Sino-Russian Strategic Collaboration: Still an “Axis of Convenience”? 

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Executive summary

This report updates and expands on the work of Yong Deng, Bobo Lo, and others who since the mid-2000s have been struggling to understand the character, scope and inherent potential of Sino-Russian relations in the early 21st Century. In a publication jointly sponsored by Washington-based Brookings Institution and London-based Chatham House in 2008, Bobo Lo provided a particularly persuasive assessment in which he used the term “axis of convenience” to capture the state of the relationship and the pragmatic stance that he ascribed to both Beijing and Moscow in their pursuit of closer ties.

The past several years have seen a number of developments in world politics more broadly, as well as in Sino-Russian relations, that justify revisiting Lo’s assessment and the evidence on which it was based in at least three areas of policy relevant for evaluating strategy, namely defence relations, economic exchange and investment, and diplomacy and foreign policy. This applies to the unusually eventful year of 2014, during which Russia and its neighbors effectively redefined their relations. Most consequential in this regard was Moscow’s military intervention in Ukraine, starting with the annexation Crimea and followed up by moral, humanitarian and military support for pro-Moscow separatists in the eastern parts of the country.

After reviewing developments in all three policy areas, this report suggests that the axis no longer is as “convenient” as in the past, and that Beijing and Moscow may be induced to either reaffirm and deepen the relationship, or accept an increasingly asymmetrical distribution of costs and benefits that in turn might cause tensions within different policy areas. As two simple illustrations that imbalances in costs and benefits already do create friction, one can note that China in 2014 signed several exceptionally beneficial agreements in the energy sector with Russia at the same time as Moscow’s assertive military behavior in Europe began causing diplomatic collateral damage affecting Beijing.

In the short term both sides appear strongly inclined to sustain the “axis” and the symbolism it evokes. China and Russia apparently believe that they draw strength from loose coordination both in Asia and at the global level of diplomacy, and in particular at the UN Security Council. But a growing (sense of) inconvenience in a particular policy area might induce the one or other party to seek to redress the imbalances mentioned above, with repercussions for the overall relationship. Given that either side continues to view the other as a potentially major threat to its security in the mid- to long-term, maintaining the “axis” will likely require constant maintenance in the years to come, and occasional compromises that may hurt national interests or at least give rise to the perception that they do.
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Kjell Engelbrekt & John Watts

Preface

This paper was written within the context of the research project “Transatlantic and European Security Challenges”, which is financed by the Swedish Ministry of Defence (MOD).

In this paper Kjell Engelbrekt and John Watts manage adroitly to balance the competing interests of scholarly depth with those of policy relevance. I believe that both scholars and practitioners within the field of security and strategy studies will profit from reading this informed analysis of the evolving relations between China and Russia, covering three different policy areas: defence relations, economic exchange and investment, and diplomacy and foreign policy.

We are very grateful for the continuing support of the Swedish MOD for our research in this field. We are likewise grateful that they encourage us to spread the fruits of our research to interested scholars and practitioners.

Jan Hallenberg
Professor
Project Leader
INTRODUCTION
Writing in 2007, Yong Deng argued in his article Remolding great power politics: China’s strategic partnerships with Russia, the European Union, and India, that although China and Russia both sought to promote their own “status interests” by resisting U.S. dominance in a unipolar world order, “the idea of multipolarity never translated into a practical game plan as to how to bring it about.” 1 Deng explained the absence of a practical strategic plan for undermining the unipolar order on the basis that “neither sees their partnership as a realistic or desirable bloc alternative to the West” because for both countries, “fulfilling their international aspirations requires not only good ties with each other but also with the West.” 2 In sum, although the development of a strategic partnership certainly improved relations between Russia and China and saw increased cooperation in the diplomatic sphere, both countries were in the early stage of its establishment more interested in their relations with the West than with each other.

Bobo Lo made a similar claim in his 2008 book Axis of Convenience: Moscow, Beijing and the New Geopolitics, but went further in highlighting the weaknesses of the Sino-Russian partnership. He wrote that despite it being in the interests of Russia and China to promote multipolarity at the expense of American and Western pre-eminence, the relationship between the two countries was in fact marred by a lack of mutual understanding and a significant level of outright mistrust. Beyond the strategic partnership’s anti-Western negative raison d’être, in other words, there was little of positive substance to give it meaningful depth. Neither Russia nor China wanted to be wedded to the other in hard security terms as the primary foreign policy interests of both countries relied upon maintaining working relationships with the West. Furthermore, Russia was fearful of the potential for Chinese military expansion into the Russian Far East (RFE):

For all the public criticism of NATO enlargement and Western “encroachment” into the former Soviet Union, Russian planners still see China as the more likely (if still distant) military threat. 3

Despite Moscow’s fear of the threat that Beijing could pose to the RFE in the long-term, Lo pointed out that the mainstream view amongst the Russian elite was that Chinese expansionism need not be feared in the short-term. China

1 Deng, Yong, ‘Remolding great power politics: China’s strategic partnerships with Russia, the European Union, and India’, Journal of Strategic Studies, Volume 30, Issue 4-5, (Summer 2007), http://www.tandfonline.com/doi/abs/10.1080/01402390701432046#.VGHvxSgx_zl
2 Ibid.
remained committed to its “peaceful rise” and Russia’s military establishment estimated that it would be decades before China could become a military power capable of threatening Russia. In the meantime, Russia could be guided by commercial considerations when exporting arms to China. Nevertheless, it was indicative of the broader Sino-Russian relationship that it was this pragmatic assessment (that China was not a threat yet), rather than a bond of trust and friendship, that enabled Russia to export high-tech military hardware to China, “such as Kilo-class submarines, Sovremenny II-class destroyers and SU-30MKK fighter aircraft.”

Defence and security cooperation had also shown signs of development in the form of joint military exercises between Russia and China, the first of which occurred under the banner of the Shanghai Cooperation Organisation (SCO) in 2005. While the 2005 “Peace Mission” exercise appeared to be evidence of deeper, positive cooperation, both Deng and Lo pointed out that the exercise only took place after months of negotiating between Moscow and Beijing as to where it would be located. China wanted the exercise to take place in Zhejiang province, near to the Taiwan Strait, but Russia rejected the location due to the provocative message it would send. Furthermore, Russian and Chinese forces did not use the exercise to practice interoperability, but instead conducted their own exercises side by side.

Strain was also apparent in the negotiations leading up to the 2007 SCO Peace Mission exercise, with Beijing refusing Moscow’s suggestion that they take place within a framework combining the Shanghai Cooperation Organization (SCO) and the Collective Security Treaty Organization (CSTO), the former dominated by Beijing and the latter by Moscow. Apparently, Beijing worried that this two-bloc approach would reveal the relative military weakness of the SCO. The SCO had also been developing the Regional Anti-Terrorist Structure (RATS) designed to fight the so-called “three evils” of separatism, terrorism and extremism in Central Asia. However, as with the Peace Mission exercises, rhetoric as to the RATS’ successes far outweighed its actual achievements.

Hubristic language as to SCO unity and potential also disguised the fact that Russia and China contended to use the organization to fulfill their own, often

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4 Bobo Lo, 2008, p. 79.
5 Deng, Yong, ‘Remolding great power politics: China’s strategic partnerships with Russia, the European Union, and India’, Journal of Strategic Studies, Volume 30, Issue 4-5, (Summer 2007), http://www.tandfonline.com/doi/abs/10.1080/01402390701432046#.VGHvxSgx_zl
6 Bobo Lo, 2008, p. 49.
7 Bobo Lo, 2008, p. 48-49.
8 Bobo Lo, 2008, pp. 105-106.
contradictory, national and regional interests. Russia wanted the SCO to become a more overtly anti-Western organization that would balance against NATO. By contrast, China sought to avoid this, as confrontation with the West was not in its interests from either an economic or a security perspective. Russia also hoped to expand the SCO’s membership to include India, which would have diluted China’s influence within the organisation. Even within the context of the SCO, Russia and China appeared to be driven by as much by self-interest as shared-interest.9

Some six-seven years after Deng and Lo offered their penetrating analyses of the Russian-Chinese strategic partnership, we have nevertheless been witnessing a number of developments in world politics more broadly, as well as in Sino-Russian relations. These developments justify revisiting Lo’s assessment and the evidence on which it was based in at least three areas of policy relevant for evaluating strategy. In the brief introduction above we have alluded to all three, namely defence relations, trade and investment, and diplomacy and foreign policy.

Whereas most contemporary analyses of Sino-Russian relationship have been built on a premise of a top-down understanding of strategy that highlights the desires and objectives expressed by political leaders, this report seeks to examine the evidence from the bottom up, starting with defence relations, economic exchange, and only then revisiting diplomacy and foreign policy initiatives. As was alluded to above, we believe that the critical ingredient missing in the early stages of the attempt to create closer ties was mutual trust and a readiness on both sides to move beyond rhetoric to pragmatic cooperation in the bilateral interest. In strategic terms Beijing and Moscow would need to shift from coordination to collaboration. In order to better assess whether Sino-Russian relations do show signs of moving past an “axis of convenience” we introduce a lens of strategic collaboration at the end of the analysis.

More specifically, we begin with an inventory of the defence relations focusing on arms exports and military exercises so as to gauge the prospects of Sino-Russian ties developing toward greater pragmatic cooperation and mutual trust in this sector. The second area of policy is economic exchange and investment, where we pay particular attention to energy infrastructure projects and expanding opportunities for bilateral economic exchange. Only as the third policy area do we discuss the progress in diplomacy and foreign policy, not just examining bilateral foreign policy but also considering the attitude toward third parties such as the United States, the EU, Japan, India and other Asian neighbors.

THE DEFENCE RELATIONSHIP

In answering the question regarding a development toward more pragmatic cooperation in the bilateral interest and the evolution of mutual trust, the following sections will analyse key arms transfers and military exercises undertaken by the two countries. The key question interrogating the “axis of convenience” thesis in this policy area can be formulated thus: Does cooperation between Russia and China in arms transfers and military exercises indicate a relationship based on strategic collaboration, or is there still a pattern of coordination compatible with an *ad hoc* pursuit of self-interest?

The export of Russian arms to China will help to indicate the depth of their defence and security relationship by highlighting their level of mutual trust. In 2007 Deng argued that “since the early 1990s, Russian arms sales and technology transfers to China have served as constant cement for the bilateral ties.” However, now that the technological gap between their militaries has decreased, China has become more interested in procuring advanced Russian military hardware, such as the SU-35 combat aircraft and the S400 anti-air missile system. The export of such equipment helps China to close the technological gap that exists between its own armed forces and those of Russia. Whether Moscow is willing to export advanced military technology to China could be indicative of its assessment as to whether China is likely to become a military threat.

The sale of advanced military equipment will also indicate whether Russia trusts China not to “reverse engineer” the technology. Russia has previously accused China of breaking intellectual property rights and copying its designs so as to develop its indigenous defence industry. This not only advances China’s military-industrial capabilities *vis-à-vis* Russia, but it also helps China to compete with Russia in the international arms export market. Therefore, Moscow’s willingness to export advanced military equipment will betray the extent to which Russia trusts both in a future of peaceful cooperation with China and in Beijing’s assurances that it will not reverse-engineer Russian technology.

Trends in arms sales to third countries will also help to uncover whether Russia and China cooperate to pursue mutually beneficial defence and security policies. Russian sales of advanced equipment to China’s strategic competitors, for example, would run counter to the argument that Moscow and Beijing

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10 Deng, Yong, ‘Remolding great power politics: China’s strategic partnerships with Russia, the European Union, and India’, *Journal of Strategic Studies*, Volume 30, Issue 4-5, (Summer 2007). [http://www.tandfonline.com/doi/abs/10.1080/01402390701432046#VGHvxs9g_zl](http://www.tandfonline.com/doi/abs/10.1080/01402390701432046#VGHvxs9g_zl)
conduct defence and security policy in accordance with a shared strategic vision. This had often been the case prior to 2008, when “complaints could be heard in China about the high price and greater Russian willingness to sell better weapons systems to India.”

The nature and scale of military exercises and deployments should also open a window into the depth of the strategic relationship. Military exercises do not tell us very much when considered in a vacuum: The 2005 Peace Mission exercises, for example, were nominally an impressive show of cooperation that comprised almost 10,000 Chinese and Russian troops. However, as mentioned above, the nature of the exercises and the disagreements that preceded them highlighted a lack of strategic coordination. Similarly, joint exercises must be considered in relation to others engaged in by Russia and China, both by themselves and with third countries. Such exercises may be of larger scale than those that are jointly engaged in by Russia and China, and they might even be conducted to help Moscow and Beijing balance against one another.

