tsypkin cites analogous examples of this, Tsypkin, pp. 784–787.

[47] Cited in Cathy Young, "From Russia With Loathing", *New York Times*, November 21, 2008, www.nytimes.com.

[48] Roger McDermott, "Russia's Conventional Armed Forces, Reform and Nuclear Posture to 2020", Stephen J. Blank, Ed., *Russia's Nuclear Forces: Past, Present, and Future*, Carlisle Barracks, Strategic Studies Institute, US Army War College, 2011, Forthcoming.

[49] *Ibid.*

[50] Moscow, *ITAR-TASS*, in English, August 4, 2008, *FBIS SOV*, August 4, 2008; Moscow, *ITAR-TASS*, in Russian, February 4, 2011, *FBIS SOV*, February 4, 2011; "Dmitry Medvedev Discussed Economic Development and Security in the Kuril Islands With Ministries of Defense and Regional Development", *President of Russia*, February 9, 2011, http://www.kremlin.ru, February 9, 2011.

[51] Kipp

[52] Andrei Piontkovsky, "Island Siberia. China's Secret Is Out", www.grani.ru, January 11, 2010, Retrieved from Lexis-Nexis, January 13, 2010.

[53] *Ibid.*; Aleksandr Anatolyevich Khramchikin, "A Total of 85 Permanent Combat Readiness Brigades For Everything", Moscow, *Nezavisimoye Voyennoye Obozreniye*, in Russian, October 16, 2009, *FBIS SOV*, October 16, 2009.

[54] Simon Saradzhyan, "Russia's Red Herring", *International Relations and Security Network*, May 25, 2010, www.isn.ethz.ch.

[55] "Military Doctrine of the Russian Federation", February 5, 2010, www.kremlin.ru, *FBIS SOV*, February 9, 2010.

[56] Roger McDermott, "Russian Military Doctrine Looks East", *Eurasia Daily Monitor*, February 23, 2010; Kipp.

[57] Mikhail Lukanin, "Navy Prepares to Defend Russian Oil", Moscow, Trud, November 24, 2010, *FBIS SOV*, November 28, 2010; "Reforma Flota: Glavnaya Ugroza na Dalnem Vostoke", *Voyennoye Obozreniye*, December 10, 2010, http://topwar.ru/2646-reforma-flota-glavnaya-ugroza-na-dalnem-vostoke.html.

[58] *Ibidem.*

[59] "Chinese DF-16 Missile Could Render PAC-3 Obsolete", http://www.defence.pk/forums/china-defence/98721-chinese-df-16-missile-could-render-pac-3-obsolete.html, March 18, 2011 Reprinted from the *Taipei Times*; Wendell Minnick, "China Ramps Up Missile Threat With DF-16", www.defensenews.com, March 21, 2011.

[60] "Power Posturing – China's Tactical Nuclear Stance Comes of Age", *Jane's Intelligence Review*, August 12, 2010, www4.janes.com/subscribe/jir/doc_view.jsp?K2DocKey, Accessed August 13, 2010.

[61] Moscow, *infox.ru*, in Russian, July 8, 2010, *FBIS SOV*, August 23, 2010; Private conversation with Roger McDermott, August 9, 2010; Kipp.

[62] Moscow, *Interfax-AVN Online*, in English, December 20, 2010, *FBIS SOV*, December 20, 2010.

[63] "Ballistic Missile", "PLA Second Artillery Force Reinforces Deployments Against Japan, Russia", Toronto, *Kanwa Asian Defense*, May 1–31, 2010, in English, *FBIS SOV* June 2, 2010.

[64] Richard Boudreaux, "Russia Says Next US Arms Talks Must Include Others", *Wall Street Journal*, January 14, 2011, http://online.wsj.com/article/SB10001424052748704307404576079953654840710.html.

[65] Moscow, *RIA Novosti*, in Russian, October 2, 2010, *FBIS SOV*, October 2, 2010.

