Facing the “new normal”: The strong and enduring Sino-Russian relationship and its implications for Europe

Christopher Weidacher Hsiung
Abstract

This report examines the development and main characteristics of the Sino-Russian relationship in the post-Cold War period with a certain emphasis on China. It identifies the factors that have shaped Sino-Russian relations and discusses various scenarios for such relations in the next 10–15 years. The report also assesses the implications of these scenarios for Europe.

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Main points

- Contrary to popular belief, the current upswing in Sino-Russian relations is not only the result of the crisis in Ukraine in 2014, but has been an incremental process ever since the end of the Cold War. Broadly speaking, Sino-Russia relations have gone through three distinct phases: (a) foundation of the strategic partnership in 1991–2000; (b) an ambivalent maturing of relations in 2001–2007; and (c) new levels of cooperation in 2008–2018. Often overlooked is the fact that much of today’s close relationship is based on important steps taken back in the 1990s, not the least resolution of the highly toxic border dispute, which has ensured stable and friendly bilateral relations. Nonetheless, since the global financial crisis in 2008 and especially after the crisis in Ukraine, Sino-Russian cooperation has expanded considerably.

- Triangular interactions between China, Russia and the USA have shaped the development of Sino-Russian relations. In particular, underlying strategic competition since the end of the Cold War and recent increasing tensions between China and the USA, and Russia and the USA, have increasingly functioned as a driver of closer China-Russia ties.

- Leadership and domestic interest groups have also shaped Sino-Russian relations. Managing China-Russia relations is very much a top-down affair for the political leaderships of both countries, but powerful domestic interest groups such as energy companies and the military also play a role. Generally speaking, Russia’s China policy has lacked a clear long-term vision in comparison with China’s Russia policy, which has been more consistent and strategic.

- The most important development in the bilateral relationship is that China is increasingly becoming the dominant party, which has shaped the nature of relations. How the two sides manage the growing power asymmetry and its effects will be one of the biggest challenges in the future.

- Based on past and current developments, four possible future scenarios emerge for Sino-Russian relations in the next 10–15 years: open rivalry, military alliance, a limited relationship and strategic alignment. The most likely scenario is strategic alignment.
Implications for Europe

- Europe (and the West in general) will have to accept a "new normal" of strong and enduring Sino-Russian relations. It will be hard to drive a wedge between China and Russia, as the USA did successfully during the Cold War. At the most fundamental level, a stable Sino-Russian relationship allows Russia the geopolitical space to pressure its neighbors and Europe, and China to focus on the strategic rivalry with the USA in the Asia-Pacific region.

- The expanding China-Russia partnership will draw Russia closer into China’s orbit as China will increasingly determine the terms of the relationship. This could affect Europe’s approach to Russia as Moscow looks to develop closer political, security and economic ties with Beijing.

- China will occupy an increasing share of Russia’s economy, and this will have implications for Western business opportunities in Russia. This will be most noticeable in the energy sector. In Northern Europe, this has already meant a growing Chinese presence in the Arctic.

- Military cooperation, such as joint naval exercises, including in Europe, is likely to increase. However, China and Russia will not form a military alliance. Both sides are reluctant to be dragged into a military confrontation with the USA.

- The potential for greater coordination between China’s Belt and Road Initiative and Russia’s Eurasia Economic Union could have implications for Europe’s role in Eurasia. Europe needs to consider how it wishes to engage with Chinese and Russian ambitions for Eurasian integration.

- Closer Sino-Russian alignment could complicate matters for Europe (and the West more generally) regarding global governance and adherence to liberal values and norms. The greatest challenge will come from individual or joint efforts by China and Russia to adjust the international order in a way that benefits Chinese and Russian interests.
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Introduction

The Russia-West stand-off linked to the crisis in Ukraine in 2014 has pushed China and Russia closer together. Heightened tensions between China and the USA linked to the ongoing trade war and Washington’s toughened stance on the Taiwan issue, coupled with US pressure and the continued sanctions regime on Russia, have further incentivized China and Russia to build closer ties. While the prevailing view is to portray these Sino-Russian alignments as an “axis of convenience”, others tend to claim that China and Russia are moving closer to substantial strategic convergence. Long seen as an unlikely possibility, some analysts are even beginning to float the notion of an alliance, describing the close alignment between China and Russia as “on the verge of alliance” or a “quasi-alliance”. The Russian military exercise, Vostok-18, in September 2018, which involved Chinese participation for the first time ever, has only added to such claims. One observer called it an “open declaration of an alliance”.

Although bilateral relations between China and Russia have grown closer and deeper since the crisis in Ukraine, such developments are not just the result of that crisis. In fact, improving ties has been an incremental and gradual process since the end of the Cold War. It is frequently overlooked that much of today’s close relationship is based on important steps taken back in the 1990s, not least resolving the bitter border dispute, which has ensured stable and friendly bilateral relations. Improved Sino-Russian relations have manifested themselves in highly institutionalized mechanisms for political contact and exchange from the senior leadership to the local levels; expanding energy collaboration, including Arctic energy cooperation; regularized and more complex military exercises, notably even in European waters; and increased international policy coordination on international “hot spot” issues such as Syria and North Korea.

In many ways, the ongoing alignment constitutes one of the most successful foreign policy achievements of both Beijing and Moscow in the post-Cold War period. These stable ties stand in stark contrast to the historical track record of highly conflictual Sino-Russian interactions, in particular during the Cold War which was fraught with volatility, rivalry and even outright military confrontation – as demonstrated most clearly in the brief border war of 1969. It is not for nothing that Chinese and Russian leaders frequently proclaim that Sino-Russian relations are at their “best level in history”.

At the same time, however, several potential areas of friction and underlying tension remain. The legacies of a highly volatile history and deep-rooted sources of mutual mistrust persist. China and Russia are two neighboring great powers with a strong realpolitik mentality, and the
potential for strategic competition is never far away. While both China and Russia resent US global dominance and share an aversion to Western liberal values and norms, Beijing and Moscow subscribe to different future worldviews on the international order and, crucially, their respective roles within such an order. Most importantly, however, the rise of China and the relative decline of Russia have created an increasingly asymmetrical relationship with China as the emerging dominant partner. This switch of roles stands in stark contrast to the Cold War period when the Soviet Union was the stronger party. How the two sides manage the growing power asymmetry and its effects will be the biggest future challenge in the bilateral relationship.

This raises some important questions. How strong and durable is the Sino-Russian relationship? What do the past and current state of relations suggest for the future trajectory of Sino-Russian relations? Will China and Russia form a political-military alliance? What are the implications of the Sino-Russian relationship for global politics in general, and for Europe in particular?

This report examines the main characteristics and developments of the post-Cold War Sino-Russian relationship and identifies the main factors shaping Sino-Russian relations. Much of the existing literature on Sino-Russian relations focuses on the Russian perspective. Some discusses specific issues in the relationship such as energy and military cooperation, or interactions in Central Asia. It is also common to assess the current strong Sino-Russian relationship in the light of the crisis in Ukraine. This report instead looks at the relationship from a longer-term and broader perspective than post-Ukraine 2014, and with an emphasis on China. The aim is to provide a comprehensive and holistic view of how Sino-Russian relations have developed since the end of the Cold War while also discussing future scenarios and assessing the implications for Europe.

The report is organized in three parts. Part 1 provides a general overview of the main developments and features of the post-Cold War Sino-Russian relationship. This can broadly be divided into three distinct phases: the foundation of the strategic partnership in 1991–2000; an ambivalent maturing of relations in 2001–2007; and new levels of cooperation in 2008–2018. Part 2 assesses three factors that have shaped Sino-Russia relations: the triangular interaction between China, Russia and the USA; political leadership and different domestic interest groups in China and Russia; and the growing power imbalance in China’s favor in the Sino-Russian relationship. Part 3 evaluates how China-Russia relations will develop over the next 10–15 years and discusses the implications for Europe. Four broad scenarios for Sino-Russian relations are suggested: open rivalry, military alliance, a limited relationship and strategic alignment. The most likely scenario is held to be a trend toward strategic alignment.

