

RUSSIAN-CHINESE RELATIONS IN EURASIA

HARMONIZATION OR SUBORDINATION?

Marcin Kaczmarek



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- Russia and China have largely managed to avoid direct competition in the post-Soviet space, particularly in Central Asia, even though they have been pursuing distinct regional cooperation projects, namely the Eurasian Economic Union and the Silk Road Economic Belt.
- China is more interested in the practical benefits of regional cooperation. It aims at preventing other powers from establishing closed politico-economic blocs.
- Russia is struggling to maintain the image of a strategic leader in Eurasia. Its concept of 'Greater Eurasia' imitates China's project as Moscow wants to create the impression of Russia and China being equal partners in Eurasia.
- Paradoxically, it is the asymmetry in Russian and Chinese visions of regionalism that has facilitated cooperation. On top of this, the implementation of the two regional projects has created a number of stakeholders in both states who are now in favour of closer cooperation.
- In the long-term perspective, however, subordination of the Russian project to the Chinese one is more plausible than genuine integration of the two initiatives.



MARCIN KACZMAREK

Senior Research Fellow
Finnish Institute of International Affairs

ISBN 978-951-769-563-3
ISSN 1795-8059

Language editing: Lynn Nikkanen.

Cover photo: Pixabay.

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This publication is part of a research project conducted by the Finnish Institute of International Affairs entitled "Changing great power politics and its implications to Finland". The project is part of the implementation of the Government Plan for Analysis, Assessment and Research for 2018.

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INTRODUCTION

The shared neighbourhood, and Central Asia in particular, has stood out in debates on Russia-China relations as the most plausible cause of rivalry.¹ Many Western analysts see the rivalry between Moscow and Beijing over this region as practically inevitable, mainly because they assess the relationship through the prism of a zero-sum geostrategic 'great game'. Opposite views tend to be dismissed as 'geopolitical utopianism'. However, contrary to these widespread beliefs, China and Russia have thus far managed to avoid open competition, even if instances of rivalry have taken place.

The key question is what kind of impact the respective Russian and Chinese regional initiatives – the Eurasian Economic Union/Greater Eurasia and the Silk Road Economic Belt – are having on Russian-Chinese relations, in Central Asia and in the post-Soviet space. It is also important to know whether the existence and intersection of two distinct regional projects can ultimately result in Russian-Chinese competition. This Briefing Paper puts these two regional initiatives into the broader context of Moscow's and Beijing's aspirations to re-arrange regional politics and their neighbourhoods.²

THE INSTANCES OF COMPETITION

In the 2000s, Russia and China experienced competition in their relationship in Central Asia. They have also adopted opposing views on what the regional order should look like. Nonetheless, the differences in

their approaches have not translated into an enduring open rivalry.

While the Shanghai Cooperation Organization (SCO) was established in 2001 as a way to mitigate differences between the two powers, Russia's and China's divergent views on the directions of the organization's future development resulted in deadlock. The major differences concerned economic cooperation within the SCO and the organization's broader international objectives. Russia opted for establishing an 'energy club', which would allow Moscow to gain oversight, if not direct influence, over Chinese economic expansion in the region. China, in turn, promoted the creation of a free trade area within the SCO so that it could use its economic leverage. In the aftermath of the 2008-2009 global economic crisis, Russia and China proposed different solutions to assist other SCO members to overcome the crisis. Unable to reach agreement, each side pursued unilateral policies. Russia established the Anti-Crisis Fund under the aegis of the Eurasian Economic Cooperation (EurAsEC) and China put forward a credit line for Central Asian states.

Differences concerning the economic dimension of the SCO were accompanied by a deeper divergence regarding the role of the organization in international politics. Beijing used to see the SCO first and foremost as a regional organization, aimed at securing Chinese interests in Central Asia and in the Xinjiang province. Moscow, in turn, tended to regard the SCO as a geopolitical bloc with anti-Western leanings. This divergence translated into differing approaches towards SCO enlargement. Russia opted for broadening the membership, in order to include India in particular, whereas China imposed an informal veto on enlargement. Ultimately, Russia managed to convince its Chinese counterpart and in 2017 both India and Pakistan became SCO members. This, however, will not necessarily increase the organization's potential. On the contrary, after the enlargement the SCO can be expected to be even less able to reconcile the visions of its particular members, which may result in its long-term marginalization.