As stated above, this part of the report looks at how the strategic relationship manifests itself in the realm of arms transfers, examining Russian sales to China and then Russian sales to two of Beijing’s regional adversaries, India and Vietnam. We will in a second step analyze whether military exercises are indicative of a mutual effort to positively address shared security concerns. Joint military exercises between Russia and China will be examined, as well as exercises undertaken alone and with third countries.

**Russian arms exports to China**

The value of Russian arms sales to China has undergone a lull in recent years, falling from $1,609m ($1990) in 2008 to $636m in 2010. In 2013 the figure rebounded to $1,040m, but this was still significantly lower than the annual sales totaling between $2,500m and $3,000m that were made in the middle of the last decade. That Russia has been China’s supplier of high-tech weaponry is unsurprising given that the United States and European Union, since the events of Tiananmen Square in 1989, have imposed an arms embargo on China.

There are a number of examples that illustrate the difficulties Russia faces when considering selling arms to China. As mentioned above, Russia fears that

11 Deng, Yong, ‘Remolding great power politics: China’s strategic partnerships with Russia, the European Union, and India’, *Journal of Strategic Studies*, Volume 30, Issue 4-5, (Summer 2007). [http://www.tandfonline.com/doi/abs/10.1080/01402390701432046#VGHvxsGx_zl](http://www.tandfonline.com/doi/abs/10.1080/01402390701432046#VGHvxsGx_zl)

12 SIPRI Arms Transfers Database. [http://www.sipri.org/databases/armstransfers](http://www.sipri.org/databases/armstransfers)

13 Deng, Yong, ‘Remolding great power politics: China’s strategic partnerships with Russia, the European Union, and India’, *Journal of Strategic Studies*, Volume 30, Issue 4-5, (Summer 2007). [http://www.tandfonline.com/doi/abs/10.1080/01402390701432046#VGHvxsGx_zl](http://www.tandfonline.com/doi/abs/10.1080/01402390701432046#VGHvxsGx_zl)
China will breach intellectual property laws so as to reproduce its own indigenous variants of Russian military hardware. Indeed, Tai Ming Cheung argues that “creative adaptation of Russian weapons platforms” is one of China’s long-term policies for accessing foreign military technology. China has successfully copied Russian combat aircraft, its Sovremenny II 956E class destroyer, as well as its Fregat M2EM 3D and Mineral-ME radar systems. Of particular importance to the Sino-Russian security relationship was Russia’s decision in 2006 to cancel a licence that permitted China to build 200 Su-27 combat aircraft after the construction of only 95. Moscow claimed that Beijing had broken the intellectual property agreement that forbade it from reverse engineering the aircraft and used the stolen technology to produce the J11B. Other sources claim that it was the Chinese side that cancelled the contract early, after they had successfully copied the technology. In either case, the incident demonstrates that Russia struggles to trust China not to reverse-engineer its military technology.

It was also in 2006 that discussions were underway regarding the potential sale of Russian Su-33 combat aircraft, which would operate from the ex-Soviet aircraft carrier Liaoning (previously Varyag) that had been acquired from Ukraine. However, in 2009 Russian media claimed that the talks had broken down, undermined by the mistrust that followed China’s reverse engineering of the Su-27. Russia’s caution appears to have been justified, as it is widely suspected that the J-15 aircraft China has since developed to operate from its aircraft carrier is based on a single reverse engineered Su-33 prototype that it bought from Ukraine in 2001.

Chinese reverse engineering hastens the development of its defence industrial sector, which in turn allows it to compete with Russia as a supplier to the international arms market. Between 2008 and 2012 the value of China’s

16 The Diplomat, March 2013, http://thediplomat.com/2013/03/china-purchasing-russian-jets-andsubs/
defence exports increased by 162%, with sales to Pakistan accounting for 55% of Beijing’s exports over the same period. One of the major projects pursued by China and Pakistan has been the joint development of the FC-1 Xiaolong /JF-17 Thunder multi-role combat aircraft. The jet engine used in the aircraft has been the Russian manufactured R9-93 turbofan. However, since the project began, the FC-1/JF-17 has received interest from a number of countries which have historically bought Russian equipment, such as Egypt, Myanmar, Azerbaijan and Iran, and has been seen as a market competitor to Russia’s Mig-29. As a consequence, the then General Director of Sukhoi, Mikhail Pogosyan, called upon the Russian government to prohibit the sale of the jet engine to China and Pakistan. Russia faces the same dilemma with regards to supplying parts for the fifth generation aircraft that China is designing for the export market. In November 2014 reports emerged that China’s J-31 will use jet engines supplied by Russia, despite the fact that it is likely to compete for international export orders with the fifth generation fighter Russia is developing, the T-50.

Amongst the most substantial negotiations between Moscow and Beijing have been those regarding the sale of the Su-35, one of Russia’s most capable combat aircraft. Perhaps unsurprisingly, Russia has shown considerable caution. Having begun in 2010, both Russian and Chinese media have repeatedly swung from claiming that a deal has been reached to insisting upon the opposite. For example, in 2013 Chinese state media claimed that Russia had agreed to the sale of 24 Su-35s during Xi Jinping’s visit to Moscow, but the Kremlin quickly denied that a deal had been reached. At the time of writing, it appears that the sale has still to be concluded, a major point of contention being that Russia wants to sell China more Su-35s than China would like to purchase. In September 2014 Sergey Chemezov, general director of the Rostec Corporation, which oversees Russian

military exports, stated that “to my knowledge the negotiating process is underway. The contract has not been signed yet.”

As China narrows the capability gap with Russia, the challenges surrounding exporting to Beijing evolve. China will find it more difficult to copy advanced platforms, such as the Su-35, in part because the technology cannot be acquired from countries of the former Soviet Union for systems that Russia has developed since the end of the Cold War. However, whatever progress China is able to make would be of greater strategic importance. For example, like Russia, China has been developing indigenous fifth generation combat aircraft, the J-20, which will provide fifth generation capabilities to China’s own Air Force, and the export orientated J-31. A central obstacle to the project so far is believed to be China’s inability to produce suitable jet engines for the J-20, an issue Russia is overcoming by modifying the powerful AL-117 engine that it currently uses in the Su-35. If Russia completes the sale of the Su-35s, China may be able to adapt the aircraft’s engines for use in its own fifth generation programme. Similarly, Russia is considering selling Amur-class submarines to China, which use advanced air independent propulsion (AIP) technology, though worries that this, too, might be copied. It should be of interest that the plan is for the sale of only twenty-four Su-35 aircraft, far fewer than the two hundred Su-27s that Russia had previously given China license to manufacture. It could be that China only ever wanted to acquire a small number of examples that it could reverse engineer, and that Russia insisted on exporting a greater number of the aircraft to make the sale worthwhile.

The Su-35 negotiations reflect the growing dilemma faced by Russia when considering arms exports to China. On the one hand, China’s demand for more advanced technology and the development of its indigenous defense-industrial

capability mean that future demand for Russian equipment will likely diminish, in which case Moscow may try to sell what it can, while it can. Sales to China also provide funding for Russia’s own programmes, such as the development of the T-50 fifth generation combat aircraft. However, such sales risk hastening the rise of China’s indigenous defence industry. This will have undesirable effects of further increasing China’s military power relative to that of Russia, and of increasing competition on the international defence market. However cautious Russia chooses to be, the rise of China’s domestic defence industry seems an inexorable fact, one that Moscow will have to sit back and watch with discomfort.

Arms exports to India

The significance of defence exports to the nature of the strategic relationship between Russia and China may need to be briefly be contextualized. We would argue that India and Vietnam make an especially interesting point of comparison, as they are two of the largest importers of Russian military equipment and both figure prominently in China’s geo-strategic calculations.

In the period since the end of the Cold War 28.4% and 28.7% of the total value of Russia’s defence exports went to China and India, respectively. However, while in recent years defence exports to China have slumped, the value of exports to India has risen. From 2008 to 2013 China accounted for 13.6% and India for 36.3%, of Russian arms exports. India’s relative reliance on Russian military imports is further highlighted when one considers that its defence spending in 2013 was one quarter that of China. As we will see in the coming analysis, the Indian Air Force relies heavily upon Russian imports. However, to various degrees the same is true of all of the services. The Indian Navy operates Russian-made aircraft carriers and nuclear submarines, and the Indian Army continues to take delivery of Russian T-90 main battle tanks, amongst other key systems. Russia’s willingness to supply India’s navy with advanced technology is likely to be of particular concern to Chinese strategists, who note India’s proximity to both the Hormuz and Malacca Straits, which China relies upon for its energy imports.

It is also noteworthy that Russia’s defence-industrial cooperation has succeeded with India where it failed with China. Whereas the licence for Chinese

30 Ibid.
production of Russia’s Su-27 was rescinded amidst claims of reverse engineering, the mainstay of the Indian Air Force is the Russian designed Su-30, built under licence by Hindustan Aeronautics Limited (HAL). A total of 272 aircraft of the Su-30 family were in service with the Indian Air Force as of March 2014.33 Furthermore, whereas Russia barred the export of the Su-33 to China, which Beijing hoped to operate from its new aircraft carrier, orders have been placed that will equip the air arms of India’s aircraft carriers with Russian Mig-29Ks. Twelve of the aircraft were ordered in 2004 and they are to be supplemented by a further 29 that were ordered in 2010.34

Looking ahead, this high level of cooperation looks set to continue. Whereas China has pursued its own fifth-generation combat aircraft, since 2010 Russia has partnered with India for the development of a fifth-generation aircraft based upon Russia’s T-50, with each nation having invested $295 million to date.35 Although New Delhi has complained that it is being treated as the junior partner in the project despite matching Russia’s investments in it,36 President Putin and Prime Minister Modi are reported to have reaffirmed their commitment to the programme when they met in July 2014.37 The ability of Russia to cooperate with India where it has failed to do so with China is presumably indicative of the lack of trust that exists between Moscow and Beijing when it comes to defence-industrial collaboration.

Although such collaboration is noteworthy in and of itself, so too are its potential strategic consequences. China and Pakistan are well known to be India’s main primary strategic rivals, and New Delhi is relying upon Russian equipment to sustain the balance of power with them. Indeed, the advanced capabilities of the Su-30 have given it a central role in India’s military stance towards both China and Pakistan. This was demonstrated by its role in the large exercise conducted by the Indian Air Force in 2013, the aim of which was to prepare India to fight China and Pakistan simultaneously.38 The Military Balance

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38 Russia and India Report, January 2014, http://in.rbth.com/blogs/2014/01/05/how_the_su-30_mki_isChanging_the_iafs_combat_strategy_32099.html
2013 also reports that in recent years increasing numbers of Su-30s have been deployed to airbases close to its borders with China and Pakistan.\(^3\) If in a future conflict India engaged in aerial combat with Pakistan, then Russian supplied Su-30s and perhaps the Russian-Indian fifth generation fighter would battle the Pakistani-Chinese JF-17 Thunder. Should India and China engage in conflict, the former will rely on advanced Russian equipment.

Of particular strategic significance to China is the Russian-Indian joint development of the BrahMos cruise missile. Currently in operation with the Indian armed forces, the BrahMos is the world’s fastest cruise missile and is currently in service with the Indian Navy and Army. Notably, there is speculation that the air deliverable variant will be deployed on the Su-30.\(^4\) The BrahMos is likely to be of special concern to China because there are anti-ship and nuclear capable variants of the missile, which would expand the Indian military’s capabilities in the event of a clash either at sea or along the Chinese-Indian border.