The gradual strengthening of bilateral relations

The current stable and close Sino-Russian relations are the result of a steady and gradual strengthening of the bilateral relationship since the end of the Cold War. Broadly speaking, relations have gone through three phases: (a) building the foundations of the strategic partnership, 1991–2000; (b) an ambivalent maturing of relations, 2001–2008; and (c) new levels of cooperation, 2009–2018.

Building the foundations of the strategic partnership, 1991–2000
In the 1990s, China and Russia built much of the fundamental basis for their current strategic partnership. While economic and trade relations remained underdeveloped, political considerations moved the once hostile and conflictual bilateral relationship on to a more cordial and friendly footing. Two aspects were of particular importance in setting the scene for future developments: recognition and mutual respect as equal partners at a time of uncertainty and, in particular, successful diplomatic interactions to negotiate and maintain a peaceful and friendly border.

Formal diplomatic ties between China and the newly independent Russia were established shortly after the break-up of the Soviet Union in 1991. China and the Soviet Union had been working consistently to improve ties since the beginning of the 1980s, including bilateral talks on resolving the border issue and reducing military tensions on the Sino-Russian border. Joint efforts finally led to full normalization when the Soviet leader, Mikhail Gorbachev, visited Beijing in 1989, thereby ending the long Sino-Soviet hostility that had plagued relations since the beginning of the Sino-Soviet split at end of the 1950s.

Although China and Russia now stood on a more stable formal diplomatic footing, bilateral relations in the early 1990s were highly uncertain and unpredictable. Both countries were struggling with the aftermath of domestic crises in their own countries. China was dealing with the consequences of the crackdown on nationwide pro-democracy protests in 1989, while Russia was coping with domestic turmoil and economic collapse following the break-up of the Soviet Union. A source of further uncertainty was the fact that Boris Yeltsin, Russia’s new president, was seeking to join the “Western club” by introducing Western-style political and economic reforms while also building closer political ties with Europe and the United States, as well as with NATO. Moreover, following the collapse of the Soviet Union, the USA found itself in the position of the world’s sole superpower. China was increasingly viewed by Washington as the main and coming security challenge. China was therefore worried about the prospects of a broad US-Russian alignment to encircle China, and this became a serious strategic concern in Beijing at the time.  

Bilateral trade and economic interactions were largely underdeveloped, confined mainly to regional border trade and Russian arms exports to China. Bilateral trade was estimated at around USD 5–7 billion annually in the 1990s. (Chinese-US trade in 1998 was estimated at approximately USD 55 billion.) Bilateral investment was also minimal. In addition, there was strong
regional opposition in the Russian Far East to the outcome of the diplomatic settlement of the border dispute. Local politicians, media and the public complained that Russia had given up too much land in the negotiations, were worried about Chinese immigration and fretted that a rapid influx of cheap and poor quality Chinese consumer goods would flood local Russian markets. Regional border issues in fact became so toxic in the 1990s that they threatened to jeopardize the improvement in bilateral ties.

Nonetheless, or perhaps because of these issues, concentrated efforts were made by both senior leaderships to construct close and institutionalized political relations in order to build solid and, as far as possible, predictable bilateral interactions. What followed was therefore a “step-by-step upgrading” of formal political ties to demonstrate intent, and ultimately to build stronger bilateral relations. In 1992, China and Russia established “friendly relations” and upgraded these to “a constructive partnership” in 1994. Then, in 1996, Beijing and Moscow took steps to establish the “strategic partnership” that still forms the basic official definition of the relationship today. This formal upgrade also led to a growing number of institutionalized and regularized mechanisms for presidential and prime ministerial meetings along with several mechanisms for government-level working groups and committees.

China and Russia worked hard to construct positive narratives on how the two countries viewed each other. In contrast to the West, China remained largely restrained in directing any criticism or advice to Moscow on how to conduct its domestic or foreign policy. Of course, this was in line with China’s wider conduct of foreign policy, but the effect on the Russian elite was substantial as it demonstrated to Russia that China was not seeking to capitalize on Russia’s relative weakness. Moreover, the dismantling of the Soviet Union dealt a hard blow to Russia’s sense of great power status in international politics and much of the West treated Russia as a second-rate power. China, however, was one of the very few major powers that continued to treat Russia as a great power and supported Russia’s attempts to regain its great power status on the international stage, for instance, by promoting Russia as one of the most important countries in the forming of a new multipolar international order. Russia, in turn, supported China’s stand on Taiwan, Tibet and Xinjiang.

It is often overlooked that the management and ultimately successful peaceful resolution of the historical border dispute and demilitarization of the border regions was of outmost importance to the improvement in bilateral political ties. This diplomatic interaction not only established the fundamental basis for political trust necessary for advancing bilateral relations more broadly, but also turned the Sino-Russian border into a peaceful and stable region, providing immense political dividends. This ultimately allowed China and Russia to relocate important resources to strategic theaters of a more pressing nature – for Russia in the post-Soviet sphere and in particular to counter NATO expansion and for China to focus on Taiwan equal in size to three times the present Spain. The border issue remained unresolved in the early years of the Sino-Soviet communist brotherhood. Following the Sino-Soviet split, the border dispute turned into a military clash at the Sino-Soviet border in 1969, after which the border became one of the most militarized in the world.

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12 The border dispute dates back to the end of the 19th century when Tsarist Russia annexed large areas of Chinese land in present-day Siberia, the Russian Far East and part of Central Asia. Tsarist Russia was able through a number of “unequal treaties” to claim land
and maritime disputes in the South China Sea and East China Sea.

There were in essence three interrelated issues that China and Russia had to address, and they are worth highlighting briefly. First, Beijing and Moscow settled the longstanding border dispute in a number of border agreements negotiated in the 1990s that delineated almost the entire borderline. A final agreement settled all the remaining issues in 2004. For the first time in the history of Sino-Russian relations, the entire Sino-Russian border was legally defined and delineated. Second, China and Russia worked to demilitarize the border and put in place confidence-building measures. Border troop reductions had already begun in the final years of Sino-Soviet interaction but accelerated in the 1990s. For instance, in 1994 the two sides signed an important military agreement stipulating mutual non-aggression, mutual de-targeting of strategic weapons, and non-first use of nuclear force. Two significant agreements were signed in 1996 and 1997 to define, reduce, regulate and verify the military presence and military activities in the border regions between China, Russia and the newly established Central Asian states. The two agreements laid the foundations for the establishment of the Shanghai Cooperation Organization (SCO) in 2001. Third, China and Russia managed to deal with the issue of illegal Chinese migration and uncontrolled border trade, notably through visa policy regulations, border trade management and stronger central oversight and control of regional governments in both China and Russia. The main political and diplomatic agreements are listed in Table 1.

### Table 1: Major Sino-Russian political and diplomatic agreements, 1991–2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>China recognizes Russian Federation</td>
</tr>
<tr>
<td>1992</td>
<td>Agreement on friendly relations</td>
</tr>
<tr>
<td>1993</td>
<td>Defence cooperation agreement</td>
</tr>
<tr>
<td>1994</td>
<td>Agreement on Constructive relationship</td>
</tr>
<tr>
<td>1994</td>
<td>Border agreements on eastern and western border</td>
</tr>
<tr>
<td>1994</td>
<td>Military agreement on mutual non-aggression, mutual de-targeting of strategic weapons and non-first use of nuclear force</td>
</tr>
<tr>
<td>1996</td>
<td>Agreement on Strategic Partnership</td>
</tr>
<tr>
<td>1996</td>
<td>CBM agreement with Russia and Central Asian states</td>
</tr>
<tr>
<td>1997</td>
<td>Border reduction agreement with Russian and Central Asian states</td>
</tr>
<tr>
<td>2001</td>
<td>Foundation of Shanghai Cooperation Organization</td>
</tr>
<tr>
<td>2004</td>
<td>Final border agreement</td>
</tr>
</tbody>
</table>

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13 For instance, the issue of certain islands on border rivers, notably Heixiazi Island (Bolshoi Ussuriysky Island) at the confluence of the Amur and Ussuri rivers, were left out of earlier negotiations. The islands were administered by Russia but claimed by China. According to international law (the “thalweg principle”), many of these islands should be returned to China. However, China showed a willingness to compromise and opted for a solution in which many of the islands were divided, thereby allowing Russia to maintain its legal presence on them.
Finally, joint opposition to perceived pressure from the USA began to take shape around the mid-1990s. Moscow grew increasingly frustrated at the results of its efforts to introduce Western-inspired political and economic reforms as their implementation largely failed to achieve the intended goal of modernizing Russia. Importantly, NATO’s eastward expansion, the renewal of the US-Japanese treaty alliance and the 1996 Taiwan Strait crisis spurred Beijing and Moscow to find increasingly closer ground on which to jointly oppose US policies. The Clinton administration put pressure on China to reform its political system and adhere to human rights norms. NATO intervention in the Balkans and US plans for a missile defense system further incentivized common Chinese and Russian opposition to the USA.