In the late 2000s, Russia and China competed directly in Central Asia over access to Turkmenistan's natural gas resources and pipeline routes that were to be constructed in the region. Throughout the 2000s,

1 For the most recent example of this trend, see: Carla P. Freeman, 'New strategies for an old rivalry? China-Russia relations in Central Asia after the energy boom', *The Pacific Review*, online first, 2017. For an opposite view, see: Vsevolod Samokhvalov, 'Russia and its shared neighbourhoods: a comparative analysis of Russia-EU and Russia-China relations in the EU's Eastern neighbourhood and Central Asia', *Contemporary Politics*, 24(1), 2018, pp. 30-45. An overview of competing claims regarding Sino-Russian relations in Central Asia can be found in: Kaneshko Sangar, 'Russia and China as the Yin-and-Yang of 21st Century Eurasia?' in: *Changing Regional Alliances for China and the West*, ed. by David Lane and Guichang Zhu, London: Lexington Books 2018, especially pp. 205-209.

2 The literature on the interactions between the two projects has grown quite significantly. See: Paul Stronski and Nicole Ng, *Cooperation and Competition: Russia and China in Central Asia, the Russian Far East, and the Arctic*, CEIP, February 2018; *Central Asia's Silk Road Rivalries*, International Crisis Group, July 2017; Ian Bond, *The EU, the Eurasian Economic Union and One Belt, One Road. Can they work together?*, CER, March 2017; Kaneshko Sangar, 'Russia and China in the age of grand Eurasian projects: Prospects for integration between the Silk Road Economic Belt and the Eurasian Economic Union', *Cambridge Journal of Eurasian Studies* 1(1), 2017; Alexander Svetlicinii, 'China's Belt and Road Initiative and the Eurasian Economic Union: "Integrating the Integrations"', *Public Administration Issues*, Special Issue (electronic edition), 2018, pp. 7-20.

Russia successfully defended its monopoly over the transit of Central Asian gas, preventing the European Union states from obtaining independent access. In 2007, Russia, Kazakhstan and Turkmenistan agreed on the construction of a new gas pipeline linking their gas fields with the Russian gas network, but the project was never implemented. China, meanwhile, signed agreements with Turkmenistan and Kazakhstan that envisioned the construction of new pipelines and the deliveries of gas and oil respectively. Following the global drop in oil and gas prices, in April 2009 Russia stopped importing gas from Turkmenistan and strove to renegotiate the existing deal, which turned out to be too costly for Russia's Gazprom. Beijing stepped in with a US\$ 4 billion loan, which allowed Turkmenistan to resist Russian pressure. China's next step was to complete the construction of a gas pipeline from Turkmenistan to China, which became operational in December 2009.

In the aftermath of these events, the Russian elite seems to have acquiesced to the Chinese presence in Central Asia's energy sector, mostly due to the fact that the resources were 'taken over' by China rather than the EU. At the same time, the Kremlin learnt that it was unable to compete with China's 'chequebook diplomacy'. In the 2010s, Russia gradually limited its presence in the energy sector, with both state-owned and private companies leaving the region.

The new phase of Russian-Chinese relations in Central Asia is tightly linked to the two states' regional projects. Russia proclaimed the Customs Union in 2009. Since then, Moscow has managed to transform it firstly into the Common Economic Space (in 2010), and subsequently into the Eurasian Economic Union (EEU) in 2014. China's response came in the form of Xi Jinping's 2013 proclamation of the Silk Road Economic Belt (SREB).

The initial reaction by Moscow and Beijing to one another's actions was one of caution. Russia's integration plans were read as an attempt to stall Chinese economic expansion. China's SREB was in turn interpreted as a response to Russia's EEU plan. It is hardly surprising therefore that a number of analysts expected Russia and China to clash over the region. Both states' elites appeared to understand the possibility of a fallout and took deliberate steps to diminish the potential for rivalry. In 2014, the joint communiqué after the summit mentioned both the SREB and EEU signalling that Moscow and Beijing were working on a reconciliation. A year later, Russia and China signed a

separate memorandum in which they agreed to 'synchronize' their initiatives.