**Arms exports to Vietnam**

Russia has also been crucial in arming another of China’s competitors for regional influence: Vietnam. China and Vietnam have long contested sovereignty over the Spratly and Paracel Islands and the Scarborough Shoal. Indeed, the two countries fought each other over the issue well within living memory: China seized the Paracels from Vietnam in 1974 and the two countries came into conflict over the Spratlys in 1988, leaving at least 60 Vietnamese sailors dead.\(^4\) Tensions were reignited in 2014 when an estimated 20,000 Vietnamese workers rioted and burnt down Chinese owned factories in protest against Beijing’s positioning of an oil-rig in disputed waters.\(^4\)

Despite the growing confrontation with China, Russian arms exports to Vietnam have increased substantially in recent years.\(^4\) Moreover, the equipment purchased by Vietnam is specifically intended to counter Chinese military dominance in the South China Sea. The most important arms purchase was agreed in 2009 and was the most valuable that Vietnam has ever made. Under the deal, Russia will supply a total of six Project 636M Improved Kilo-Class attack submarines. One of the Vietnamese crews has undergone training in St

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\(^4\) Russia and India Report, January 2014, [http://in.rbth.com/blogs/2014/01/05/how_the_su-30_mki_is_changing_the_ifs_combat_strategy_32099.html](http://in.rbth.com/blogs/2014/01/05/how_the_su-30_mki_is_changing_the_ifs_combat_strategy_32099.html)


\(^4\) SIPRI Arms Transfers Database, [http://www.sipri.org/databases/armstransfers](http://www.sipri.org/databases/armstransfers)
Petersburg and it seems that India will also assist in training sailors to operate the submarines.44

Although Vietnam’s submarine fleet will still be vastly outnumbered by that of China, the purchase is nevertheless expected to affect the strategic balance in the South China Sea. The submarines will enable Vietnam to implement an asymmetrical area-denial strategy, “creating a psychological deterrent by making sure a stronger naval rival never really knows where your subs might be”, explained Collin Koh of Singapore’s S. Rajaratnam School of International Studies.45 The deterrence effect will be enhanced by the weapons with which the submarines are being equipped: the capable, Russian-made, 3M 54 Klub-S family of anti-ship missiles.46

Russia is selling to Vietnam a range of other naval systems capable of projecting power over the South China Sea. These include four Gepard-Class light frigates, the first two of which were delivered in 2011,47 and Project 12418 Fast Attack Craft capable of being armed with either subsonic or supersonic anti-ship missiles. Russia is also supplying Vietnam with Su-30 combat aircraft, which will provide Hanoi with the long-range strike capability that it needs to project power over “flash-points like the Spratlys far from the mainland.”48 Interestingly, India has agreed to train Vietnam’s Su-30 pilots.49 Furthermore, Russia is cooperating with Vietnam in the development of an anti-ship missile, which like the BrahMos can be launched from air, land or sea: In 2012 the head of Russia’s Federal Service for Military-Technical Cooperation revealed that:

We are planning to build facilities in Vietnam for the production of a version of the Russian Uran [SS-N-25 Switchblade] missile in a project that is similar to joint Russian-Indian production of the BrahMos missile.50

In other words, the much-touted strategic partnership between Russia and China is not evident in the realm of defence exports and defence industry collaboration. Indeed, if one were to first look at the evidence in this area and use that as the

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basis upon which to guess the identity of Russia’s strategic partner, the more likely candidate would be India.

However, even the latter assumption would have its caveats. While Russia has enabled India to develop its military capabilities vis-à-vis China through the sale of aircraft and the joint development of the BrahMos missile, it has also supplied China with the means to counter these assets, namely the very capable S400 ground to air missile system.\(^{51}\) China’s main strategic interest is in developing an advanced indigenous defence industry, the natural result of which will be that it imports less military equipment from Russia. So far as Russia’s arms export strategy is concerned, it may be safest to reiterate Bobo Lo’s assessment in a paper of January 2014:

> It would be wrong, however, to view this expansion of arms exports as a conscious pro-Asian strategy. The truth is more prosaic: Russia sells weapons to whomever it can, whenever it can, and is motivated almost entirely by commercial considerations.\(^{52}\)

**Sino-Russian exercises and deployments**

As an organization led by China and Russia, that has an established security component including regular Peace Mission exercises and a Regional Anti-Terrorist Structure (RATS), it might seem as if the China-led SCO serves as the ideal platform for Chinese and Russian cooperation in exercises and deployments. Peace Missions have been held in 2012, 2013, and 2014, whereas prior to that they took place roughly once every two years. The Peace Mission 2014 was also the largest since 2005, comprising of 7,000 mostly Chinese and Russian soldiers.\(^{53}\)

However, despite the political importance placed upon the exercises by Beijing and Moscow, there is much to suggest that they represent a relationship based upon temporary convenience. China typically contributes the majority of forces to the exercises, and in recent years has taken a leading role in preparing and directing the exercises.\(^{54}\) The likely reasons for Russia’s willingness to cede leadership of the exercises to China are many. First, the SCO as a whole is increasingly a Chinese-led organization in any case. Second, Russia places greater importance on the CSTO as the leading Central Asian security organization and of which it is the undisputed leader. This is a view shared by

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51 CSIS, June 2014, [http://csis.org/blog/russia-announces-sale-s-400-china](http://csis.org/blog/russia-announces-sale-s-400-china)
54 Jamestown Foundation, June 2012, [http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=39538&no_cache=1#.VDwsRCgVqFI](http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=39538&no_cache=1#.VDwsRCgVqFI)
most of Central Asia’s leaders, who share with Russia a common language, political history and the “China threat” syndrome.\textsuperscript{55} Third, and perhaps most important, the significance of the Peace Mission exercises is mainly symbolic, a viewpoint that is supported by reports of their limited military value. Peace Mission exercises have been criticized for failing to develop a joint force structure and to encourage intelligence sharing, and have instead “concentrated on showcasing firepower.”\textsuperscript{56}

The Peace Mission exercises afford both Russia and China the impression that, if prompted by the West, they can unite together to balance against US-led alliances. This has value for Russia, with regards to the expansion of NATO and the newly erupted Ukraine crisis, though also for China, as it tries to assert its sovereignty over the South and East China seas. In practice, though, Russian and Chinese military cooperation through the Peace Mission exercises does not seem to have prepared them to tackle even regional challenges that directly affect the SCO’s membership. This was particularly apparent in 2010, when the SCO failed to respond to an official request for help from the Kyrgyz government to quell unrest between the ethnic Kyrgyz and Uzbek populations, which caused hundreds of deaths and the flight of 100,000 ethnic Uzbeks. The deputy head of Kyrgyzstan’s government accused the SCO of having “ignored us [when] the tragic events started ... and we appealed through official channels for help.”\textsuperscript{57} In the same year the SCO failed to act when the Kyrgyz President was overthrown, and in the wake of a terrorist ambush that killed 25 soldiers in the mountains of Tajikistan. The SCO failed to uphold its core mission, often touted by China, of preventing the “three evils” of separatism, terrorism and extremism, even after spending years apparently preparing the relevant military apparatus through Peace Mission exercises and the RATS.

It is inconceivable that the SCO’s security dimension could ever be the basis for Russian and Chinese military cooperation against their main strategic rivals. Even if the there was evidence of deep military cooperation in the Peace Missions, it would still be far from the interests of Russia or China to come to one another’s aid in the event of a confrontation with NATO in Europe or the US and Japan in the Asia Pacific. Even if the strategic foe was less daunting, such as

\begin{itemize}
  \item Jean-Pierre Cabestan, May/June 2013, p. 429, \url{http://www.jstor.org/stable/10.1525/as.2013.53.3.423}
  \item Jamestown Foundation, October 2010, \url{http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=37018&no_cache=1#.VDvJ8CgVpSY}
\end{itemize}
Vietnam, then Russia’s interests would still make it loath to even break off diplomatic relations with the country. The friendship treaty that solidified the strategic partnership in 2001, as Deng put it in 2007, “did not stipulate any commitment to a direct military role in assisting each other.” In essence, this remains the case today. In a similar sense, we saw that China failed to recognize Russia’s annexation of Crimea in 2014 partly because its own interest in countering separatism was deemed to be of greater importance, and partly since Beijing anticipated serious diplomatic costs to be incurred by annoying Western capitals.

It is not surprising that it is difficult to imagine a scenario in which Russia and China would jointly deploy forces against a serious adversary under the banner of the SCO. Not least, this is because the SCO lacks a single command structure and its members have not committed to come to one another’s aid in time of war. What is more, the “joint force” that exercises during Peace Missions exists “in name only” as there is no continuity as to the units that Russia and China send to take part and there is thought to be a very limited level of intelligence sharing between Moscow and Beijing. Uzbekistan, the most populous Central Asian state has not only refused to take part in every Peace Mission other than that of 2007, it has also denied other SCO members the right to move military equipment through its territory on route to the exercise. All this suggests that the Peace Mission’s “real purpose lies in projecting an unrealistic image of the SCO’s military capabilities.” Even in preparing to counter non-state adversaries in the chaos that could follow NATO’s withdrawal from Afghanistan, Russia has chosen to operate through the CSTO.

This betrays the fact that the SCO is not a purpose-built security organization, but one that is as equally concerned with trade, economic investment and cultural exchange. It also reflects the reality that Russia and China, as well as the Central Asian states, are as much rivals as they are partners. As mentioned previously, both Russia and China are keen to orientate the SCO to

59 Richard Weitz, The Jamestown Foundation, 2010, http://www.jamestown.org/single/tx_ttnews%5Btt_news%5D=37018&no_cache=1#.VCBtNCgVqFl
fulfill their own ambitions. China seeks to use the SCO to counter separatism in Central Asia and by extension in its own eastern provinces, while Russia is keen to present the organization as an “Eastern NATO,” an image Beijing wishes to avoid. China has expressed interest in expanding the SCO’s membership to include Pakistan and Mongolia, with whom it has close relations, while Russia has said it would like to include India, amongst others, presumably to dilute China’s influence in the organization. Russia is also thought to encourage rivalry amongst the Central Asian states so as to extend its own influence within the CSTO, which in turn undermines the functionality of the SCO.

Russia and China also take part in military exercises outside of the SCO’s framework. Most notably, the two countries took part in their first joint, large-scale naval exercises in April 2012, in the Yellow Sea. These were followed in July 2013 by further exercises in the Sea of Japan. Taken alone, these could be seen as a joint effort to establish Chinese-Russian unity outside of the SCO, in the face of the US-Japanese alliance and conflicting claims over maritime sovereignty. However, Russia and China have also partaken, independently of one another, in the large-scale RIMPAC naval exercises led by the US. In his January 2014 paper Bobo Lo argued that Russia took part in the 2012 RIMPAC exercise to help prepare it for a possible confrontation with China, while China’s participation in the June 2014 RIMPAC exercise hardly demonstrated solidarity with Moscow during the Crimean crisis and amidst mounting Western sanctions on Russia. Immediately after the APEC summit of November 2014, President Obama began a state visit to China, during which he and President Jingping made two deals designed to increase mutual trust. Under these deals the U.S. and China agreed to notify one another in advance of undertaking military exercises in the region, and to adopt formal procedures for dealing with encounters between their two militaries in the air and at sea. On the same day that these deals were being declared, NATO reported that columns of Russian tanks and soldiers were crossing the border into Ukraine, which is not indicative of strategic “coordination” between Moscow and Beijing, let alone

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If Russia and China have colluded to conduct exercises that stand up to US hegemony in the Far East, they have certainly hedged their bets while doing so.

**Unilateral exercises and deployments**

The SCO has not created a joint Russian-Chinese military force, but nor does it seem to have established trust between the Russian military and the PLA. Both countries undertake much larger unilateral exercises, and in fact Russia’s largest seem to be conducted with the idea of a future conflict with China in mind. The nature of the Russian exercises in particular belies the reality of Moscow’s wariness of China’s military growth and the threat that it could pose to the Russian Far East (RFE).

Russia and China have been keen to maintain a public image of strategic convergence, as is demonstrated by Russia’s unwillingness to refer to China as a strategic threat in official public documents. For example, the 2013 Russian Foreign Policy Concept’s discussed threats that may arise in the Far East but made no mention of China. However, Russia’s permanent deployments in its Eastern Military District appear “designed primarily to handle large enemy ground and naval forces … it has four armies; the other MDs have two each.”

Russia’s recent military exercises reinforce the impression that Moscow increasingly sees China as a potential military threat. In the “Vostok (East) 2010” exercise, the Russian military undertook the largest maneuvers since the Soviet era in the RFE, including “around 20,000 servicemen, over 5,000 pieces of military equipment, more than 40 ships, and 75 aircraft and helicopters” and the simulated use of tactical nuclear warheads. Although Russia insisted that the exercise was aimed at “no single country or bloc”, it was openly intended to “prepare troops for combat operations against a large, powerful, technically well-equipped enemy.”