[66] Moscow, *RIA Novosti*, in Russian October 1, 2010, *FBIS SOV*, October 1, 2010.

[67] Linda Jakobson, "China Prepares For an Ice-free Arctic", *SIPRI Institute (Stockholm International Peace Research Institute)*, SIPRI Insights on Peace and Security no. 2010/2, 2010, pp. 9–10.

[68] "Navy Commander Says Russia to Fight for Arctic As China Sets Its Eyes On it", Moscow, ITAR-TASS News Agency, in Russian, October 4, 2010, *FBIS SOV*, October 4, 2010.

[69] Chairman of the Joint Chiefs of Staff Admiral Michael G. Mullen, *The National Military Strategy of the United States: Redefining America's, Military Leadership,* Washington, D.C., 2011, p. 13, Sunny Lee, "Russia Emerging From the Cold", *Asia times Online*, February 11, 2011, www.atimes.com.

[70] "New US National Military Strategy: The United States Sees Russia As an Asian Partner", *RIA Novosti,* February 10, 2011, cited in *Johnson's Russia List*, February 10, 2011.

[71] "Prime Minister Vladimir Putin Holds a Meeting on the Comprehensive Development of the Fuel and Energy Industry in Eastern Siberia and the Far East", http://government.ru/eng/docs/14533/, March 19, 2011.

[72] Moscow, *ITAR-TASS*, in Russian, February 4, 2011, *FBIS SOV*, February 4, 2011; "Dmitry Medvedev Discussed Economic Development and Security in the Kuril Islands With Ministries of Defense and Regional Development", *President of Russia*, February 9, 2011, http://www.kremlin.ru, February 9, 2010.

[73] US Pledges Support For Japan In Stand-Off With Russia Over Kuril", *RTT News*, November 1, 2010, http://www.rttnews.com/Content/GeneralNews.aspx?Id=1465028&SM=1.

[74] Tokyo, *JIJI Press*, in English, February 4, 2011, *FBIS SOV*, February 4, 2011.

[75] Moscow, *ITAR-TASS*, in English, 26 October 2009, *FBIS SOV*, 26 October 2009; Moscow, *Interfax,* in English, 22 October 2009, *FBIS SOV*, 22 October 2009; Tokyo, *Nikkei Telecom,* in English, 17 October 2009, *FBIS SOV*, 17 October 2009; Moscow, *ITAR-TASS,* in English, 14 August 2009, FBIS SOV, 14 August 2009; Moscow, *ITAR-TASS,* in English, 16 September 2009, *FBIS SOV*, 16 September 2009; Moscow, *Interfax,* in English, 28 December 2009, *FBIS SOV*, 28 December 2009.

[76] "Kuril Islands Dispute Between Russia and Japan", *BBC News*, November 1, 2010, http://www.bbc.co.uk/news/world-asia-pacific-11664434.

[77] "Russia Notified China Prior to Medvedev Visit to Kunashiri Island", Vienna, *UIN Hatsu Konfidensharu*, in Japanese, December 31, 2010, *FBIS SOV*, January 31, 2011; "China-Russia 'Tie-up' Tests Japan Over Territorial Disputes", *Japan Today*, http://www.japantoday.com/category/commentary/view/china-russia-tie-up-tests-japan-over-territorial-disputes. Accessed, February 14, 2011.

[78] M.K. Bhadrakumar, “Kurils: the Great Game in the pacific”, Asia Times Online, March 4, 2011, www.atimes.com.

[79] Sergei Lavrov “The Rise of Asia and the Eastern Vector of Russia’s Foreign Policy”, *Russia in Global Affairs*, 4, No. 3, July–September, 2006, pp. 70, 77.

[80] Moscow, *Interfax*, Presidential Bulletin, in English, August 21, 2001, *FBIS SOV*, August 21, 2001, “Asia and the Russian Far East: The Dream of Economic Integration”, *AsiaInt Special Reports*, November 2002, pp. 3–6, www.Asiaint.com.