DIFFERENT VISIONS OF ARRANGING THE NEIGHBOURHOODS

Differing visions of how regional politics should be arranged and what regional cooperation should look like have significantly diminished the potential for Sino-Russian competition in Central Asia.

Russia's vision of regional cooperation has been stretched between two poles. On the one hand, it is narrowed down to the post-Soviet space and limited by the affirmation of Soviet-era historical ties. In addition, the complex legal framework of the Eurasian Economic Union constitutes an 'entry barrier' for potential new participants. On the other hand, however, this spatially-bound project has been accompanied by broader ideas transcending the boundaries of the post-Soviet space. From the mid-1990s, the concept of 'Greater Europe' served as a link between Russian-led and European integration processes. In the mid-2010s, it has been replaced by the still vague idea of 'Greater Eurasia'.

The Russian elite attempts to achieve two goals. On the one hand, it aspires to maintain political primacy in the post-Soviet region, thus preventing other actors from gaining a foothold without Russia's consent. On the other hand, the political establishment wishes to extend its influence beyond the post-Soviet region. The post-Soviet space is not particularly promising for Russia in terms of possible economic benefits, especially when juxtaposed with either the EU or East Asia. This reflects a deeper contradiction in the Russian elite's thinking about international politics. Russia-sponsored regionalism aims to protect the post-Soviet space and Russia from the negative consequences of globalization and international turbulence, while supposedly opening up new possibilities for Russia to increase its impact on global politics at the same time. Moscow aspires to turn the EEU into one of the centres of the multipolar world order and to establish the Eurasian Union as a link between East Asia and Western Europe.

The concept of 'Greater Eurasia' has been an attempt to compensate for the territorial limitations of the EEU. It seems to follow the Chinese broad and vague approach to regional cooperation. From the current discourse we can read that 'Greater Eurasia' has

no clear boundaries. The idea encompasses a declared willingness to cooperate with the European Union, and ‘Greater Eurasia’ is to include all major players, from China to India and ASEAN. With the concept, the Russian government seems willing to transcend both long-term great-power rivalries in Asia, like the one between China and India, and to overcome the distrust smaller states have developed towards great powers, as in the case of China and ASEAN. There is, however, little substantive information on how the idea could be operationalized.

China, while declaring its ambitions to rearrange its neighbourhood and to provide new means of regional cooperation, has put forward a general rather than specific concept. The New Silk Road, in addition to providing China with access to foreign markets, has also been presented as an expression of Beijing’s willingness to provide international public goods and readiness to share international responsibilities. With regard to the latter, however, China stopped short at providing any details. The most outstanding feature of the Chinese project is its flexibility and the absence of strict geographical boundaries, which results in its openness and low, if any, ‘entry barriers’. Beijing’s more recent additions, the so-called Polar Silk Road that includes the Arctic and the Northern Sea Route, as well as presenting cooperation with Latin American states as part of the Belt and Road Initiative confirm how flexible the idea is and testify to Beijing’s global ambitions. Defining its vision of cooperation in functional rather than spatial terms reflects China’s goal to transcend the existing and future regional arrangements and to prevent other powers from creating closed politico-economic blocs. The rhetoric of facilitating trade and infrastructure investment pledges is designed to maintain the openness of particular economies for China’s goods and capital.

The political dimension of the Chinese project has not been well defined, neither in terms of the decision-making process nor with regard to the norms of cooperation. China stops short at voicing open claims to regional leadership. Instead, the emphasis has been placed on benefits for various states stemming from China’s own development. The lack of a developed institutional design behind the Chinese project and the absence of norms that would bind all participants together are the most conspicuous features of the New Silk Road framework. China has merely referred to general international norms such as the five principles of peaceful coexistence, international market

rules, win-win cooperation and reciprocity. The general message China continues to send to its partners is that the ultimate shape of the New Silk Road is open to negotiations with its prospective participants.