China and Russia therefore became more visible in expressing their concerns over US global dominance and how it affected China’s and Russia’s interests. For instance, in 1997 China and Russia issued a joint statement on a multipolar order, which implicitly criticized US global hegemony. Russia demonstrated political support for Beijing’s Taiwan policy and Beijing its support for Russia’s handling of Chechnya. Moreover, the strategic partnership established in 1996 and Russian arms sales to China enhanced China’s military capabilities in East Asia, and this was viewed by observers as a joint message to the USA. Nonetheless, the joint opposition to the USA remained largely symbolic.

Ambivalent maturing of relations, 2001–2008

With the basic political foundations laid in the 1990s, Sino-Russian relations in the 2000s entered a stage of a gradual but ambivalent maturing of bilateral relations. Ironically, the 2000s began with similar uncertainties as had existed at the start of the 1990s. Vladimir Putin had replaced Boris Yeltsin in Russia, while Hu Jintao followed Jiang Zemin in China. The “new generation” in China and Russia had little previous direct experience of the other side. Jiang Zemin, for instance, had known Russia/the Soviet Union well and even spoke Russian while his foreign minister, Qian Qichen, had long experience of dealing with Russia. Putin’s main experience was with Europe, which also initially influenced relations. For instance, like his predecessor, Putin began with a policy of seeking to mend fences with the West, and notably with the USA. This in effect meant that Russia downplayed, or even initially ignored, relations with China. For instance, the Chinese were surprised when Putin did not oppose the US withdrawal from the Anti-Ballistic Missile (ABM) Treaty in 2002, despite earlier strong joint opposition with China against such a move and US plans for national missile defense. Moreover, while both China and Russia showed support for the US so-called war on terror following 9/11, Russia’s welcome for a US military presence in Central Asia also took China by surprise, leading it to doubt the reliability of Russia’s commitment to build long-term relations with China.

Nonetheless, high-level political contacts remained an important feature and took on an air of almost standard procedure. Hu Jintao made Russia his first official visit as Chinese president, a pattern repeated by Xi Jinping 10 years later. Political relations continued to move forward and a milestone agreement, the Treaty of Good-Neighborliness and Friendly Cooperation between the People’s Republic of China and the Russian Federation, was signed in

\[14\] For instance, the two sides released a joint statement on the AMB Treaty in 2000 in which they condemned the US program for missile defense development. Plans for US missile defense would, in the view of China and Russia, severely change the strategic balance to the advantage of the USA.
In fact, the Treaty is the closest China and Russia have come to a legally defined agreement outlining the content of their bilateral cooperation. Another important step was taken when the SCO was founded in the same year. While the SCO has been criticized by Western observers for being high on ambition but low on achievements, the organization has functioned as a vital platform in which China and Russia can engage multilaterally in Central Asia. A further bilateral milestone was the final settlement of the border dispute in 2004, when the remaining border dispute issues left over from the 1990s were finally settled.

Underdeveloped economic ties also began to show signs of improvement as bilateral trade increased. By 2007, bilateral trade had reached close to USD 50 billion. Energy cooperation was an essential element of the trade basket, as China sought to diversity its energy imports away from the Middle East and Russia looked to diversify its exports away from Europe. Energy cooperation had been much discussed throughout the 1990s but without any real progress. However, from the mid-2000s a number of deals and projects were initiated. In 2006, for instance, the first Rosneft-China National Petroleum Corporation (CNPC) joint enterprise was established. In 2005, Russia accounted for 11 per cent of China’s crude oil imports and 4–5 per cent of Russia’s exports went to China. Perhaps the most notable achievement was a project to build an oil pipeline from Russia to China (ESPO). While the project was subject to a prolonged negotiation process, not least due to Russian domestic political infighting and Russian efforts to play China and Japan off against each other when bidding for the project, the pipeline began construction in 2006 and finally became operational with a spur to China in 2011. It has the capacity to deliver 15 million tons of crude oil per year. The ESPO pipeline became Russia’s main geo-economic tool for gaining increased influence in the Asia region.

China and Russia also tried to improve their regional economic border cooperation. A major part of such efforts was the “Northeast China Region and Far East and Siberia Russia Region 2009–2008 Cooperation Plan Outline”. This plan covered 205 common projects to be developed in areas such as transportation and border infrastructure, financial investment, services and environmental cooperation. The project experienced major implementation challenges, however, mostly on the Russian side linked to a lack of resources.

Bilateral security ties also developed in which the arms trade constituted an import element. The Western arms embargo on China following its crackdown on the protests in Tiananmen Square in 1989, and the economic difficulties facing Russia’s military-industrial sector in the 1990s created strong incentives to build an enduring arms trade relationship, which reached its peak in term of absolute trade volumes in the mid-2000s. According to the Stockholm International Peace Research Institute (SIPRI), Russian arms exports provided China with around 90 per cent of its imported major conventional weapons in 1991–2010. Russia exported almost 40 per cent of its arms to China in the same period. The volume of Russian arms exports to China in 1992–2017 is shown in Figure 1.

Russian arms sales played a key role in China’s military modernization as Russia acted as China’s largest supplier of arms. Russia’s arms supplies have been particularly important to China’s modernization of its navy and air force,

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35 For the full text of the Treaty, see China Ministry of Foreign Affairs,
which was intended to enhance capabilities for maritime operations linked to preparedness for events in the Taiwan Strait. At the same time, China’s arms imports from Russia helped to sustain the arms industry in Russia throughout the 1990s.

Figure 1: Russian arms exports to China, 1992–2017 (USD million)

Source: Based on SIPRI database

In the mid-2000s the two sides began to conduct land exercises, both bilateral and multilateral, through the SCO. These land exercises, which at times involved air and naval exercises and were commonly referred to as “peace missions”, were held annually. The main aims of the exercises were: to build mutual trust between the SCO member states; to provide training for military forces, with a particular emphasis on combating non-traditional security threats such as terrorism and extremism in Central Asia; and political signaling to third parties. More broadly, the Sino-Russian arms trade relationship and the joint military exercises served to enhance military ties and mutual trust between the Chinese and Russian militaries.

China and Russia also took steps to enforce cultural and societal bonds, which were deemed important for enhancing and facilitating mutual trust. Grassroots ties were underdeveloped and both sides wanted to cultivate people-to-people ties, for instance through initiatives taken by the Sino-Russian People-to-People Cooperation Council. Among the major events were the “Year of China” in Russia in 2006 and the “Year of Russia” in China in 2007.

Finally, as Russia re-emerged from its deep post-Soviet crisis in the 2000s and China’s approaching global power status was becoming more apparent, Beijing and Moscow became more outspoken in their opposition to US policy, particular in regional theaters where Chinese and Russian interests were being challenged. For instance, the US military presence in Central Asia in the wake of 9/11, while initially welcomed by Russia and silently
accepted by China, over time created a new impetus for their shared aversion to US global hegemony. In particular, the invasion of Iraq by a US-led coalition in 2003 and further NATO expansion caused concern in Russia. Moreover, the so-called color revolutions in Georgia and Ukraine alarmed Russian and Chinese policymakers with regard to US interest in “regime change”, either through war or by promoting liberal and democratic values.