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70 'Russian Military Capability in a Ten Year Perspective', FOI, 2013, p. 80, [http://www.foi.se/rapport?rNo=FOI-R--3734--SE](http://www.foi.se/rapport?rNo=FOI-R--3734--SE)


72 Roger McDermott, ‘Reflections on Vostok 2010: Selling an Image’, The Jamestown Foundation, 2010, [http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=36614&tx_ttnews%5BbackPid%5D=484&no_cache=1#VDwyYSgVpSU](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=36614&tx_ttnews%5BbackPid%5D=484&no_cache=1#VDwyYSgVpSU)

73 Roger McDermott, ‘Reflections on Vostok 2010: Selling an Image’, The Jamestown Foundation, 2010, [http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=36614&tx_ttnews%5BbackPid%5D=484&no_cache=1#VDwyYSgVpSU](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=36614&tx_ttnews%5BbackPid%5D=484&no_cache=1#VDwyYSgVpSU)
large foreign force was invading in support of separatists in the RFE, which could be an allusion to the region’s growing ethnic Chinese population.\footnote{Jacob W. Kipp, The Jamestown Foundation, 2010, \url{http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=36610&no_cache=1#.VCAN5igVqFI}}

Almost as revealing as the exercise itself was the stir it caused amongst Russian elites. In advance of the exercise, the commander of what was then Russia’s Siberian Military District said that “despite friendly relations with China, our army command understands that friendship is possible only with strong countries, which can quiet a friend down with a conventional or nuclear club.”\footnote{Roger McDermott, ‘Reflections on Vostok 2010: Selling an Image’, The Jamestown Foundation, July 2010, \url{http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=36614&tx_ttnews%5BbackPid%5D=484&no_cache=1#.VDwyYSgVpSU}}

After the exercise, Alexander Kramchikhin, Deputy Director of the Institute of Military and Political Analysis, argued that Vostok 2010 did not go far enough:

> Why are there suspicions that if China decides to act aggressively, it will only limit itself to an offensive against Vladivostok with a few “motor rifle divisions”, as played out in the ‘Vostok-2010’ scenario? The strike will be delivered by several army groups, numbering hundreds of thousands, if not even millions, of men along the entire length of the 4,300km border. They will not be put off by a few nuclear flares and, in any case, they have their own nuclear weapons.\footnote{Steven J. Main, 2010, ‘The mouse that roared or the bear that growled?’ Defence Academy of the United Kingdom, p. 7.}

Large-scale exercises in the RFE have been ongoing. In 2013 an even larger exercise consisting of 160,000 soldiers was held, which Russia claimed was to prepare for a potential conflict with Japan, but whose land component was so large as to suggest that China was also a hypothetical adversary.\footnote{BBC News, July 2013, \url{http://www.bbc.com/news/world-europe-23327158}}

In September 2014 a “snap exercise” was performed in the RFE that was designed to test interoperability between services and between entire government agencies, such as the Federal Railway Transport Agency and the Federal Telecommunications Agency, so as to enable a cross-service response that utilizes military assets from across Russia’s Eastern Military District.\footnote{Roger McDermott, The Jamestown Foundation, 16 September 2014, \url{http://www.jamestown.org/single/?tx_ttnews%5Btt_news%5D=42834&tx_ttnews%5BbackPid%5D=7&cHash=063a9e69a522b0236d03a3a2eefa314#.VDw0-CgVpSU}}

The snap inspection was held in preparation for Vostok 2014, the largest exercise of the year, consisting of “100,000 personnel, 1,500 tanks, 120 aircraft, 5,000 pieces of military hardware and 70 ships, and are being carried out at 20 ground, sea and
air ranges from Anadyr to Vladivostok”.79 Again the scale of the exercise suggests that while it may have a number of strategic purposes, such as deterring Japan from thoughts of reclaiming the Kuril Islands, or intimidating Kiev, the potential threat that China poses to the RFE was likely to have been of at least equal consideration.

While Chinese unilateral exercises have been focused on Taiwan and the South and East China Seas,80 Russia’s largest exercises have been in the RFE. Despite Moscow’s vocalization of the alleged threats posed by NATO, its largest military exercises are occurring close to the border with China. This supports Lo’s 2008 analysis, referred to in the introduction of this paper, that Russia sees China as a primary long-term military threat. Why then has Russia been at pains to avoid casting China as a threat? Again, the most likely explanation is that offered by Bobo Lo in his January 2014 piece: it is precisely because “only China poses a possible existential threat in the foreseeable future [that] making “friends” with it is therefore not merely desirable, but essential.”81

China, meanwhile, cannot help but grow in military power. The joint exercises conducted with Russia, through the SCO or otherwise, have the primary purpose of sustaining the illusion that Moscow and Beijing have nothing to fear from one another. It is often thought that the illusion of deep Russian-Chinese partnership is directed outwards, towards the US and its allies. It seems, however, that both Moscow and Beijing also direct the image inwards and at one another, so as to alleviate mutual mistrust and the antagonisms that would follow from recognizing it openly.

**Defence relations: preliminary assessment**

Cooperation between Russia and China in the areas of arms transfers and military exercises is not reflective of a deep defence and security partnership. Russian arms exports to China have fallen over the last six years, while those to Beijing’s geopolitical adversaries have increased. The potential for a trusting defence and security partnership is also undermined by China’s apparent policy of copying Russian hardware, and by its increasing ability to compete with Russia in supplying the international arms market. This is suggestive of a partnership based on self-interest rather than mutual trust and coordination.

79 Roger McDermott, The Jamestown Foundation, 23 September 2014, [http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=42859&cHash=bb0e68111832039d5c8997b2355b2942#.VDwzfigVpSU](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=42859&cHash=bb0e68111832039d5c8997b2355b2942#.VDwzfigVpSU)
In terms of military exercises and deployments, while SCO Peace Missions have become more frequent, they have yet to produce a joint fighting force that is practically deployable. Importantly, in recent years exercises undertaken by Russia alone have dwarfed the Peace Missions, and appear designed to prepare the Russian military for a potential conflict with China. The two countries have taken part in naval exercises on a bilateral basis, but each has also worked with Western navies, for example during RIMPAC exercises. The willingness of Russia, in particular, to undertake exercises intended to prepare for or deter Chinese aggression again suggests a lack of mutual trust and that self-interest appears to be the force motivating military exercises.

All this is not to say that Russia and China do not see one another as a means to balance against the West in other areas. The analysis above strongly suggests that they are failing to do so in hard defence and security terms. There remains the argument that Russia and China might cooperate through soft-balancing, defined by Chuka Ferguson as “nonmilitary alignments [between] at least two states that are designed to reduce or remove the military presence and external influence of an outside power from a specific region” (emphasis removed). Indeed, Ferguson argues that “the ‘strategic partnership’ is more about political, rather than military, deterrence”.82 This may be the case. Nevertheless, this analysis of the defence and security relationship suggests that the broader strategic partnership is undermined by a lack of mutual trust and strategic coordination.

ENERGY INVESTMENT AND REGIONAL TRADE

In answering the question regarding a development toward more pragmatic cooperation in the bilateral interest and the evolution of mutual trust, the following sections will analyse long-term energy deals and investment facilitation deals undertaken by the two countries. The key question interrogating the “axis of convenience” thesis in this policy area can be formulated thus: Does cooperation between Russia and China in energy investment, economic exchange and regional trade arrangements indicate a relationship based upon a strategic collaboration, or is there still a pattern of coordination compatible with an ad hoc pursuit of self-interest?

Both Bobo Lo and Martin Smith agree that “genuine multilateralism, as opposed to multi-polarity and pseudo-multilateralism, involves many parties in collective decision making.”83 Whereas multi-polarity requires only that power be distributed between a number of major international actors, multilateralism is indicative of positive interaction between them. In the realm of economic cooperation, does the strategic partnership between Russia and China today amount to a positive multilateral attempt to achieve a shared vision of their mutual economic security? Or is the strategic partnership little more than window dressing for Russian and Chinese pursuit of strategic self-interest, based primarily upon negative opposition to US global hegemony?

When discussing the geopolitics of energy, Lo argued that although both Russia and China realize “that cooperation serves their interests, they are not bound by a common sense of purpose.”84 This was in large part because Moscow and Beijing saw energy resources as a tool to different ends. For Russia, oil and gas exports were entangled in a changing web of domestic and international political considerations. For example, in 2003 negotiations between Yukos and the China National Petroleum Corporation (CNPC) regarding the intended route of the East Siberian-Pacific Ocean (ESPO) oil pipeline were obstructed by the arrest of Yukos CEO Mikhail Khodorkovsky. The project underwent further delays in the years that followed, as Russia sought to redirect the pipeline towards Japan to avoid “China dependence”, before reverting to again prioritize Beijing when relations with Tokyo soured.85 As delays such as these undermined the rhetoric of a Russian-Chinese strategic partnership in the energy sector, they also gave Beijing time to develop its energy relations with other suppliers, notably in Africa, the Middle East and Central Asia.

85 Bobo Lo, 2008, pp. 143-144.
More broadly, Lo contrasted the ambitions of China, the world’s second largest energy consumer, and Russia, one of the largest energy suppliers. While Russia and China are well matched in terms of supply and demand, their positions as a preeminent supplier and consumer render their strategic outlooks quite distinctive. Whereas China benefits from international stability and lower energy prices, Russia stands to benefit from the opposite. The extreme supplier-consumer relationship also means that Russia seeks to maximize Chinese dependence on its energy resources while at the same time avoiding becoming reliant on Beijing. China, of course, seeks the opposite. Furthermore, Lo identified China as a growing power able to wield influence through positive economic attraction, in comparison to Russia, whose influence often relies upon the use of negative coercive force. In the long-term, these differences were expected to put the energy relationship under an increasing degree of strain.

In the first decade of the twenty-first century trade was also a domain characterized by mutual caution. The trade relationship was unequal, in terms of the flows of raw materials and manufactured goods, imbalanced in terms of imports and exports and unimpressive in overall scale. Although trade between the Russian Far East (RFE) and China grew significantly, Russian exports consisted overwhelmingly of raw materials, while the main imports from China were manufactured goods and services. This imbalance heightened Moscow’s fear that the RFE was becoming Beijing’s “raw materials appendage”, more integrated with China’s economy than with that of the rest of Russia. The geopolitical consequence of the trade relationship was that the RFE was becoming increasingly dependent upon China.\textsuperscript{86} Russia also began to suffer from a substantial trade imbalance with China from 2007. In that year Russian exports to China amounted to $19,677 million, whereas China’s exports to Russia totaled at $28,488 million. Finally, although trade between the two countries had grown significantly since the 1990s, China’s total trade with the United States and the European Union dwarfed that with Russia.\textsuperscript{87}

The following part of the report will analyze how the economic relationship has developed over the last six years. The focus will be on two main areas of economic cooperation: energy and economic exchange. If the energy relationship between Russia and China has developed into one of active cooperation between increasingly trusting and like-minded strategic partners, we would expect to see evidence of a substantial growth in energy exports from Russia to China: Energy exports to China would account for a greater proportion of Russian energy exports, and imports of Russian energy resources would

\textsuperscript{86} Bobo Lo, 2008, p. 68.
\textsuperscript{87} Bobo Lo, 2008, pp. 84-87.
account for a greater proportion of Chinese energy imports. A substantial change would indicate that Russia is less fearful of becoming a Chinese “resource appendage” and that Beijing trusts that Moscow will refrain from using energy for geopolitical leverage, as it has done towards countries such as Ukraine. Another potential indicator of deepening of economic relations would be Russia’s acceptance of Chinese investment in its upstream oil and gas operations in the RFE, which it has long resisted despite dire need for capital.

A number of other variables must be taken into account when making this analysis. For example, changes in demand in other parts of the world can be expected to have influenced Russia’s willingness to supply China. Similarly, China will have been more or less willing to import Russian oil, gas and coal depending upon its domestic production forecasts and the prices at which it can obtain these resources from third countries. However, it is important to note that changes in bilateral acquisition of energy resources need not only be reflective of a developing relationship between the two countries, they could also have a formative role. Russia and China might be pushed together or apart by external factors, but such may lead to real changes in terms of the depth of their relationship.

The depth of Sino-Russian economic relations would also be indicated by the trade policies that either country has been pursuing to promote or restrict access to one another’s goods in domestic or regional markets. To this end, the impact not only of trade agreements between Russia and China, but also those pursued by the regional blocks that they lead will be informative. The nature of the goods traded, the degree of imbalance in the trade flow, and changes the overall level of trade relative to that pursued with other countries would also be indicative of whether the two countries pursue more than a relationship of “convenience.”

We will therefore first look at the energy relationship between Russia and China. This section will observe the development of bilateral trade deals and Chinese investment in Russia’s upstream industries, before putting this relationship in context by analyzing the broader energy interests of Beijing and Moscow. Second, the paper will examine developments in the scale and nature of bilateral trade generally. This too will be put in context, by an analysis of each country’s broader trade ambitions, as in the Russian-led Eurasian Economic Union and China’s Silk Road initiative.
**Chinese energy imports from Russia**

The value of Chinese energy imports from Russia has tripled since 2009. This expansion of economic exchange has been supported by an increase in the number of oil and gas deals signed between the countries, which in 2013 and 2014 in particular have helped provide Russian energy giants with the capital they need to develop the oil and gas industry in Siberia and the Russian Far East.

A number of recent agreements have been especially noteworthy. In 2009 the China Development Bank (CDB) made a $25 billion dollar loan to Gazprom and Transneft, and in return a “spur” was added to the ESPO pipeline that supplies oil to Japan via Kozmino, reaching south to supply China. At a meeting of Xi Jingping and Vladimir Putin in March 2013, the CDB offered further long-term low interest loans, in return for which the Russian oil company Rosneft pledged to increase the supply of oil from the rate of 300,000 barrels per day in 2012 to up to one million bpd. At the meeting, Rosneft and the Chinese National Petroleum Corporation (CNPC) agreed to explore for offshore oil deposits in the Arctic. Rosneft’s cooperation with the CNPC was further deepened in October 2013, when they signed a memorandum of understanding with the CNPC, committing them to jointly develop the Srednebotuobinsk oil field in East Siberia.