If the institutional-normative aspect seems underdeveloped, China has had unquestionable success in planting the idea of the New Silk Road in the imagination of the expert community and the broader public. The Chinese concept has evolved into a new version of globalization rather than just a regional (and thus limited) cooperation project. There is, however, a clear contradiction between globalizing rhetoric, adding new dimensions and limitless openness of the project on the one hand, and the regional, Asia-focused reality of investments being made and political cooperation being implemented on the other. The sheer number of routes and corridors designated as parts of the New Silk Road illustrates the relevance of Asia as the major reference point for the Chinese vision: the Silk Road Economic Belt focused on Central Asia, the 21st Maritime Silk Road centred on China’s neighbours from ASEAN, and the China-Pakistan corridor. Other economic and security cooperation forums, such as the Asian Infrastructure Investment Bank (AIIB) and the Conference on Interaction and Confidence-Building Measures in Asia (CICA), reaffirm Beijing’s focus on Asia.

The two visions of regionalism developed by Moscow and Beijing appear to be sufficiently different so as to prevent competition and rivalry between Russia and China. China’s project, even if to some extent initially thought of as a response to the Russian-led EEU, does not pose an open challenge to Russia. The Chinese elite understands regionalism in functional terms, while its Russian counterpart frames regional cooperation spatially. The Chinese vision of regionalism reflects economic prioritization, while for Russia political influence remains key. Moreover, the ‘Greater Eurasia’ concept can be interpreted as a ‘face-saving’ exercise that allows the Russian elite to feign equality towards China.

DIFFERENT APPROACHES TO IMPLEMENTATION

While differing visions of regionalism are conducive to Russian-Chinese co-existence in the regional dimension, the process of implementing their regional initiatives on the ground provides an additional, albeit unintentional safety net that limits the potential for clashing interests.

The major components of China's New Silk Road that are currently being implemented include railway connections between China and Europe, the majority of which go through the territory of Kazakhstan, Russia and Belarus (i.e. EEU territory), and investments in transport, infrastructure and energy projects, financed by the Silk Road Fund or the Asian Infrastructure Investment Bank. This process of implementation creates incentives for Russia to cooperate with China rather than oppose Beijing's initiative.

While China has established a number of railway routes, some of which bypass Russia – including the trans-Caspian corridor and the corridor via Turkey – the bulk of trains travel through Russia. The use of other corridors, while they cannot be excluded, would be much less beneficial to China and more difficult in practice mainly due to weak infrastructure.³ The railway connections facilitate Sino-Russian cooperation in several ways. Firstly, the functioning of the Customs Union within the EEU framework and the related absence of borders between EEU members provide for faster transport, lower transportation fees and easier customs procedures. The trains cross just two customs borders, one between China and the EEU, and the other between the EEU and the European Union. Secondly, the implementation of railway connections creates a pro-cooperation lobby in Russia, with Russian Railways at its helm. The transportation corridor via Russia has created a group of stakeholders on the Chinese side, including specific Chinese provinces that provide subsidies for railway connections and the CR Express, a state-owned group tasked with the coordination of railway links with Europe. Finally, the dependence on the Russian railway system enables Moscow to use rail transport as a tool to exert political pressure on its neighbours. The transit blockade and China's unwillingness to act as an intermediary have eliminated Ukraine from participation in rail connections between China and the EU.

Chinese investments in energy projects in Russia, implemented under the banner of the New Silk Road, have created another group of stakeholders in Russia, namely the individuals and firms that are interested in uninterrupted cooperation with China. Among the most significant agreements reached so far are: US\$ 10 billion loans provided by Chinese banks for the

Yamal-LNG project, implemented by a private company, Novatek, owned by Vladimir Putin's close associate, Gennady Timchenko; the acquisition of 9.9% of the Yamal-LNG project by the Silk Road Fund; and the acquisition of 10% of Russia's biggest petrochemical group SIBUR by the Silk Road Fund. While these investments might have taken place irrespective of China's New Silk Road project, their inclusion in this framework reduces Russia's potential opposition towards the project. Moreover, Chinese investments related to the Yamal-LNG project strengthen the rationale for Russian-Chinese cooperation in the Arctic and pave the way for Moscow's acceptance of the Chinese idea of the Polar Silk Road.