New levels of cooperation, 2009–2018
The global financial crisis in 2008 marked the beginning of a new phase of Sino-Russian relations. The crisis revealed severe fault lines in the Western economic model. China was relatively insulated from the most severe shocks. Instead, it emerged as one of the most important motors for helping the global economy to recover, not least through its massive domestic stimulus package of USD 586 billion. The crisis more generally showed that the West was in relative decline and that the future of global power was shifting to the Asia-Pacific region, and especially to China. For Russia, which was especially hard hit by the crisis (Russia’s GDP contracted by 7.9 per cent in 2009 while China maintained GDP growth of 8.7 per cent) this meant a rethink of its long-term economic strategy, which had been focused on the West. Moscow was acutely aware that the Russian economy needed to diversify away from Europe and build closer ties with Asia, and in particular with China. Russia had already been attempting to broaden its engagement with the region, but it was not until after the global financial crisis that Moscow began more seriously to formulate a concerted Asia strategy, more commonly referred to as Russia’s “turn to the East”.

This turn, however, was spurred not only by economic considerations, but also by geopolitical conditions. Following the Russia-Georgia war in 2008, US-Russian relations became increasingly tense. The Ukraine crisis in 2014 and its aftermath only exacerbated such trends. In fact, the Ukraine crisis in many ways proved to be a crucial turning point in Moscow. China was now more than ever considered the most reliable foreign partner for Russia against Western pressure and as a source of boosting the Russian economy. At the same time, US President Barack Obama’s “pivot to Asia” was perceived in Beijing as a strategy to contain the rise of China, which led to a gradual but significant shift towards increased US-Chinese strategic tensions in the Asia-Pacific, perhaps best demonstrated by the conflictual atmosphere in the South China Sea and the East China Sea. The more strained geopolitical environment facing China and Russia, underpinned by the gradual improvement in ties since the end of the Cold War, therefore set the basis for intensified cooperation. Closer Sino-Russian ties were manifest in trade and economics, in military cooperation and in greater regional and international policy coordination.

Boost to trade and economic cooperation
While the global financial crisis caused a slump in bilateral trade, down to USD 38.8 billion in 2009, it rebounded and reached a peak in 2014 of USD 95.3 billion. The crisis in Ukraine, lower oil prices and a slowdown in the Chinese economy, however, led to another decrease in 2015 and 2016 but this was followed by a recovery in 2017 (see Figure 2). The official goal of both sides has long been a total volume of bilateral trade of USD 200 billion by 2020, but this is unlikely to be achieved. Moreover, while Sino-Russian trade has seen remarkable increases, it is still far behind Chinese-US trade, which was USD 711 billion in 2017, and Russia-EU trade, which in the same year was USD 263 billion.
Nonetheless, China’s importance to Russia has gradually increased. China became Russia’s biggest trading partner in 2010 (replacing Germany), and has remained so ever since. Russia was China’s 10th biggest trading partner 2018. In 2016, China also became the largest provider of loans to the Russian economy, estimated at a cumulative USD 50 billion by the beginning of 2018. China became the biggest foreign investor in the Russian Far East in 2013, before Japan and South Korea. Financial and banking cooperation have also increased, not least to stimulate more (and more efficient) Chinese investment in Russia post-Ukraine. This has included measures to avoid double taxation, easing the mechanisms for trade and payment in Chinese currency (RMB) and an agreement to swap national currencies worth up to USD 21 billion.

It is however in the field of energy cooperation where most progress in terms of economic interaction has been made. Starting around 2009, major agreements were negotiated and signed on oil and natural gas (see Table 2). Between 2010 and 2015, China more than doubled its imports from Russia, to in excess of 800,000 barrels per day (bpd) in some months. In mid-2016 Russia surpassed Saudi Arabia for the first time as China’s principal oil supplier. At the beginning of 2018, a second spur of the ESPO pipeline was opened direct to China, with the potential to increase exports from 15 to 30 million tons annually.

Crucially, natural gas cooperation also progressed. China and Russia had long discussed constructing pipelines for natural gas. After years of haggling, especially over price and pipeline routes, a groundbreaking agreement worth a staggering USD 400 billion was signed during a visit by President Putin to China in May 2014. The deal, between the CNPC and Gazprom, will transport gas from eastern Siberia to China’s northeast through the Power of Siberia pipeline. According to Gazprom, the pipeline is scheduled to begin operation at the end of 2019 and is expected to provide China with 38 billion cubic meters of natural gas annually for 30 years. China and Russia have also moved ahead with discussions on the construction of a western pipeline, the
“Altai pipeline”, although concrete plans remain uncertain.

China and Russia have intensified energy cooperation in the Arctic, where China has become heavily engaged in Russia’s Liquefied Natural Gas (LNG) project on the Yamal Peninsula in northern Russia. This is Russia’s most ambitious Arctic energy project and China will provide up to 60 per cent of the financing. This is especially important as Western sanctions have derailed Russia’s ability to obtain crucial investment for its Arctic projects. Similarly, China has also engaged with Russia on establishing the Northern Sea Route (NSR), which will function as a trading route between Europe and Northeast Asia. China has started to finance infrastructure development along the NSR, for instance, through its involvement in the Belkomur railway and the Arkhangelsk deep-water harbour. Crucially, China and Russia agreed in 2017 to work for the establishment of a “Polar Ice Road” and the NRS now constitutes a formal part of China’s Belt and Road Initiative (BRI). Developing the NSR is now also a stated priority of China’s Arctic policy.

Table 2: Major Sino-Russian energy deals, framework agreements and memorandums of understanding, (2009-2017)

<table>
<thead>
<tr>
<th>Year</th>
<th>Deal or Agreement</th>
<th>Value (billion USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>China Development Bank loan for deal with Rosneft and Transneft enables China-Russia oil pipeline (ESPO)</td>
<td>25</td>
</tr>
<tr>
<td>2013</td>
<td>25-year CPNC-Rosneft oil supply agreement</td>
<td>270</td>
</tr>
<tr>
<td>2013</td>
<td>Sinopec-Rosneft 10-year oil supply agreement</td>
<td>85</td>
</tr>
<tr>
<td>2013</td>
<td>CPNC buys 20% share in Yamal LNG Project, commits to 3 million tons annually (18% of total capacity) for a 20-year period</td>
<td>—</td>
</tr>
<tr>
<td>2014</td>
<td>CNPC-Gazprom Power of Siberia natural gas agreement, 38 bcm/year for 30 years</td>
<td>400</td>
</tr>
<tr>
<td>2014</td>
<td>CNPC-Gazprom framework agreement on Altai Natural Gas Pipeline (a proposed 30 bcm/y for 30 years)</td>
<td>—</td>
</tr>
<tr>
<td>2015</td>
<td>China’s Silk Road Fund buys 9.9% of Yamal LNG Project and provides loans</td>
<td>1.2</td>
</tr>
<tr>
<td>2016</td>
<td>Chinese banks provide 15-year loan to Yamal LNG Project</td>
<td>12</td>
</tr>
<tr>
<td>2017</td>
<td>CNPC agreement with Novatek on the Arctic Yamal LNG 2 project. China Development Bank to provide finance</td>
<td>3</td>
</tr>
<tr>
<td>2017</td>
<td>Memorandum of Understanding on Altai Pipeline</td>
<td>—</td>
</tr>
</tbody>
</table>

Adapted from Tom Røseth, “Russia’s energy relations with China: Passing the strategic threshold?” complemented by company data and media reports.


For China’s official Arctic policy, see China State Council, “Full text China’s Arctic Policy,” at: http://english.gov.cn/archive/white_paper/2018/01/26/content_281476026660336.htm

For instance, the route from Shanghai to Hamburg will be 6,400 kilometres shorter, or around 15 sailing days, compared to the route via the Suez Canal.