Also during the March 2013 summit, Gazprom signed a memorandum of understanding with the CNPC, paving the way for it to supply China with 38 billion cubic metres (bcm) of natural gas per year by 2018, with the possibility of thereafter expanding supply to 60 bcm. This was the precursor to the $400 billion gas deal signed on 21st May 2014. In November 2014, Russia and China declared their intention to sign a second deal, which would see 30bcm of natural gas supplied from West Siberia over a 30-year period.

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89 Brookings Institute, 'Money Talks: China-Russia Energy Relations after Xi Jingping's Visit to Moscow,' 2013, [http://www.brookings.edu/blogs/up-front/posts/2013/04/01-china-russia-energy-relations-downs](http://www.brookings.edu/blogs/up-front/posts/2013/04/01-china-russia-energy-relations-downs)


91 Brookings Institute, 'Money Talks: China-Russia Energy Relations after Xi Jingping’s Visit to Moscow,' 2013, [http://www.brookings.edu/blogs/up-front/posts/2013/04/01-china-russia-energy-relations-downs](http://www.brookings.edu/blogs/up-front/posts/2013/04/01-china-russia-energy-relations-downs)


Deals such as these are of long-term significance for the energy relationship between Russia and China. Clearly, they mean that the two countries are becoming more economically interdependent, which signals trust. Of greater importance, however, is that the capital accompanying these deals enables Russia to expand its extraction and transportation operations, which paves the way for greater exports to China in the future. At the summit in May 2014, for example, it was agreed that Beijing would provide $20 billion to develop the new pipeline to supply China.\textsuperscript{94} However, Chinese investments will also allow Russia to develop its oil and gas industry more broadly. Examples include the Kovykta and Chayanda gas fields, as well as pipelines to transport gas from these fields to a Liquid Natural Gas (LNG) facility at Vladivostok, which will be used to supply other Asian customers including Japan, South Korea and Taiwan.\textsuperscript{95} Looking forward, Merrill Lynch estimates that Russian energy exports to China could double by 2020 and triple by 2030.\textsuperscript{96} The capital that accompanies this expansion will help companies such as Gazprom and Rosneft to further develop their extraction and transportation capacities.

Of greatest significance for the strategic relationship, however, is Moscow’s newfound willingness to allow Chinese state-owned companies to take equity stakes in upstream developments within Russia. In addition to large-scale Chinese loans, recent deals have opened the way for Chinese energy companies to directly participate in upstream projects. For example, in October 2013 Rosneft and CNPC agreed to set up a joint venture that will undertake upstream developments in East Siberia. Rosneft controls a 51 percent stake while the CNPC controls the other 49 percent.\textsuperscript{97} In December 2013, the Russian government approved the CNPC’s purchase of a 20 percent stake in the Yamal LNG project in the Russian Arctic.\textsuperscript{98}

\textsuperscript{95} Financial Times, ‘China and Russia sign $400bn gas deal’, May 2014, http://www.ft.com/cms/s/0/d9a8b800-e09a-11e3-9534-00144feabdc0.html
Aside from the energy sector, in recent years China has been investing in Siberia and the RFE more broadly. In 2012 the two countries set up the Russia–China Investment Fund, to which they have each contributed $1 billion. The fund will help to develop infrastructure and industry in the RFE. In October 2014 the two countries signed a number of deals totaling $24.5 billion, including a commitment to construct a high speed rail line, as well as a currency swap framework. Nevertheless, although economic cooperation outside of the energy industry has increased, loans relating to energy deals and the sale of equity stakes in oil and gas companies remain by far the most significant routes for Chinese capital to enter Russia.

Allowing large Chinese investments, particularly in the energy industry, marks an about turn in Russian policy. As recently as 2011, a SIPRI report on Sino-Russian relations described the frustration felt by representatives of Chinese state energy companies, who were of the opinion that “Russia is always more inclined to cooperate with Western companies.” Similarly, even in January 2014, Lo noted that “Moscow has long been averse to allowing Chinese energy companies to acquire equity in joint ventures on similar terms to the Americans, Europeans, and Japanese.” The reason for this reluctance is thought to be Moscow’s fear that China could extend its control over Russia’s strategic assets and the economy of the RFE. Holding a stake in Russia’s upstream operations could also afford China greater bargaining power in price negotiations.

Russia’s energy interests in context

It is interesting to note that this preference for Western investment existed despite the increasingly adversarial strategic context in which Russia and the West have found themselves. Russia has long cooperated with Western companies in some of its largest upstream projects, such as with Shell and Exxon to extract oil from under the Arctic. Between 2011 and 2013 Rosneft chose to

partner with Exxon in no fewer than ten joint exploration and development ventures across Russia.\textsuperscript{104} This high level of cooperation survived NATO expansion, the plans for a European missile defence shield and the invasion of Georgia. Even in the wake of the 2014 Ukraine crisis it was Western sanctions, rather than Russian pressure, that caused European and American energy companies to cease or limit their cooperation with Russian oil and gas giants.\textsuperscript{105} The continued partnering of Russian and Western energy companies reflects the fact that Russia relies upon advanced Western technology to develop its oil and gas fields. Chinese companies, by contrast, lack this technology, reducing the need to partner with them.\textsuperscript{106} This is evidenced by China’s inability to conduct its own US-style shale revolution and Beijing’s reliance on Western energy firms to help develop its more challenging oil and gas fields.\textsuperscript{107}

Chinese loans and investments were increasing before US and EU sanctions were implemented. However, given the current flight of Western capital and expertise Russia has little choice, at least in the short term, but to look east for sales and foreign investment in its upstream energy industry. Although the general terms of the $400 billion gas deal signed in May 2014 were sketched out in 2013, before the current crisis in relations between Russia and the West, it is worth remembering that Russia and China had failed to reach a deal for the previous decade, and that up until the deal’s conclusion there remained widespread skepticism that it would actually be signed.

Russia’s need to reach a deal is made clear by the fact that in 2014 Gazprom’s exports were the lowest in the company’s history.\textsuperscript{108} Deals to increase supply China are intended to give Russia increased leverage in its dealings with Europe. For example, as winter approached in late 2014, Gazprom had yet to reach an agreement with Ukraine regarding debt repayment and the supply of gas during the winter. By indicating that it could instead export to China, it was hoped that Gazprom’s economic brinkmanship would seem more credible.

\textsuperscript{104} Financial Times, ‘Exxon considers its course after sanctions hit Russia ambitions’, 30 September 2014, \url{http://www.ft.com/intl/cms/s/0/586ae5c0-487c-11e4-ad19-00144feab7de.html#axzz3HABGPHlo}
\textsuperscript{105} Financial Times, ‘Exxon considers its course after sanctions hit Russia ambitions’, 30 September 2014, \url{http://www.ft.com/intl/cms/s/0/586ae5c0-487c-11e4-ad19-00144feab7de.html#axzz3HABGPHlo}
\textsuperscript{106} Carnegie Moscow Center, ‘For Russia, Asia is no substitute for the West’, 16 October 2014, \url{http://carnegie.ru/2014/10/16/for-russia-asia-is-no-substitute-for-west/hrzh}
\textsuperscript{108} Reuters, ‘Russia’s Gazprom, hit by Ukraine crisis, faces lowest gas output in history’, 18 September 2014, \url{http://uk.reuters.com/article/2014/09/18/ukraine-crisis-gazprom-idUKL6N0RI2K720140918}
However, not everyone is taking Russia’s threat to turn east seriously. Andriy Kobolev, the Chairman and CEO of Ukrainian energy company Naftogaz, has called Gazprom’s claims that it can divert supply to China a “political bluff”. Based on the lower price that China will pay, the increased costs of developing the necessary transportation infrastructure and the dependence upon China that would result, he thinks that relying upon exports to China is not a realistic option for Russia.\textsuperscript{109} This mirrors Bobo Lo’s assessment in 2008, which held that “there is, in short, no ‘China option’ on the table”, because exports to China could not match the profitability found in the lucrative European market.\textsuperscript{110} Recognising the importance of the European gas market for Russia’s economy, Gazprom agreed to supply gas to Ukraine in October. At the signing of the deal Gazprom’s CEO, Alexey Miller, insisted that “Russia has always been a reliable supplier of energy resources to Europe and other consume. It has been, is and will be a reliable supplier.”\textsuperscript{111}

As its most important market, Russia’s entire economy depends upon oil and gas exports to Europe. In an interview with German daily newspaper \textit{Die Welt}, Bill Browder, formerly one of the largest investors in Russia, stressed that Russian economic growth depends on the price of oil, and predicted that the Russian economy could sustain itself for just two years if prices remain at around $80 per barrel.\textsuperscript{112} With oil prices hovering at that level in December 2014, the prospect of a financial situation potentially spiraling out of control through a rapidly depreciating ruble was accentuated further. Russia’s dependence on oil and gas exports together with Europe’s diversification of its energy sources, low oil prices and the poor state of Russia’s economy mean that finding new buyers, such as China, could be an existential imperative.

\textbf{China’s energy interests in context}

Similarly, Beijing has its own strategic reasons for increasing oil and gas imports from Russia. In 2012, China’s National Development and Reform Commission estimated the country has reserves capable of producing 60-100bcm of shale gas

\textsuperscript{109} CNBC, ‘Should the U.S. worry about a China-Russia axis?’, 22 October 2014, \texttt{http://www.cnbc.com/id/102106704}
\textsuperscript{110} Bobo Lo, ‘Axis of Convenience’, p. 150.
\textsuperscript{112} Zschäpitz, Holger, “”Putin auf Gedeih und Verderb aufs Öl angewiesen” (“Putin is dependent on oil money”), \textit{Die Welt}, 10 November 2014, \texttt{http://www.welt.de/wirtschaft/article134192338/Putin-auf-Gedeih-und-Verderb-aufs-Oel-angewiesen.html}
per year from 2020, but it has since reduced the forecast to 30bcm.\textsuperscript{113} The deal with Russia for 38bcm per year agreed in May 2014, together with that for 30bcm agreed in November, should fill this gap.

Importing gas, oil and coal overland also helps to fulfill two of China’s long-term objectives: to reduce both air pollution and reliance on energy imports from the sea. The Chinese government plans to “cap coal use to below 65% of total primary energy consumption by 2017 in an effort to reduce heavy air pollution,” and reaffirmed its mission to reduce carbon emissions in a joint declaration with President Obama after the November 2014 APEC summit.\textsuperscript{114} Increased consumption of natural gas will be a key component of China’s environmental ambitions.

Increased consumption of natural gas also serves China’s strategic imperatives. The United States’ 2011 “pivot to Asia,” accompanied by Japan’s potential amendment of its constitution to allow the offensive use of force in support of an ally, as well as the growing maritime capabilities of India and Vietnam, all give China reason to reduce its reliance on seaborne energy imports. Oil is China’s second largest source of energy and in 2013 more than half was imported, mainly from the Middle East. Eighty percent of China’s imported oil is transported through the Strait of Malacca.\textsuperscript{115} To bypass this chokepoint, the CNPC has built parallel gas and oil pipelines that connect China to the Indian Ocean through Myanmar.\textsuperscript{116} Increasing oil and gas imports from Russia and Central Asia can go even further than this by avoiding the sea entirely.

China’s cooperation with Russia is put in perspective by observing Beijing’s imports of oil and gas from Central Asia. The gas deal of May 2014 was the largest that Russia and China have made, but an agreement of similar size was reached with Turkmenistan in 2007, by which the Central Asian state is set to export 38bcm of gas per year from 2016, with a view to increasing supply to


\textsuperscript{116} Financial Times, ‘China starts importing natural gas from Myanmar’, 29 July 2013, \url{http://www.ft.com/intl/cms/s/0/8706f32c-f83e-11e2-92f0-00144feabdc0.html#axzz3HMMWShzGzp}
65bcm from 2020. Furthermore, unlike Russia, Central Asian states have long been willing to allow China to take an equity stake in upstream extraction and transportation operations and to invest in development. For example, the largely Chinese-built Central Asia Pipeline already transports gas from Turkmenistan across Uzbekistan and Kazakhstan, using three lines constructed 2007-2014.

In recent years China has increased its investment in Russia’s upstream energy projects, provided loans for development of the RFE and signed the largest single deal in Gazprom’s history. However, Russia has long accepted Western investment where until recently it rejected China’s, and Beijing has forged ahead with energy deals in central Asia whereas it has only recently made comparable progress with Russia. The timing of their enhanced cooperation coincides with Russia’s confrontation with the West over Ukraine, and China’s assertion of its claims in the South and East China Seas, along with its continued face off with the US as it “ pivots” to Asia.