[81] http://www.president.kremlin.ru/events/50.html. Cited in Aleksandr’ Lukin, “Russia’s Image of China and Russian-Chinese Relations.” Brookings Institution Center for Northeast Asia Policy Studies, 2001, p. 13, http://www.brookings.edu/fp/cnaps/papers/lukinwp_01.pdf.

[82] “Yeltsin Okays Russian Foreign Policy Concept”, *Current Digest of the Post-Soviet Press* (Henceforth *CDPP*), Vol. XLV, No. 17, May 26, 1993, p. 15, Yuri S. Tsyganov, “Russia and China: What is in the Pipeline”, in Gennady Chufrin, Ed., *Russia and Asia: The Emerging Security Agenda*, Oxford: Oxford University Press for SIPRI, 1999, pp. 301–303.

[83] Thus the Vostok-2010 exercise postulated as its operating premises, US-Japanese-South Korean, and Chinese attacks against Russia.

Conclusions

[1] Russia-US relations after “reset”: towards a new agenda. View from Russia. A report of Russian participants of a working group on the future of Russian-American relations. Ed. S. Karaganov. March 2011, p. 10.

[2] Going East: Russia’s Asia-Pacific Strategy. GSCAP (Russian National Committee of the Council for Security Cooperation in Asia Pacific). July 2010; http://eng.globalaffairs.ru/number/Going-East-Russias-Asia-Pacific-Strategy-15081.

Previously published in the series:

Teija Tiilikainen and Kaisa Korhonen (editors):
Norden – Making a Difference? Possibilities for enhanced Nordic cooperation in international affairs The Norden 2020 project report
FIIA Report 29/2011

Timo Behr (ed.):
Hard Choices: The EU's options in a changing Middle East
FIIA Report 28/2011

Jyrki Kallio:
Tradition in Chinese politics: The Party-state's reinvention of the past and the critical response from public intellectuals
FIIA Report 27/2011

Steven Parham:
Controlling borderlands? New perspectives on state peripheries in southern Central Asia and northern Afghanistan
FIIA Report 26/2010

Mari Luomi:
Managing Blue Gold: New Perspectives on Water Security in the Levantine Middle East
FIIA Report 25/2010

Tapani Paavonen:
A New World Economic Order: Overhauling the Global Economic Governance as a Result of the Financial Crisis, 2008–2009.
FIIA Report 24/2010

Toby Archer, Timo Behr, Tuulia Nieminen (editors):
Why the EU fails – Learning from past experiences to succeed better next time
FIIA Report 23/2010

Louise Wiuff Moe:
Addressing state fragility in Africa: A need to challenge the established 'wisdom'?
FIIA Report 22/2010

Tarja Cronberg:
Nuclear-Free Security: Refocusing Nuclear Disarmament and the Review of the Nuclear Non-Proliferation Treaty
FIIA Report 21/2010

Kristian Kurki (ed.):
The Great Regression? Financial Crisis in an Age of Global Interdependence
FIIA Report 20/2009

Anna Korppoo & Alex Luta (ed.):
Towards a new climate regime? Views of China, India, Japan, Russia and the United States on the road to Copenhagen
FIIA Report 19/2009.

Minna-Mari Salminen & Arkady Moshes:
Practise what you preach – The prospects for visa freedom in Russia-EU relations
FIIA Report 18/2009.

Charly Salonius-Pasternak (ed.):
From Protecting Some to Securing many: Nato's Journey from a Military Alliance to a Security Manager.
FIIA report 17/2007.

Toby Archer & Tihomir Popovic:
The Trans-Saharan Counter ¬Terrorism Initiative: The US War on Terrorism in Northwest Africa.
FIIA Report 16/2007.

Sergei Medvedev:
EU-Russian Relations: Alternative futures.
FIIA Report 15/2006.

Hanna Ojanen (ed.):
Peacekeeping -Peacebuilding: Preparing for the future.
FIIA Report 14/2006.