The Northern Sea Route makes transit between China and Europe shorter than existing traditional trade routes.
Deepened military cooperation

Sino-Russian military cooperation has also expanded. First, military-technical cooperation regained momentum from new arms sales, which had been declining since 2006. Sales did not reach the magnitude of the "golden years" of the 2000s, but included some more advanced equipment. Of particular note was the sale of the four battalions S-400 anti-aircraft weapon systems and 24 Su-35 aircraft in 2015. China was the first country to purchase the S-400, which is described as one of the most advanced operationally deployed modern long-range [surface-to-air missile] SAM in the world. The S-400 enhances China's deterrent capabilities regarding potential contingencies around China's borders, most likely in connection with Taiwan. Negotiations on the Su-35 aircraft and the S-400 began before 2014 but finalization of the deals was probably triggered by events in Ukraine. These sales were significant because they indicated a break with the past. According to Alexander Gabuev of the Carnegie Moscow Center, prior to Ukraine, Russia had an informal 10-year ban on selling advanced weapons to China because of concerns over Chinese reverse engineering and fears that China might use Russian weapons in a potential future conflict with Russia. However, the Russian leadership now assessed these concerns as overblown and the rapid rupture in Russia-West relations following the crisis in Ukraine made such sales possible. 19

One interesting new development is Russian imports of Chinese defense technology and joint ventures, not least following the effects of Western sanctions. China, which has made remarkable advances of its own in terms of technological competence, has offered Russia marine diesel engines for its navy and electronic parts for Russia's aerospace program. There have also been steps to initiate joint development and production programs for heavy lift helicopters, among other things. China and Russia took small steps to increase cooperation in the cyber domain. For instance, in 2015 the countries signed a cyberspace pact, mainly to address mutual assurances on non-aggression and upholding the principle of sovereignty in the cyber domain.

In addition, joint military exercises have been an increasingly visible illustration of growing defense ties. Although China and Russia conduct land and sea military exercises with a number of other countries, the joint naval military exercises between the two countries are by far the largest and most sophisticated. Especially notable are the naval exercises, referred to as "Joint Sea" exercises, which began in 2012. These were initially held in East and Southeast Asia but since 2015 have included the waters in and around Europe. The naval exercises have also increased in complexity and sophistication, for instance, in the platforms and capabilities used and the level of integration between units. The 2016 Joint Sea exercise used a joint information system to improve interoperability for the first time. Drills were more complex and included comparably sophisticated amphibious exercises. Especially notable is the increase in the number of exercises in and around Europe. In 2015 China and Russia conducted exercises in the Mediterranean Sea and the Black Sea. 20 In July 2017 the two countries held their first joint exercise in the Baltic Sea, "Joint Sea 2017". China sent a three-ship task force, including one of its most advanced destroyers, the Hefei. A summary of China-Cooperation", Staff Research Report, US–China Economic and Security Review Commission (March 2017): 3–37.

20 Ethan Meick, "China-Russia Military-to-Military Relations: Moving Toward a Higher Level of
Russia naval exercises in 2012–17 is provided in Table 3. Finally, while not a joint exercise, China’s participation in the Russian Vostok-18 drill held in September 2018 marked a significant step in Sino-Russian military cooperation. China’s participation was a first, and all the more remarkable given that past Russian Vostok drills often assumed China to be the potential adversary.

Finally, China and Russia also recently held other types of military exercise, such as computer-simulated joint missile defense exercises in May 2016 and December 2017. These exercises focused on interoperability and involved practicing command and control, and combat coordination in a scenario of an unexpected missile attack on China and Russia. These might expand in future to include live-firing drills. Smaller exercises on internal security have also been conducted with China’s police units and Russia’s National Guard.

Table 3: China-Russia naval exercises, 2012–2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Location</th>
<th>Main content</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2012</td>
<td>Yellow Sea (outside Qingdao)</td>
<td>China: 20 surface ships, two submarines, 13 aircraft and 9 helicopters; Russia: 4 surface ships, 3 support ships, four helicopters and a naval task force</td>
</tr>
<tr>
<td>July 2013</td>
<td>Sea of Japan (Peter the Great Gulf)</td>
<td>China: 6 surface ships, 3 helicopters and one special operations unit Russia: 12 surface ships, one submarine, three fixed-wing aircraft, 2 helicopters and a special operations unit</td>
</tr>
<tr>
<td>May 2014</td>
<td>East China Sea (outside Shanghai)</td>
<td>China: 6 surface ships, 2 submarines, 7 fixed-wing aircraft, four helicopters and a marine commando unit; Russia: 6 surface ships, two fixed-wing aircraft, 2 helicopters and a marine commando unit</td>
</tr>
<tr>
<td>May 2015</td>
<td>Black Sea (eastern) Mediterranean</td>
<td>China: 2 frigates and one replenishment ship Russia: 6 surface ships</td>
</tr>
<tr>
<td>August 2015</td>
<td>Sea of Japan</td>
<td>China: 7 surface ships, 5 fixed-wing aircraft, 6 helicopters and 21 amphibious vehicles; Russia: 16 surface ships, two submarines, 12 naval aircraft and nine amphibious vehicles</td>
</tr>
<tr>
<td>September 2016</td>
<td>South China Sea (outside Guangdong province)</td>
<td>China: 10 surface ships, two submarines, 11 fixed-wing aircraft and 8 helicopters; Russia 3 surface ships, 2 supply ships, 2 helicopters and amphibious vehicles</td>
</tr>
<tr>
<td>July 2017</td>
<td>Baltic Sea (outside Kaliningrad)</td>
<td>China: 3 vessels; Russia 18 vessels and Su-24 tactical bombers</td>
</tr>
<tr>
<td>September 2017</td>
<td>Sea of Japan/Okhotsk Sea (southern part)</td>
<td>China: 1 missile destroyer, 1 missile frigate, 1 rescue ship vessel, submersible rescue vehicle; Russia: 3 vessels, 1 deep submersible rescue vehicle, 2 submarines</td>
</tr>
</tbody>
</table>

Source: Based on Ethan Meick, “China-Russia Military-to-Military Relations: Moving Toward a Higher Level of Cooperation”; Yu Bin “China-Russia series”, Comparative Connections; and media reports.
Increased regional and international policy coordination

Finally, closer policy coordination was evident at the regional and international levels. Both China and Russia embrace, at least rhetorically, a position of non-intervention and respect for state sovereignty as the main principles that guide their international relations. While coordination on international issues had been a main feature of Sino-Russian relations before the financial crisis, developments since have suggested even closer collaboration. China and Russia are increasingly aligned in the United Nations Security Council, and have for instance used their veto to jointly block US- or EU-initiated draft resolutions, notably on Syria. China and Russia have upgraded their ambitions for security coordination, reflected in a “Joint Statement on Global Security” in 2015. In the same year, they initiated the Sino-Russian Northeast Asian security dialogue, probably in response to US deployment of the Terminal High Altitude Area Defense (THAAD) system in South Korea. The joint missile defense drills noted above must be seen in a similar light. Chinese-Russian opposition to US missile defence systems can be traced back to their joint opposition to the US national missile defense (NMD) program in the 1990s. This was followed up with a joint declaration condemning US plans to build an NDM system in violation of the ABM Treaty. However, in contrast to past actions which were manifest mainly through joint declarations, the joint missile exercise was a more concrete measure.

Russia and China aim to further develop common regional and international institutions, most notably the SCO and the BRICS. Cooperation among the BRICS (Brazil, Russia, India, China and South Africa) was early on motivated by a shared aspiration to reduce the influence of the West, demonstrated by efforts to reform global economic governance to better represent the interests of the BRICS. The agenda covers policy areas such as economics, trade and finance, poverty reduction and sustainable development. From the outset, however, the BRICS were hampered by the limited extent of their cooperation and their failure to devise a concrete, shared agenda. These differences notwithstanding, cooperation and institutional arrangements have expanded and been centered on China’s “tacit leadership”. For instance, in July 2014, the BRICS established the New Development Bank (NDB) with capital of USD 50 billion and the Contingent Reserve Arrangement (CRA), a currency-reserve pool of USD 100 billion. Politically, the BRICS have demonstrated support for Russia’s actions in Crimea. In addition, the SCO has witnessed some slow but important developments on increased counterterrorism cooperation. Most important, however, is the fact that India and Pakistan were admitted as full members in 2017 after years of Chinese reluctance to allow India to join, a position that was supported by Russia.