Despite such pressures for greater cooperation in the supply of oil and gas, Sino-Russian energy relations have not been propelled above the international norm. As Chinese demand for oil and gas increases at the same time as Russia’s need to export fossil fuels becomes most acute, it makes economic sense that a string of important infrastructure construction and delivery deals end a decade of stagnated energy cooperation. As Ian Bremmer, President of Eurasia Group observed after Russia agreed to supply China with a further 30bcm of natural gas in November: “[China] will gladly ink sweetheart energy deals with [the] Russian leadership, but that doesn’t commit Beijing to any deeper geostrategic engagement. That is a very different style of ‘partner’ indeed.”

Economic exchange
According to the National Bureau of Statistics of China, bilateral trade with Russia increased from $48,155m in 2007 to $88,210m in 2012. This is significant, but not out of line with the growth of China’s total trade with the world as a whole, which increased from $2,173,726m to $3,867,119m over the same time period. Russia was still only China’s ninth largest trading partner in

2013.\textsuperscript{120} By contrast, China has been Russia’s largest trading partner (other than the EU) since 2010.\textsuperscript{121} The avowed intention is to focus on growing the trade relationship: In October 2014, at a summit with Chinese Premier Li Keqiang, Dmitri Medvedev announced that bilateral trade would increase to $100,000m in 2015 and $200m by 2020.\textsuperscript{122} Amidst these calls for greater trade, it is nevertheless becoming increasingly apparent that Russia is the junior economic partner.

In 2008 Bobo Lo noted that Russia's bilateral trade deficit had grown to $8,811m in 2007. However, by 2013 its position was reversed, and Russia ran a trade surplus of $100m. This is a consequence of the growth of Russia's energy exports to China: “Almost all of the increased trade is in the oil sector.”\textsuperscript{123} This means that Lo’s 2008 analysis, that in their bilateral trade relationship Russia overwhelming exports natural resources while China overwhelming exports manufactured goods, still holds true. Although this is an unfavourable position for Russia, it is reflective of each country’s trade with the rest of the world. China is the world’s leading manufacturer and in 2012 revenues from oil and gas made up 70% of Russia’s total exports.\textsuperscript{124}

At first light, it might appear that Russia and China are colluding to undermine the US dollar as the world’s reserve currency by internationalizing the renminbi. Although China accounts for the world’s largest share in global trade, 75% of oil and gas transactions with Russia are denominated in US$.\textsuperscript{125} The process internationalizing the renminbi began in 2010, when the two countries agreed to expand the use of their own currencies for bilateral trade: “This was the first time that the Yuan had traded outside of China and Hong

\textsuperscript{120} European Commission, Director General for Trade, ‘European Union, Trade in goods with China’, 2013, \url{http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113366.pdf}
\textsuperscript{122} Bloomberg, ‘Russia,China Sign Currency Swap Agreement To Double $100b Trade’, 13 October 2014, \url{http://www.bloomberg.com/news/2014-10-13/russia-china-sign-currency-swap-agreement-to-double-100b-trade.html}
\textsuperscript{124} US Energy Information Administration, ‘Country Profile: Russia’, as of October 2014, \url{http://www.eia.gov/countries/cab.cfm?fips=rs}
Kong”. Since then Russia and China have undertaken further currency swaps, the most recent of which is worth $24.5bn and will last for three years.

However, although China’s first currency swap was with Russia, it has reached similar arrangements with many central banks. One currency swap was agreed with the European Central Bank worth $57bn, another with the Swiss Central Bank worth $24bn and another with Brazil valued at $30bn. Using the diversification of its currency portfolio to reduce both financial risk and U.S. involvement in trade transactions is economically attractive to China. Direct conversion is another component of internationalizing the Chinese currency, initiated with the Japanese yen in 2012 and seriously contemplated by the European Central Bank in recent months. Similarly, it makes sense that Russian firms should want to conduct trade transactions in currencies other than the dollar, given that their access to Western financial markets is endangered by sanctions.

Increased bilateral trade, a new Russian trade surplus and a number of currency swaps mark the development of the Russian-Chinese trade relationship since 2008. However, these changes appear to have economic explanations and are not outside of global trends.

Russia’s ambition: The Eurasian Economic Union

Russia and China each have their own visions as to how Central Asia can be made to benefit their geopolitical and trade interests. Russia has been the driving force behind the creation of the Eurasian Customs Union in the former Soviet space. Functioning since 2010, one of the main achievements of the Union has been to promote internal free trade within an external tariff boundary. On the 1st January 2015 the Eurasian Customs Union evolved into the Eurasian Economic Union (EEU), often referred to as the Eurasian Union, which has an organizational structure comparable to that of the European Union. The Eurasian Union’s initial membership includes only Russia, Belarus and Kazakhstan. However, Armenia

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129 Financial Times, ‘Russian companies prepare to pay for trade in renminbi’, 8 June 2014, http://www.ft.com/intl/cms/s/0/9f686816-ed51-11e3-abf3-00144feabdc0.html#axzz3HHHbn5h0
and Kyrgyzstan are expected to join later, and Moscow would like to extend membership across the former Soviet Union.\textsuperscript{130}

One potential source of strain in the Russia-China relationship is the Union’s tariff boundary. The Custom’s Union set its external tariff boundary in line with that of Russia, which has always been significantly higher than the import tariffs adopted by Central Asian states individually. Observers argue that China’s trade interests will be affected by the development of the Eurasian Economic Union (EEU) and the potential widening of its membership: “All Central Asian countries have a larger share of their two-way trade with China than with Russia except for China’s exports to Uzbekistan and imports from Kyrgyzstan.”\textsuperscript{131} An alternate perspective downplaying such risks implies that, while China does not favour the erection of a trade barrier between itself and Central Asia, nor would it be of serious strategic concern, as its investments in oil, gas and infrastructure are exempt from tariff restrictions in any case.\textsuperscript{132}

The relationship between Russia and China is unlikely to come under strain because of Beijing’s opposition to the EEU. However, their relationship could be strained by the widening disparity in terms of what Russia and China can offer to Central Asian states, which could make them less inclined to participate in the EEU. As mentioned above, China already conducts more trade with every Central Asian country than does Russia.\textsuperscript{133} While China would be able to weather the impact of a tariff boundary, the Central Asian economies are likely to be much more affected. What is more, Kazakhstan’s exports within the Customs Union have fallen in 2012, 2013 and by 22\% in the first half of 2014. Membership of the Customs Union has also seen Kazakh wages depressed and its prospects of joining the World Trade Organisation undermined.\textsuperscript{134} Furthermore, in the wake of the crisis in Ukraine, the government of Kazakhstan fears that its large ethnic Russian population could provide the Kremlin with the means to

\textsuperscript{131} Yu Bin, January 2014, ‘Putin’s Glory and Xi’s Dream’, CSIS, \url{http://csis.org/publication/comparative-connections-v15-n3-china-russia}
\textsuperscript{133} Nicu Popescu, September 2014, ‘The Eurasian Union: The real, the imaginary and the likely’, EUISS, p 11, \url{http://www.iss.europa.eu/uploads/media/CP_132.pdf}
\textsuperscript{134} Foreign Policy, Vladimir Putin's Impotent Eurasian Union', 5 June 2014, \url{http://www.foreignpolicy.com/articles/2014/06/05/vladimir_putins_impotent_eurasian_union_kazakhstan_belarus_ukraine}
destabilize its sovereignty. Kazakh President Nursultan Nazerbayev has warned that the country could leave the EEU “if it threatens independence.”

China’s growing economic attractiveness comes at a time when Russia’s economy is struggling with the repercussions from the fall in oil prices and the sanctions imposed by the US and the EU in 2014. Russia’s main means of attracting new membership are subsidized oil and gas and the prospect of the free movement of labour within the EEU. However, Western sanctions will make Russia less inclined to subsidize exports to the FSU. Similarly, Russia’s worsening economic position is undermining the main benefit to Central Asia of free movement of labour: remittances from citizens working in Russia. For example, half of Tajikistan’s working age males are in Russia and according to the World Bank the remittances they send home account for over half of Tajikistan’s GDP. These remittances are plummeting due to Russia’s struggling economy. By contrast, in 2013 Chinese investment in Tajikistan equaled approximately two-thirds of the country’s GDP.

In fact, China undermines the potential growth of the EEU simply by providing Central Asian states with a better economic alternative. The EEU’s prospects have already been stymied by the belief in Ukraine that the EU promised a brighter economic future. China could provide Russia’s attempts to extend influence over Central Asia with a similar challenge.

China’s ambition: The New Silk Road

In September 2013 President Xi announced China’s intention to build a “Silk Road Economic Belt” that would connect China to Europe via new maritime and overland trade routes. The overland belt would pass through Central Asia and consist of enhanced railway links and currency convergence along the intended route. The overland route would substantially decrease the time it takes to export goods to Europe. However, it would also serve a number of China’s strategic interests. It would contribute to the long-term stability of the restive Xinjiang province by helping to increase its exports to Central Asia. It would also provide China with a trade route that bypasses both the oceans and Russia. The significance of bypassing Russia is two-fold. First, China would like to minimize

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137 Financial Times, ‘Tajikistan looks to China as Russian remittances dry up’, 22 October 2014, [http://www.ft.com/intl/cms/s/0/2c87ee20-58f9-11e4-9546-00144feab7de.html#slide0](http://www.ft.com/intl/cms/s/0/2c87ee20-58f9-11e4-9546-00144feab7de.html#slide0)
its dependence on a country that regularly uses economics as an arm of geopolitics. Second, Russia’s rift with the West means that it is not seen as a reliable trade conduit to Europe.

The Silk Road may give Russia cause for concern for a number of reasons. It will hasten China’s rise to economic predominance within Central Asia, which could weaken Russia’s political leadership there, as discussed above. It could also extend China’s control of the region’s oil and gas resources, reducing China’s reliance on Russian energy and strengthening Beijing’s hand when it comes to negotiating prices. Indeed, China already owns one quarter of Kazakhstan’s oil production and the CNPC has replaced Gazprom as Turkmenistan’s largest buyer of natural gas.

One of the reasons for China’s success in Central Asia has been its ability to inspire confidence by separating business from politics. For example, China emphasizes the “three nos” that guide its relationship with Central Asia: no interference in countries’ internal affairs; no attempt to seek a dominant role in regional affairs; no desire to create a sphere of influence. However, hours after Xi announced his Silk Road plan the Russian Foreign Ministry felt the need to issue a statement that “Russia and China are not competing for influence in Central Asia,” adding that “our Chinese friends recognize the traditional role our country continues to play in this region.”

While Russia has not openly opposed the Silk Road project, it appears to have attempted to obstruct it in less overt ways. China has sought to develop a China-Kyrgyzstan-Uzbekistan railway since 1996 and finally won the Kyrgyz government’s approval during Xi’s 2013 visit. However, Kyrgyzstan soon withdrew from the project under Russian pressure. Russian analysts feared that the line would compete with the Trans-Siberian railway and that it could be a means for China to facilitate large-scale migration and infiltration by the People’s Liberation Army into Central Asia.

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139 Financial Times, 'Tajikistan looks to China as Russian remittances dry up', 22 October 2014, http://www.ft.com/intl/cms/s/0/2c87ee20-58f9-11e4-9546-00144feab7de.html#slide0
To be sure, Russia and China both publicly deny that their economic intentions for Central Asia conflict. However, tacit competition for economic and geopolitical influence in Central Asia is likely to increase. On 8 November 2014 Chinese President Jinping unveiled a $40 billion strong Silk Road infrastructure plan with the aim to build railways, roads, ports and airports across much of Central Asia. China’s influence in the region grows as a natural consequence of its burgeoning economy. Russia, meanwhile, is likely to view this with growing unease as it tries to extend its own influence across the region through the EEU.

Further to the east, Japan needs to diversify its energy imports and Russia is looking to satisfy the demand of new clients. Indeed, Japan has demonstrated that it is prepared to co-finance and even fully sponsor large-scale investments in infrastructure. In 2012 Tokyo and Moscow announced that they would cooperate to build a Mazda assembly plant and a liquefied natural gas plant in the warm water port of Vladivostok, an investment estimated to be worth $13 billion.\textsuperscript{144} Rather than approaching South Korea, though, Russia has in the wake of worsening relations with the West made several overtures toward Pyongyang, resuming earlier talks about extending the trans-Siberian railway and a gas pipeline into North Korea.\textsuperscript{145}

\textit{Energy investment and regional trade: preliminary assessment}

For the most part economic relations between Russia and China remain driven by self-interest rather than mutual collusion to fulfill shared strategic goals. In the energy sector, Russia has long demonstrated its fear of China’s growing economic influence over the Russian Far East by preventing it from investing in its upstream oil and gas industries. By contrast, Russian energy giants continued to cooperate with Western firms despite growing tensions with the US and EU. Only in the last few years has Russia allowed Chinese upstream investment, and it has taken Western sanctions to shake Russia’s relationship with Western oil and gas companies. Similarly, large though they are, recent oil and gas deals between Russia and China do not seem exceptional. Moscow agreed to the most significant, the gas deal of 21 May 2014, after ten years of negotiations, amidst falling revenues from Europe and with the Russian Far East in desperate need of capital. Thanks to Russia’s hesitance and financial weakness, China has already undertaken deals of comparable size in Central Asia.