Hanna Ojanen:
The EU and the UN: A shared future.
FIIA Report 13/2006.

Grzegorz Gromadzki, Raimundas Lopata & Kristi Raik:
Friends or Family? Finnish, Lithuanian and Polish perspectives on the EU's policy towards Ukraine, Belarus and Moldova.
FIIA Report 12/2005.

Hu Angang, Linda Jakobson & Shen Mingming:
China's Transforming Society and Foreign Policy.
FIIA Report 11/2005.

Kristi Raik & Teemu Palosaari:
It's the Taking Part that Counts: The new member states adapt to EU foreign and security policy.
FIIA Report 10/2004.

Hiski Haukkala & Arkady Moshes:
Beyond "Big Bang": The Challenges of the EU's Neighbourhood Policy in the East.
FIIA Report 9/2004.

Linda Jakobson:
Taiwan's Unresolved Status: Visions for the Future and Implications for EU Foreign Policy.
FIIA report 8/2004.

Linda Jakobson:
Taiwanin kiistanalainen asema. Tulevaisuudennäkymät ja niiden vaikutukset EU-Kiinasuhteisiin.
UPI-raportti 8/2004.

Toby Archer:
Kansainvälinen terrorismi ja Suomi.
UPI-raportti 7/2004.

Hanna Ojanen (ed.):
Neutrality and non-alignment in Europe today.
FIIA Report 6/2003.

Soile Kauranen & Henri Vogt:
Piilopoliittisuudesta poliittisuuteen. Afrikan, Karibian ja Tyynenmeren valtioiden ja Euroopan unionin yhteistyön kehitys.
UPI-raportti 5/2003.

Arkady Moshes (ed.):
Rethinking the Respective Strategies of Russia and the European Union. Special FIIA -Carnegie Moscow Center Report 2003.

Arkady Moshes:
Ukraine in tomorrow's Europe.
FIIA Report 4/2003.

Hanna Ojanen:
EU:n puolustuspolitiikka ja suhteet Natoon:tervetullutta kilpailua.
UPI-raportti 3/2003.

Hiski Haukkala:
Towards a Union of Dimensions. The effects of eastern enlargement on the Northern Dimension.
FIIA Report 2/2002.

Hiski Haukkala:
Kohti ulottuvuuksien unionia. Itälaajentumisen vaikutukset pohjoiselle ulottuvuudelle.
UPI-raportti 2/2002.

Christer Pursiainen & Sinikukka Saari:
Et tu Brute! Finland's NATO Option and Russia.
FIIA Report 1/2002.

Christer Pursiainen & Sinikukka Saari:
Et tu Brute! Suomen Nato-optio ja Venäjä.
UPI-raportti 1/2002.

FIIA REPORT 30

Russia–China relations

Current state, alternative futures, and implications for the West

Arkady Moshes & Matti Nojonen (eds.)

World history illustrates that the rise of new powers has always generated tension and challenges of adjustment within the existing power structure. In the case of the Sino-Russian bilateral relationship, these challenges are further complicated by Moscow's own struggle to adjust itself to the fact that Russia's international hierarchy of prestige and influence collapsed along with the fall of the socialist world order it created and was leading. Concurrently, Moscow is increasingly seen today as becoming China's "little brother".

Although Moscow and Beijing stress that their relationship has never been in better shape and clearly constitutes the most important strategic relationship for both countries, the challenges of adjusting to the changing power constellation are constantly mounting.

The Sino-Russian relationship is evolving towards a situation that will give Beijing much greater leverage and manoeuvrability over Moscow than ever before in history. This development trend is already evident in the critical bilateral political, security, energy, economic and business arenas, in most of which Russia is more dependent on China than the other way around.

ISBN 978-951-769-316-5
ISSN 1458-994X

ULKOPOLIITTINEN INSTITUUTTI
UTRIKESPOLITISKA INSTITUTET
THE FINNISH INSTITUTE OF INTERNATIONAL AFFAIRS

www.fiia.fi