China and Russia have also initiated efforts to coordinate their respective Eurasian regional projects, notably by politically coordinating China’s BRI with Russia’s Eurasia Economic Union (EEU) project. Beijing and Moscow agreed a joint declaration in 2015 to coordinate the BRI with the EEU. There have since been a number of efforts to make cooperation more concrete, for instance through the establishment of working groups and regular ministerial talks. In 2017, an investment fund was created of USD 15 billion to finance projects between the Russian Far East and China’s northeast part of China’s BRI. China and Russia have reached an agreement on an economic corridor that includes Mongolia. In May 2018, China and Russia signed an
agreement on trade and economic cooperation between the BRI and the EEU. This agreement covers several areas of cooperation, such as customs, trade facilitation, intellectual property rights, sectoral cooperation and government procurement. It is the first ever comprehensive agreement on BRI and EEU coordination.\textsuperscript{21} Russia is also promoting its Greater Eurasia Partnership, a grand scheme to integrate the EEU, the SCO and the Association of Southeast Asian States (ASEAN) into one large economic partnership for Asia. Russia has also called on China to integrate the BRI into the project. China has officially responded positively and the two sides agreed to work jointly to harmonize efforts. Further agreements have been made and a feasibility study was initiated in January 2018.\textsuperscript{22}


\textsuperscript{22} China Ministry of Commerce, June 18, 2018, at: http://english.mofcom.gov.cn/article/newreleasesignificantnews/201806/20180602754961.shtml
Three factors shaping China-Russia relations

Three major factors characterize and have helped to shape the nature and development of Sino-Russia relations in the post-Cold War period: (a) triangular relations between China, Russia and the USA; (b) leadership and domestic interest groups; and (c) a growing bilateral asymmetry in China’s favor.

Triangular relations between China, Russia and the United States

Any review of the development of post-Cold War Sino-Russian relations must factor in the “triangular relationship” between China, Russia and the United States, and especially how US policy has affected the development of Sino-Russian relations. Both China and Russia share a strong inclination to view international relations in terms of hard realism, even though both go to great lengths to denounce what they call US global politics based on “Cold War mentality thinking”. Nonetheless, strategizing based on balance of power considerations strongly influences how Beijing and Moscow view each other and, as importantly, how the two stand in relation to the more powerful USA. This has been particularly evident in their respective neighborhoods, where the effects of US global dominance have been felt most acutely – for Russia in Europe and the post-soviet sphere, and for China in the Asia-Pacific.

As noted above, US policies such as NATO’s eastward expansion and the strengthening of the US alliance system in Asia, coupled with the longstanding US commitment to support Taiwan, were already encouraging China and Russia to cultivate closer ties in the 1990s. Since 2001, the “US factor” has arguably only increased and created further impetus for a strengthening of Sino-Russian cooperation. The advent of US President Donald J. Trump has not altered this underlying logic but, if anything, only incentivized China and Russia to work even more closely together. In the 2017 US National Security Strategy, the Trump administration describes China and Russia as "revisionists" and “rivals”, and labels them the most pressing national security threats to the USA – above international terrorism and nuclear proliferation.\(^\text{23}\)

The joint Chinese-Russian opposition has perhaps been most obvious in security cooperation and policy coordination at the international level. Both states embrace a position on non-intervention and respect for state sovereignty as their guiding principles in international politics. While coordination on international issues has been a prominent feature of Sino-Russian relations, recent developments suggest even closer coordination. China and Russia have upgraded their ambitions on security coordination, as reflected in their 2015 “Joint Statement on Global Security”.

Nonetheless, the question is not if the USA has influenced relations, but to what extent and in what way. First, it is possible to argue that China and Russia have used the US factor differently. In short, Russia has been much more willing to play, and indeed clear about playing, the “China card” against the West, and the USA more specifically, in order to gain leverage and promote itself as an indispensable player on the world stage.

China is much more cautious in this regard, not only because it has a different foreign policy style, but also because China has valued relations with the West that are vital for its economic modernization.

Second, Russia has long proved to be an unpredictable and even unreliable partner. The long process of establishing energy cooperation and Russia’s many policy changes have cast doubt among the Chinese leadership about how committed Russia is to a long-term relationship. However, a remarkable feature of China’s approach to Russia has been its ability to stay calm and remain focused on the long-term benefits of a workable bilateral relationship. China has therefore been very aware of Russia’s “power play” with the USA and China’s role in this.

Third, joint opposition is different from joint action. For instance, some scholars have argued that China and Russia are counterbalancing the USA through the SCO in Central Asia. Despite the gradual evolution of the SCO, however, the hard security aspect of the organization remains underdeveloped. The SCO, which is arguably a China-driven project, is more about economics, trade and ensuring that the Central Asian elites remain focused on combating separatism and religious extremism. More importantly, the SCO lacks any formal or joint command structure, and has no access to armed forces, as for instance NATO or even the Russia-led Eurasian security organization the Collective Security Treaty Organization (CTSO) have. While the SCO has at times worked as a convenient platform from which China and Russia can fret about the US military presence in Central Asia, there have been few, if any, attempts to move beyond rhetoric.

Ultimately, China and Russia are still heavily focused on maintaining functional relations with the USA, at least in the short to medium term. For China, the USA and the West more generally still represent the default go-to place for trade, markets, technology and scientific exchange. China has made great strides in modernizing its economy and is in certain areas approaching parity or even overtaking the West, for instance in e-commerce or the electric car industry. Overall, however, China still lags behind the West in a number of key industries. While politically important for China and a key partner in energy and the arms trade, Russia is no substitute for the West in many key areas of trade and technology.

Leadership and domestic interest groups
It is something of a truism to claim that foreign policy is shaped by domestic factors. In the case of China-Russia relations this is often missed out of analyses of the relationship. Most assessments apply a system-level approach in which strategic interactions between China and Russia, especially in relation to the USA, are the focus of attention.

However, domestic factors have to a large extent shaped the development and course of Sino-Russia relations in the post-Cold War period. Decision making in both countries is determined by the ruling elites. The management of Sino-Russian relations is influenced by the preferences and policies of key actors: in Russia, most notably, the President and his inner circle; and in China, the Politburo of the Standing Committee of the Chinese Communist Party (CCP). Other powerful domestic actors are also important, such as strong state-owned

companies, the military and certain powerful government agencies.

In Russia, broadly speaking, there is only a limited group of people among the powerful elite who have a vested interest in closer cooperation with China. The focus on China in the Russian academic community is also relatively small compared to scholars who deal with Russia’s relations with the West or issues pertaining to the post-Soviet sphere. Many therefore argue that it is the President and the elite around the presidency who decide Russia’s China policy. This has been most notable in recent years under Putin, who has made improved ties with China a priority. This, in turn, is based on certain personal characteristics, such as Putin’s growing anti-West stance, his emphasis on making Russia a Eurasian great power and his preference for conducting business that enriches his close allies and friends, even if this does not always makes commercial sense. In the case of China, for instance, Putin has strongly supported Novatek and the Yamal LNG Project mentioned above, which is run by Putin’s close friend, Gennady Timchenko, even though the project’s profitability has been questioned. Other domestic actors have also influenced China-Russia relations, not the least actors in the energy sector. For instance, Igor Sechin, the head of Rosneft who is also responsible for Russia’s energy sector, is assumed to have played a large role in promoting closer China-Russia energy ties. In terms of military relations, Dmitry Rogozin has played a similar role with regard to defense ties.25

According to Alexander Gabuev, Russia lacks a clear, long-term China policy, in part due to its initial neglect of the rise of China and heavy preoccupation with cultivating relations with the West. It was only after the global financial crisis in 2008, and especially after the crisis in Ukraine in 2014, that the Russian elite began to understand the importance of paying real attention to China.26 In addition, Russia’s China policy was too often linked to domestic political sentiments, and the elite’s perception of Russia and Russia’s place in the world, which heavily influenced thinking about China. Broadly speaking, those in Russia who perceived Russia as weak or who advocated that Russia should move closer to the West often portrayed China as a potential threat. This was most notable in the 1990s when it became increasingly common in Russia to worry about China. (Similar perceptions of China’s rise were manifest in other Asian countries and beyond.) Others saw China as presenting an opportunity for Russia, not the least economically, and thus advocated closer ties because Russia’s own economy would stand to benefit from engaging with the growing Chinese market and investment opportunities. Finally, there were those who called for a more balanced Russian foreign policy, involving engagement with both West and East, but notably with China.27