Bilateral trade as a whole has increased since 2008, but Russia remains China’s ninth largest trading partner, behind countries including Australia and Malaysia. By contrast, other than the EU China is Russia’s largest trading partner, which could be indicative of Moscow’s fear of “China dependence”. Even in an area where collusion could gradually undermine the United States unipolar position – the internationalization of the renminbi – Sino-Russian cooperation has been unexceptional. In Central Asia, Russia and China have appeared to be as much strategic competitors as partners. In East Asia, China’s drive to establish the Free Trade Area of the Asia Pacific (FTAAP) might well be motivated, at least in part, by the desire to create a counter balance to the Trans-Pacific Partnership led by the U.S. and Japan. However, Russia’s membership of the FTAAP was to be expected, as it will include many Asia-Pacific countries including China’s leading adversary, Japan.

The recent increase in energy and trade cooperation between Russia and China could be explained without reference to their strategic partnership. However, as mentioned at the beginning of this paper, that increased cooperation need not be reflective of a deep existing partnership does not exclude the possibility that it could be formative of one. China and Russia are cooperating out of self-interest, but their increasing economic interdependence could become the basis for a stronger, more coordinated relationship in the future. The widening rift between Russia and the West over Ukraine could generate additional incentives for Moscow to work in that direction.
DIPLOMACY AND FOREIGN POLICY

In answering the question regarding a development toward more pragmatic cooperation in the bilateral interest and the evolution of mutual trust, the last part of the report analyses diplomacy and foreign policy initiatives undertaken by the two countries. The key question interrogating the “axis of convenience” thesis in this policy area can be formulated thus: Does cooperation between Russia and China in diplomacy and foreign policy at large indicate a relationship based on strategic collaboration, or is there still a pattern of coordination compatible with an \textit{ad hoc} pursuit of self-interest?

A movement toward closer cooperation in multilateral organizations such as the UN, the G20, the SCO, the BRICS group and other international arenas would indicate that the diplomacy pursued by Beijing and Moscow demonstrate converging features. The same goes for voting patterns as well as statements made as justification of votes, or at press conferences held by diplomats or other public officials. Whereas the way in which the two publicly portray their relationship in multilateral organizations presumably is the clearest indication of how much they are prepared to invest in joint or reciprocal efforts in diplomacy and foreign policy, utterances in a bilateral context may of course provide additional insights into the same issue.

The UN Security Council is the primary forum of international peace and security and therefore of particular significance to Beijing and Moscow. Especially interesting is if a pattern of strategic collaboration, beyond \textit{ad hoc} coordination, can be discovered on contested issues in the Middle East and/or Africa, where most peacekeeping missions take place. The Libya intervention 2011 by NATO, implementing an “all necessary means” mandate provided by the UN Security Council, is an obvious instance of Beijing and Moscow deciding on the same course of action. The same can be said about the Syria crisis 2011-2014, though this time both capitals consistently blocked an analogous resolution.

The 2009-2014 period is also intriguing because it represents a time when informal decision-making arenas gathering heads of state and government, such as the G20 and the BRICS, attracted a lot of attention in world politics. The question is if Sino-Russian coordination was clearly visible in the approach adopted within informal institutions like the G20 and the BRICS, or whether the actions of either country can be inferred to suggest that collaboration beyond that of “convenience” did occur. In this context it is useful to try and map the use of loaded terms like “multipolarity” as a normative concept for the kind of international relations toward which China and Russia aspire.
But a final and presumably particularly useful indication of whether China and Russia are able to identify problems that they can jointly address in a pragmatic manner, and thereby start to build mutual trust beyond “convenience” matters, is the pattern of Sino-Russian cooperation in Asia. This is a region where the influence of the United States and Europe is constrained by geographic distance, and consequently there are considerable opportunities for Beijing and Moscow to engage in “milieu-shaping” of the environment in which they operate. Given the ambitions of both to project themselves as global powers, however, there is an apparent danger that friction will arise as regards the precise geographic region and level of engagement.

The most obvious success of Sino-Russian foreign policy coordination in the region is the evolution of the SCO. While both sides may exaggerate the benefits of the SCO, it does appear to have established an organization within which security cooperation on a range of issues including borders, organized crime, and ethnic tensions has made progress. The SCO is, moreover, a diplomatic arena at which associated issues also can be raised. At the same time, China’s expanding relations with the governments of Central Asia are unlikely to be a welcome development in the eyes of Moscow. From Beijing’s viewpoint, one must assume, Russia’s attempts to improve relations with India and Japan in recent years are similarly a cause for concern.

The third and final part of this report, in other words, turns to the evolution of Sino-Russian ties in the field of diplomacy and foreign policy. We begin by examining the 2009-2014 developments in multilateral organizations, with particular emphasis on the UN Security Council. We then move on to informal institutions, primarily the G20 and the BRICS groups. In a last step we turn to Asia, looking at how the SCO has handled issues of mutual concerns, and at the pattern of foreign policy in Russia’s and China’s neighborhood.

**Multilateral organizations and the UN Security Council**

China and Russia have not worked within multilateral organisations as constructively as have other countries. One reason for this is that they have historically sought to limit what they have viewed as attempts by Western powers to reshape the world in their own image. When communism was the pervasive ideology in Beijing and Moscow the resistance was adamant, systematic, and left little room for compromise. While the convergence of

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Chinese and Russian society to a market-based political economy has removed these ideological barriers, deep-seated concerns over Western interference still tend to attract a defensive diplomatic posture.

The power to block action in the UN Security Council is one of the major instruments available to Beijing and Moscow in the toolbox of international relations. China has used the formal veto only on ten different occasions, the last eight since the end of the cold war. But notably the past six negative votes (2007, 2008, 2011, 2012 and 2014) were all aligned with the voting behavior of Russia. In 2011, 2012, 2013 and 2014 China four times thwarted attempts by France, the UK and the US to pass a more robust resolution on Syria, one that would condemn the regime of Bashar al-Assad and help enable direct engagement on the part of the international community.

Russia is by far the most frequent user of the veto, with some 130 negative votes cast over nearly seventy years of Council history. In contrast to Chinese diplomacy, Russia has nevertheless been less inclined to resort to the formal veto since the late 1980s. Even today, Moscow continues to be a constructive partner to Council member states and the UN at large on the majority of issues currently on the agenda. Both the wider responsibilities in terms of peacekeeping missions in Africa, often bolstered by regional bodies such as the African Union, the League of Arab States or ECOWAS, and the “deeper” engagement of UN agencies in Timor-Leste and Kosovo, have been endorsed by the Russian government.

But on the civil wars in Syria and Ukraine, where Moscow finds its national interests at stake, its diplomats at the UN headquarters and in relevant capitals have sought to head off international engagement. On the issue of Syria Russia found it relatively easy to win support from China, citing the lack of regional support for UN-mandated intervention and the absence of a clear strategy on which to build such an approach. When France, the UK and the US drafted a narrower Council resolution aimed at raising the stakes of all parties to the Syrian civil war in targeting non-combatants, most recently in May 2014, Moscow once again managed to sway Beijing into supporting its position. In a 13 to 2 vote in the Council, both countries rejected a draft resolution that would have strongly condemned human rights abuses by all sides in the Syrian conflict, and at the same time allowed the International Criminal Court (ICC) to investigate “the situation in Syria” and attribute responsibility to an identifiable actor.147

147 UN Security Council, meeting protocol S/PV/7180, 22 May 2014, New York.
Regarding Ukraine, however, Russia has not been able to rely on diplomatic cover from top-level Chinese diplomats and political leaders. Illustrative is the statement made by China’s Deputy Permanent Representative to the UN, Wang Min, in a debate held on 24 June 2014. Wang Min outlined four principles according to which Chinese foreign policy adhered, the fourth principle saying that:

China respects the sovereignty and territorial integrity of all countries, including Ukraine, and we will continue to hold a fair and objective position in actively taking part in the consideration of any proposals and initiatives for the easing of tensions and for finding a political solution.148

Although no criticism was expressed against Russia’s handling of the situation, the statement clearly implied that China was concerned with the disregard Moscow held for the sovereignty and territorial integrity of Ukraine, as well as the implications of its actions on international law and the conduct of international relations.

It has been speculated that Beijing may be deliberately exploiting Russia’s “misbehavior” in Ukraine and its enhanced military posture toward European neighbors to attract more diplomatic attention from the United States and the EU.149 Given the increasingly clear pattern of China and Russia providing each other with political cover in the UN Security Council, while refraining from critique of types of transgressions that they may not have overlooked in the past, Beijing and Moscow are now compelled to show greater consideration for one another’s interests than in the period prior to the establishment of a Sino-Russian “axis.” The “Russia factor” in Chinese foreign policy is being recognized among policy-makers and analysts, as is the “China factor” in Russian foreign policy.150

Informal Institutions
The years 2009-2014 coincide with the rise to prominence of the G20 as a summit mechanism and the forming of the BRICS group. Informal institutions have a long history in international diplomacy but have during the course of the 20th century been substituted by formal multilateral organizations and a vast array of international conventions and accords, rendering them less central to

the functioning of world affairs. For various reasons that cannot be explored here, the reemergence of informal institutional in the realm of diplomacy and foreign policy in the 21st century appear to stem from what some see as the dysfunctional character of multilateral organizations and negotiation processes requiring the consent of all participating delegations. Examples of dysfunctional processes are available especially in the area of international trade and climate change, where no new treaties have been finalized since the mid-1990s.

The G20 and the BRICS group have allowed both China and Russia opportunities to build political coalitions in multilateral arenas dominated by the Western countries and the United States. When the successful handling of the 2008-2009 financial crisis warranted a stimulus package on an unprecedented scale that the G8 countries could not mobilize by themselves, China was the most important component to a stable solution. The added value of the G20 becoming a summit of heads of state and government alone was limited for Russia at the time, as it had managed to elbow itself into the G8 (with the exception of regular finance ministers’ meetings, still held in the G7 context). But in conjunction with the BRICS group, whose first summit in June 2009 was spearheaded by Russia, the rise of leader-driven informal institutions have allowed both Moscow and Beijing to advance and consolidate their positions in the architecture of world diplomacy.

For Russia the 2013-2014 period provided an extraordinary two years for influencing agenda-setting among informal international institutions in the capacity of chair. Moscow was slated to assume the G20 presidency in 2013 and the G8 presidency in 2014, with the chairmanship of the BRICS group running from July 2013 to June 2014. Whereas the first of those two years worked reasonably well, leading up to the 5-6 September 2013 St. Petersburg summit, the annexation of Crimea and the Ukrainian civil war induced by Moscow made the G8 member states suspend Russia’s membership in late March.151 Meanwhile, at the mid-July 2014 BRICS summit an agreement establishing a $100 billion-strong new BRICS Development Bank was signed.

It would appear that China has so far sought to avoid being viewed as unilaterally challenging US pre-eminence in international financial institutions.152 The 18th Congress of the Communist Party of China, held in 2014,

reaffirmed that the country should “actively participate in multilateral affairs,” which suggests a renewed commitment to existing international economic and political arrangements. Notably, China cooperates constructively in the Financial Stability Forum and its rigorous review process, which in the long run helps Chinese corporations adapt to the highest standards in global financial management and accounting. But a specific goal within that multilateral agenda is to internationalize the renminbi and make it more commonly used in financial affairs. Paying tribute to formal multilateral organizations and regulations that emanate from them thus has both a symbolic and an instrumental value.

For the most part, though, both countries appear more comfortable within informal institutions such as the G20 and the BRICS, where credentials associated with democracy and human rights count for little and troublesome NGOs often are easier to keep at bay. The economic weight of modern China and the greater experience of Russia in international diplomacy combine to make them dominant in the BRICS constellation. With the opportunity to coordinate their positions with other non-Western powers in advance, Beijing and Moscow are able to leverage considerable influence within the G20 as well as in regular multilateral organizations where they may want to counter the initiatives of North American and European countries.

In the G20, of course, democracies make up the majority of member states and an array of side arrangements provide opportunities for civil society organizations to voice criticism and concerns that authoritarian or semi-authoritarian regimes typically want to suppress. Within that category of countries in the G20 Russia and China have the company of Saudi Arabia and Turkey. In setting the agenda and arranging the working group meetings, a member state clearly has the discretion to deemphasize issues that have the potential to embarrass it at home and abroad. Notably, from September 2013 to August 2016 only Australia interrupts the succession of presidencies discharged by Russia, Turkey and China, indicating that there will be less cause of embarrassment throughout that period.