Russia's implementation practices are also conducive to Sino-Russian regional cooperation. Paradoxically, this is mainly due to the Eurasian Economic Union's failures rather than its achievements. The Russia-led process of EEU implementation has been bogged down for the past few years. Member states struggled to work out a new customs code that would ensure that the customs union exists in reality and not only on paper. Russia's failure to complete the implementation of the EEU rules and norms, including a single market with four freedoms of movement, diminishes the potential for Russian-Chinese competition. The flaws of the EEU mean that it remains 'porous' to Chinese goods and capital. The failure of EEU members to agree on joint rules regulating the energy realm resulted in an almost unlimited Chinese presence in Central Asia's energy sector. The ill-functioning EEU does not put the brakes on China's economic expansion and reduces possible incentives for rivalry. At the same time, Russia's 'Greater Eurasia' concept remains far from entering the implementation stage. Its role is much more symbolic than practical. Russia cannot offer financial incentives in a similar way to China. Moreover, Moscow has to deal with players such as Japan or South Korea, actors that are more powerful than Russia's weak partners within the EEU. These factors make the Russian concept less functional and less realistic than China's. Still, the vague nature of cooperation to be undertaken under the 'Greater Eurasia' aegis means that any agreement between China, the SCO or EEU can be portrayed as a success.

3 For details, see: Jakub Jakóbowski, Konrad Popławski and Marcin Kaczmarski, *The Silk Railroad. The EU-China rail connections: background, actors, interests*, OSW Studies 72, Warsaw: Centre for Eastern Studies, February 2018.

CONCLUSION: SUBORDINATION RATHER THAN INTEGRATION

For the time being, Russian-Chinese relations are not threatened by either state's regional projects implemented in Central Asia and the broader Eurasia/post-Soviet space. Nonetheless, the lack of tangible progress in 'synchronizing' Russia's and China's projects, as declared by the two states' leaders in 2015, has led many analysts to doubt the feasibility of coordinating both initiatives. Some analysts assess that significant differences between the projects make any attempt at coordination virtually impossible.⁴ Undoubtedly, the genuine integration of both projects is difficult to implement not only because of what separates the projects themselves but also due to the two countries' different visions of regionalism. From the point of view of the Russian-Chinese relationship, of paramount importance is not the feasibility of both projects' integration or synchronization but the ability of Moscow and Beijing to limit any potential competition that might arise from the pursuit of distinct regional initiatives.

There has been a deliberate effort on both sides to avoid a clash between their initiatives and not to allow for open rivalry. At the same time, there are three reasons that diminish the probability of Sino-Russian competition. One stems from differences in both states' approaches to regionalism and regional influence-building practices. China is more interested in the practical benefits of regional cooperation. Russia is struggling to maintain the image of a strategic leader in Eurasia. This difference can also be observed with regard to the role of the European Union in both states' regional projects. Moscow is attempting to gain formal recognition of the EEU as the EU's equal counterpart. The most optimal solution for Russia would be the establishment of a regular dialogue between the two structures. For China, the most important goal is to gain the EU's acceptance for Chinese investments under the New Silk Road umbrella, such as the planned Budapest-Belgrade railway line.

Another reason that reduces the probability of Sino-Russian competition concerns the role of domestic players in the implementation process. So far, players on both sides have become sufficiently implicated in implementation, which aligns their interests to both projects' success.

Finally, Central Asian states are attempting to maintain the balance between China and Russia. While they welcome Chinese economic presence, they regard political ties with Moscow as a 'sui generis' insurance policy against Beijing's influence.

In the short-term perspective, we may expect the conclusion of a general agreement between the EEU and China. Such an agreement might entail some measures facilitating trade. In the long-term perspective, the Chinese initiative has the potential to 'swallow' the Russia-led Eurasian Economic Union. In practical terms, the Russian project would become part of a broader Chinese vision for trans-regional cooperation. At the same time, China can be expected to continue exercising strategic self-restraint towards Russia and demonstrating 'respect' for Russian concepts such as 'Greater Eurasia', paying lip service to equality on both sides. /

4 Sangar, 'Russia and China in the age of grand Eurasian projects...', p. 10.