In China, managing relations with Russia is also very much a top-down affair. In general, decision making and strategic decisions are a collective enterprise tied to the inner circle of the CCP and to some extent related to different power factions in the party. China’s elite politics is more opaque, however, which makes it difficult for outsiders to gain a full understanding of an individual leader’s preferences and policies. Nonetheless, individual leaders matter. For instance, many Chinese leaders

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or senior officials had direct experience of the Soviet Union, either through education and training or service in the country. This was, for instance, the case with China’s former top diplomat, Qian Qichen, and President Jiang Zemin. The same goes for Dai Bingguo, China’s former State Councilor responsible for the strategic dialogue with Russia established in 2009. President Xi Jinping lacks a specific Russia background but he shares certain similarities with Putin, such as a strong anti-Western outlook and a pronounced ambition to make China not just an East Asian regional power, but a global great power. The apparently close normative affinity between Xi Jinping and Putin is often used as an explanation for the recent closeness between China and Russia.

The biggest difference with Russia is that China has maintained a fairly consistent, long-term strategy of gradually improving ties with Russia. While China does not consider Russia a potential security threat, bitter memories of the Cold War and the unpredictable nature of Russia’s foreign policy have led to a rather cautious policy toward Russia. To this end, a crucial element in China’s post-Cold War Russia policy has been to respect Russia’s sensitivities and interests, most notably in Central Asia, and treat Russia as a great power on the global stage.

Like Russia on China, there are some powerful domestic groups in China with a vested interest in strengthening ties with Russia. First and foremost, China’s state-owned oil companies and the military have strong vested interests in building closer relations. For instance, the CNCP and Rosneft have developed a particularly close relationship. With regard to the military, for instance, Liu Huaqing, who is considered to be the father of China’s military modernization program, was one of the most vocal advocates in China of engagement with Russia’s arms industry in the 1990s, in order to gain access to Russian arms and military technology to modernize the PLA. Beyond these two sectors, there are limited ties and the relatively low level of cooperation between Chinese small- and medium-sized enterprises and their Russian counterparts – compared to East Asia, Europe and the USA – creates little domestic pressure from these groups to pursue stronger ties.

A growing power asymmetry and Russian dependence on China
One of the most striking features of Sino-Russian relations in the post-Cold War period is the ongoing shift in material power between China and Russia. When China launched its economic reform program at the end of the 1970s, China’s GDP was estimated to be around 40 per cent of the Soviet Union’s. In 1991, China’s GDP was roughly the same as Russia’s. In 2016, China was the second largest economy in the world and its economy was ten times larger than Russia’s. Russia’s long-term economic outlook is bleak. According to the IMF, in 2022 Russia’s GDP will be roughly the same size as that of Australia or just slightly larger than that of Spain. China’s economy is more dynamic and innovative relative to Russia. For instance, according to Forbes, in 2015 China was second only to the USA as host to the most successful companies: the USA had 579 and China 232. Russia only has 26, and most of these operate in the natural resources sectors. Moreover, China is investing heavily in research and development, and aims to be a global leader in high-tech industries and advanced technology, such as artificial intelligence, robotics and biotech, as exemplified in its “Made in China 2025” plan.
Figure 3: China-Russia GDP comparison, 1991–2017

Source: World Bank data

In addition, while Russia remains a nuclear superpower and therefore retains a powerful deterrence tool, the conventional military balance is tilting in China’s favor. China’s military spending has outgrown Russia’s over time. In 2016, it was four times larger than Russia’s. China is becoming increasingly technologically advanced and is likely to outcompete Russia in “new domains” such as cyberspace, space and AI, if not to surpass the USA.

Figure 4: China and Russia: military expenditure compared

Based on SIPRI database. Expenditure in constant 2016 prices
China’s growing capabilities have turned it into an emerging global power and the only potential competitor to the USA. China plays an important role in all the major global institutions, such as the IMF and the World Trade Organization, and is set to increase its influence still further, not least in economic and financial affairs. China is also taking on a more active role in the UN system, for instance by increasing its contribution to UN peacekeeping operations. Moreover, China is building regional institutions such as the BRI and the Asian Infrastructure Investment Bank (AIIB) to complement existing ones. These will further increase China’s regional and global influence. Russia remains a consequential actor in international politics, but its regional and global status and economic, political and diplomatic influence have been in relative decline since the break-up of the Soviet Union.

This growing power asymmetry is having a strong impact on the relationship, especially as Russia moves closer to China. In essence, Moscow worries that Russia will become over-dependent on China and that Beijing will set the terms of the relationship. For instance, Russian elites worry that Russia is becoming a “raw material appendage” to China, where China imports mainly natural resources such as oil, natural gas and agricultural products and China exports more advanced products. Russian hydrocarbon products constitute the bulk of Russia’s exports to China. In 2017 they were around 60 per cent of total exports. Given that oil and natural gas earnings are essential to the Russian state’s economy, energy cooperation with China is of huge importance. As Russia seeks to diversify its energy exports to Asia and to China in particular as a way of reducing its dependence on the West, concerns about over-dependence on China remain strong. While Russia does not currently view China as a security threat, military planners are not oblivious to the fact that the conventional military balance is shifting in China’s favor. China is in fact the only country that has the capability to launch a land-based attack on Russia.

Russian elites also express concern over China’s growing investments in and economic penetration of the Russian Far East. Since the 2014 crisis in Ukraine, China has been the fastest growing foreign investor in the region. This is welcomed because the region is in great need of investment, as the Russian Far East is one of Russia’s least developed areas. However, it is also viewed with concern as it could challenge Moscow’s economic control over the area. While the notion of illegal migration into the Russian Far East to crowd out Russians is unrealistic and not supported by reality, old sentiments and fears still surface. The power imbalance is particularly important for Russia at the regional level for interaction in the Asia-Pacific region, in Central Asia, and potentially also in the Middle East and in Central and Eastern Europe (CEE).

The Asia-Pacific region

The power imbalance is especially salient in the Asia-Pacific region, where Russia is overshadowed by China. At the end of the Cold War, Russia lost much of its dominant position in the region and it has since tried to reassert its influence and status. As part of its pivot to the East Russia has aimed to develop links with other Asia states, most notably by courting Japan, India and Vietnam, in order to capitalize on the economic dynamism of the Asia-Pacific, but also in part to “hedge” China’s growing influence. However, Russia has been less

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28 Øystein Tunsjø, *The Return of Bipolarity in World Politics: China, the United States, and Geostructural Realism*. (New York: Colombia University Press, 2018),
successful than hoped at leveraging influence. For all the talk of growing ties with all of Asia, China now occupies first place in this endeavour. What Bobo Lo describes as Russia’s “China + 1 policy” mainly involves cultivating ties with China and only then the rest of Asia. While Russia will continue to aspire to develop ties with all of Asia, it is in effect dependent on China for its Asia-Pacific engagement.

Moreover, Russia has slowly become a quiet supporter of Beijing’s policies and positions in the region, for instance, in the case of China’s position regarding the maritime disputes in the South China Sea and the East China Sea.

In return, China maintains a “happy face diplomacy” toward Russia by welcoming its presence in the region and even at times lending support for Russia’s greater participation, for instance by backing its bid to join the Asia-Pacific Economic Cooperation (APEC) in 1998 and Chinese forbearance in supporting Russia’s participation in the six-party talks in the 2000s. Treating Russia as a great power in the Asia-Pacific region has become a visible characteristic of China’s treatment of Russia. This includes China largely remaining silent or restrained on Russia’s efforts to hedge China. In particular, Russia’s arms sales to Vietnam and India, two of China’s potential regional adversaries, are often officially downplayed. Even reactions to Russian attempts to forge improved ties with Japan have officially been restrained in Beijing. This can be partly explained by the fact that arms sales do little to alter the overall military balance, for instance, between China and Vietnam. In the case of Japan, China appears confident that Russia will not compromise with Japan on the Kuril Islands/Northern Territories territorial dispute and that this will therefore prevent a complete rapprochement with Japan.