The SCO and Sino-Russian foreign policy cooperation
The SCO, made up entirely of authoritarian and semi-authoritarian regimes, will hold their 2015 summit in the city of Ufa in the Urals. A priority for the SCO under its 2014-2015 Russian stewardship is to expand its membership beyond China, Russia, Kazakhstan, Uzbekistan, Kyrgyzstan and Tajikistan. Top SCO officials have expressed hopes that India, Pakistan, Turkey, Iran and Mongolia could join the organization in the near future. While supportive of Pakistan's
potential membership, China appears particularly hesitant about India’s accession to the SCO.\textsuperscript{153} For its part, Mongolia is wary of being “squeezed” even further by its two large neighbors and has not opted in. Turkey, albeit not a “next door neighbor,” requested and was given status as “dialogue partner” in 2013. Turkey’s leaders—and especially Prime Minister Recep Tayyip Erdogan—have despite domestic criticism subsequently reiterated a desire for full membership in the SCO.\textsuperscript{154}

Prior to the September 2014 SCO summit, Russian president Putin also suggested that China and Russia should “enhance coordination on international and regional affairs.”\textsuperscript{155} That seems to suggest that the path on which the two countries embarked a number of years ago would progress from where it stands today, or at least that this is what the Russian leadership is hoping for. One example of this consensual approach was the September 2013 visit by newly elected Iranian President Rouhani’s to Bishkek, Kyrgyzstan, primarily to sit down with his Russian and Chinese counterparts to discuss civil nuclear cooperation and the non-proliferation regime of concern to all UN Security Council member states.\textsuperscript{156}

But the travel diplomacy of the Chinese president that same year covered all five Central Asian countries in the first months of his tenure, which at the same time indicated that Russian concerns will not halt Beijing from shaking things up in the common neighborhood. In Turkmenistan China has financed the exploration of the world’s largest gas field, the Galkynysh, which together with other investments have made this country dependent for more than half of its revenues on the Chinese economy.\textsuperscript{157} With Russia using up its financial reserves to make up for shortfalls of European demand and steeply declining oil prices, China has stepped in with pledges in tens of billions of dollars. To Tajikistan

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alone Beijing has promised $6 billion through 2017, estimated to outweigh other foreign investments by some forty times.158

If Beijing was previously wary of Russia cultivating ties to its neighbors and especially to large Asian powers such as Japan and India, these concerns appear to be waning. Indian analysts today affirm that the Sino-Russian partnership “is becoming a lot thicker than that between India and Russia.”159 Moscow may very well have entered into the “axis” in order to widen its options in foreign policy, but some commentators believe Russian diplomats in the post-Crimea period began to try and prod Beijing toward a collision course with the West. Needless to say, Chinese leaders resisted measures in that direction.

Japanese-Russian relations have more potential to generate misinterpretation on the part of China, as a result of the fierce historical enmity inherent to Sino-Japanese relations. In that context it is interesting that Japanese Prime Minister Shinzo Abe since his appointment to this post in 2012 has met with Vladimir Putin no less than ten times.

**Tempering ambitions, stemming disputes, in Asia**

The relative success and continued attraction of the SCO is not matched by that of the Russia-sponsored CSTO, whose founding treaty was forged in 1992 as an equivalent to NATO in the post-Soviet space. Nor has Moscow’s ambition to create close economic cooperation on a regional basis, a counterpart to the EU, come off the ground until now. The EEU brings together merely the Russian Federation, Kazakhstan and Belarus and came into being on 1 January 2015. Moscow nurtures expectations that Armenia and Kirgizstan will join in the near future but has had to give up on Ukraine.

Despite large gestures and reorganization efforts, Moscow has not been able to insert Russia as a major actor in Asian affairs. The stupendous Vladivostok summit of the Asia-Pacific Economic Community in 2012, financed to the tune of an unprecedented $22 billion, made no real dent in Russian relations to Asia at large. Prior to the summit, the Russian government had in fact established an entire Ministry of Far Eastern Affairs. In the end, though, the presidency and the foreign ministry almost exclusively pursues a “China Plus” strategy, not one engaging Asia as a whole.160

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The Russian government primarily views the CSTO as an auxiliary mechanism that should help prop up its leading role in the post-Soviet space. The military function is embodied in two contingents: there is the Central Asian Regional Collective Rapid Deployment Force and the Collective Fast Deployment Force. The former was created in 2001 and consists of 5,000 troops who can be deployed within five days. The latter was established in 2009 and today numbers some 20,000 combat-ready forces from the armed forces and special forces from interior and security ministries. The attempts to create greater convergence in military command among the six member states, which include Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan and Tajikistan, may nevertheless alienate the CSTO from neighboring countries, especially Uzbekistan and Azerbaijan.161

But more generally in the field of foreign policy, developments in Central Asia are obviously moving in China’s favor due to the growing economic weight of Asian economies and that of China in particular. The longstanding relationship with India in defence, described in part one of this report, is one of few mitigating factors on which Moscow probably can continue to rely. Pakistan, Burma, Thailand have no historical experience of closer ties with Moscow. Meanwhile in East Asia, Russia has merely gas and oil to offer an economic powerhouse like South Korea, though not yet the infrastructure to support an ambitious expansion. Compared to the sophisticated “charm policies” put in place by Japan and China in this part of the region, Russia’s old-fashioned propaganda tools appear stale.162

The precariousness of the regional balancing act that Beijing and Moscow need to recalibrate on a regular basis is difficult to assess from outside. But it would appear that there is mutual recognition of most issues that are in the immediate interest of the other party, and that the “axis” is preserved by the simple act of deferment. The annexation of Crimea is not directly detrimental to China, and so Beijing stays silent or speaks in vague language about principles, when needed (such as at the UN Security Council). The same is true for China’s interests in the South China Sea, which is an issue that Russia does not address.163

163 Ivan Nechepurenko (2014) China’s clever neutrality over Ukraine and the evolution of the Shanghai Cooperation Organization, Asian Waves, Aspen Institute of Italy, 12 October,
Whether this creates a framework within which sensitivities on both sides can be considered and catered for is even more complicated to predict. But if the common objectives of a Sino-Russian “axis” are mainly associated with multipolarity and reducing the leverage of “the West” on Chinese and Russian foreign policy, the major challenges facing the relationship revolve around Asian neighbors. The SCO and the direct dialogue established between the governments and the military leaderships appear to limit the danger for sudden upheavals on matters that regularly are made subject to review. But the precise direction and level of unilateral “power projection” could still cause serious conflicts to erupt or simmer beneath the surface of polite bilateral diplomacy.

**Diplomacy and foreign policy: preliminary assessment**

In diplomacy and foreign policy the Sino-Russian “axis” has been increasingly visible in the past few years, within multilateral organizations, informal institutions, and well as at the regional level. With the exception of the Middle East policy of early 2011, when the so-called “Arab Spring” altered the political landscape of that region and unsettled patterns of foreign policy behavior in many countries, China and Russia have developed their collaboration significantly. Their coordinated behavior on the civil war in Syria 2011-2014 is the most obvious expression of this, where the Permanent Representatives of the two permanent member states have used to the veto four times. China, which only resorted to the veto on nine occasions since it took up its position in the Council, has thus adapted to the Russian stance on this matter.

In terms of informal institutions such as the G20 and the BRICS, a similar movement toward closer cooperation and consolidation of relations between Beijing and Moscow and with leaders of other major economies in the world can be witnessed. The combination of the narrowed constellation gathering emerging great powers within BRICS and the wider community of the twenty largest economies appears to work for the benefit of Russia and China, as well as for their bilateral relationship. The multiplicity of platforms and arenas to which Moscow and Beijing have direct access allow governments in both capitals to be well-informed about the summit agendas well in advance, and to use their networks to prepare the ground for their own initiatives and downplay those of others that they disfavor. It is interesting that the BRICS group was not undermined by the assertive behavior of Russia in Europe in 2014, and that the launch of the BRICS Development Bank that year never seriously risked being derailed.

At the regional and local level of Sino-Russian relations, there are some developments indicating that mutual trust may be growing between the two sides. This is especially the case within the SCO framework, which is one in

which both Russia and China appear to collaborate comfortably. Although no major achievements were registered in 2009-2014, the notion of expanding the membership and deepening the activities of the SCO suggests that most leaders are satisfied with how things have developed.

At the same time, Beijing and Moscow have recently been making diplomatic inroads and signing far-reaching agreements with neighboring countries. There are hardly any critical comments directed from one side to the other on such potentially contentious agreements, and it may be the case that policy initiatives in the vicinity are cleared at the political level before they go ahead. But the vast investments that China has pledged in Central Asia are unlikely to leave Russian leaders indifferent, and the same goes for Moscow’s overtures for deepening military ties with India and engaging in large-scale industrial projects with Japan. As indicated at the outset, the hesitancy is less visible in the realm of diplomacy than in economic and defence relations.
CONCLUSION

When returning to the subject of Sino-Russian relations in January 2014, Bobo Lo predicted that the Kremlin, facing the reality of growing asymmetry in relation to China, would “adhere to the status quo.”  

This meant that Moscow was expected to focus on the bilateral relationship, on what could be accomplished in the energy sector and with regard to other natural resources, as well as on “the business side of things.”  

Lo also assessed that this would not change in the short- to mid-term perspective.

Since then, however, the Ukraine conflict has inserted a new dynamic into Russia’s external relations and how Moscow perceives its position within transatlantic security and political economy frameworks. The Putin administration has invaded a neighbor and annexed part of its territory, and further displayed deep disregard for European multilateral organizations and legal arrangements. In brief, Russia’s political investment in European institutions such as the OSCE, the Council of Europe and the NATO-Russia Partnership Council today appears a lot more superficial than it did in the beginning of 2014, let alone in the 1990s.

Russia’s apprehension of China in the mid- to long-term is according to the analysis conducted here still as vibrant as when Deng described it in 2007. Moscow’s concerns are, judging from the patterns of its military exercises in recent years, above all associated with the threat of incursions into RFE. Conversely, China would clearly reject and promptly punish any Russian involvement in the disputes over territorial waters in the South China Sea or over Taiwan. These are some of the key strategic considerations that the two are making about each other and the future behavior they expect.

To sum up our findings in accordance to the three parts of the report, we begin with the observation that defence relations remain roughly at the same level as before. Although the governments appear to be encouraging more cooperation in terms of arms trades, joint exercises and training, each project is obviously judged separately. On that basis, some agreements are suspended or cancelled without a clear justification being provided. Both sides are careful not to give the other a major technological or operational advantage through collaboration that has not been carefully thought through. Overall, Russia continues to have an advantage over China in terms of its highly developed arms industry, with a long experience of translating technological innovation into mass production.

164 Lo (2014), p. 31,  
165 Ibid.
When it comes to energy investment and regional trade, though, China is the far bigger party in the relationship. A series of new accords have been signed in recent years, in particular in 2013-2014. Some of these new accords were politically motivated, whereas others supposedly stem from the coincidence of Russia being a major supplier of fossil fuels while China’s energy needs are virtually insatiable. The standoff between the Russia and the West over Ukraine speeded up the negotiation process on some of the more consequential recent deals, and it appears China received exceptionally favorable terms in the large 2014 accord worth $400 billion. Whether because of economic necessity or the evolution of mutual trust in this particular sector, Russia also began accepting Chinese equity stakes in upstream infrastructure investments in RFE and Central Asia.

On the global diplomatic stage the relationship is more balanced. As far as one can see, Russian efforts to persuade Chinese leaders to align with an evolving anti-Western diplomatic stance during the course of 2014 were largely unsuccessful. To be sure, China has provided Russia with political cover in the UN Security Council and in informal institutions such as the G20 and the BRICS, which may or may not indicate a growing convergence of global strategic priorities. In Asia, however, mutual suspicion has been lingering—at least outside of SCO activities—based on the notion that either party might find a way to exploit diplomatic initiatives, energy deals or defence contracts to advance national security at the expense of the other.

That is, the Sino-Russian “axis of convenience” very much persists in a general sense of the term. Whereas both sides have accommodated to the diplomatic language of strategic collaboration and the promotion of multipolarity, there are clearly limitations to bilateral cooperation in foreign policy. The starkest expression of how far advanced the “axis” has developed is to be seen in the realm of energy cooperation, where the two countries currently are building up a significant level of interdependence. Conversely, the pattern of arms trade and military exercises at the same time demonstrate the considerable constraints inherent to Sino-Russian defence ties. These are two countries that are seeking to work together on sometimes difficult issues, but whose representatives find it imaginable that they may one day turn out to be each other’s enemies.
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