Central Asia
It is, however, in Central Asia where the growing asymmetry is felt most acutely by Russia. In the past decade or more, China’s footprint in Central Asia, most notably its economic footprint, has grown significantly – challenging Russia’s dominant role in the region. China has surpassed Russia as the most important trading partner and investor in almost all the Central Asian states since 2013, and its economic presence there is set to grow thanks to the BRI. China’s security presence in Central Asia has also grown. It has, for instance, supported capacity building of the Central Asian states’ border management and engaged in training and military exercises with Tajikistan, among others. China and Kazakhstan signed a military deal on counterterrorism cooperation in 2015. China is also exporting arms to Central Asia.

Russia has therefore watched China’s Central Asia inroads carefully, expressing optimism officially but in practice reluctant and hesitant. For instance, Russia came close to opposing and dragged its feet over many major economic initiatives proposed by China within the framework of the SCO, such as Chinese proposals to use the SCO as a vehicle for establishing a free trade area or Chinese efforts to set up an SCO Regional Development Bank.

A similar wariness marked Russia’s response to China’s BRI project. Three of China’s six economic corridors directly or indirectly affect Russia: the China-Mongolia-Russia Economic Corridor, the New Eurasian Land Bridge and the Central and West Asia Economic Corridor. A fourth corridor, the Polar Silk Road, also affects Russia. Russia’s

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response to the BRI was initially cautious. As mentioned above, the BRI poses a challenge to Russia’s own regional grand project, the EEU. The EEU functions as an economic integration project but equally importantly, if not more so, as a manifestation of Russia’s desire to maintain regional influence and status. It is thus also a response to both Western and Chinese attempts to become more involved in the region.

Nonetheless, as discussed above, China and Russia seem to have managed to reach a compromise. There appears to be a tacit agreement between China and Russia about the division of labor in Central Asia. Russia provides the security and China the trade, commerce and investment. Despite China’s growing economic presence, China still backs Russia’s security role and influence. Russia retains strong political and military links with the Central Asia states and through the Russia-led CTSO.

**The Middle East, and Central and Eastern Europe**

China’s growing capabilities and expanded global interests are also beginning to affect regions and areas further away from China where Russia has a strong strategic interest, such as in the Middle East and in Central and Eastern Europe. In the Middle East, Russia has re-emerged as an influential actor through its military campaigns in Syria and its efforts to build stronger ties with Iran. Much of Russia’s Middle East activism has been made easier by the US retreat from the region. The Middle East is important to Russia as its southern flank. China has markedly expanded its economic interests and strategic presence in the region in recent years. China by and large supports Russia’s political and military policies in the region, as most clearly exemplified by their similar voting patterns on resolutions in the United Nations Security Council. However, China’s growing interests could make Beijing willing to take more responsibility in the region, including on security issues, and therefore potentially complicate relations with Russia.

Sino-Russian relations are beginning to affect interactions in CEE, where Russia has immense strategic interests and strong historical, cultural and political ties. China’s active diplomacy and economic engagement with CEE is a potentially new dimension in the Sino-Russian relationship and reflects the change in the bilateral power balance in the relationship. China has expanded its ties with Greece, Hungary and the Czech Republic. Perhaps most illustrative of China’s engagement is the 16+1 mechanism, launched by China in 2012. The initiative is a multilateral mechanism that holds an annual summit and comprises China and 16 CEE countries. The 16+1 is overseen by Li Keqiang with the aim of enhancing and facilitating investment, trade and cultural initiatives between China and the 16 CEE states. Despite the high-profile setting, however, concrete achievements have been modest. China’s total investment in CEE has been fairly limited and pales in comparison with its investment in Western Europe. The Russian response has been fairly muted but Russia is probably monitoring China’s approach carefully. This can be explained in part by the low level of impact so far but also by the similar approach taken by China to Sino-Russian relations elsewhere; that is, to cater to Russian sensitives. For instance, China did not allow Moldova to join the 16+1 mechanism out of respect for Russia and has been reluctant to initiate formal negotiations for the inclusion of Ukraine in the multilateral setting.
Future scenarios

It is likely that in the near future, that is, the next two or three years, Sino-Russian relations will by and large continue on the same path as they have since the end of the Cold War. This will entail a broad continuation of deepening and expanded bilateral ties with some underlying structural tensions and challenges on specific issues.

However, the more difficult but more important question to address is how relations will look beyond the immediate future and develop in coming 10–15 years. Predictions, especially if they probe too far into the future, are inherently speculative. A variety of different variables could influence the Sino-Russia relationship, as will unpredictable events or extreme conditions in wider global affairs, such as a rapid deterioration in global climate conditions or a global economic crisis. Nonetheless, by using the variables that have shaped Sino-Russian relations thus far and excluding any larger unforeseen events or extreme global conditions, it is possible to contemplate what long-term future developments might look like. The main key variables expected to shape future relations are those discussed above: triangular relations between China, Russia and the USA; the impact of domestic factors, including leadership and elite perceptions; and the growing power asymmetry in the bilateral relationship.

Four broad future scenarios are discussed below: open rivalry, military alliance, a more limited relationship and strategic alignment. The scenarios are ordered based on the degree of probability, from least to most likely: Open rivalry, military alliance, limited relationship and strategic alignment. The discussion on the future scenarios also includes an assessment of the implications of each for Europe. Since it is held that the strategic alignment scenario is most likely, the implications are assessed in the greatest detail in this section.

Open rivalry

The first scenario is open, outright rivalry and geopolitical competition between China and Russia. The open rivalry scenario might seem highly unrealistic given the current state of relations. However, a situation of open conflict between China and Russia has historical precedents. Most fresh in memory is the confrontational relationship during the Cold War following the Sino-Soviet split at the end of the 1950s, manifest most clearly by the border war in 1969 which was followed by a decade of heavily fortified borders and bitter ideological and strategic competition. Going further back, at least as far as the Chinese are concerned, there is the equally bitter memory of Russia’s annexation of Chinese land in the final decades of the Qing dynasty in China.

Underpinning this scenario is the underlying historical mistrust and suspicion that have always haunted the relationship and which, in this scenario, comes out in full bloom. Factors such as the growing power imbalance in China’s favor, uncontrolled public “assertive nationalism” in one or both countries, or domestic political and social unrest and a stagnating or even collapsed constrains the potential for full-scale military war, at least in theory. Nonetheless, minor conventional military clashes or other non-military high-tension conflicts can be imagined. China and Russia fought their border war in 1969 at a time when both sides already had nuclear weapon capabilities.

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30 The scenario does not posit a full-scale war. Russia is likely to maintain its strong nuclear deterrence capability against China as well as NATO. However, China also has nuclear weapons, and importantly a credible and reliable second-strike capability that will probably be modernized to an even greater extent in the future. Mutual nuclear deterrence therefore substantially
economy could resurface and affect the leaderships’ calculus in both countries. This would exacerbate the underlying tensions or bring about new challenges that push China and Russia toward a far more confrontational relationship than today. For instance, Russia could decide to fundamentally change its China policy, recalculating the cost of becoming too dependent on China. Russia could instead begin to balance against the more powerful China by forging an anti-Chinese coalition with the USA and its allies in the Asia-Pacific in order to protect is interests. This as the USA simultaneously engages in rapprochement with Russia to jointly contain China, in effect a reversal of the US-Chinese approach against the Soviet Union in the 1970s. In fact, there has been reporting that suggests that this is what President Trump is seeking to achieve by his cosying up to Russia and more hard-nosed approach to China, apparently following advice from Henry Kissinger. It is also possible that a severe domestic legitimacy crisis in either country or domestic leadership power struggles could spur the governments to assert themselves more aggressively abroad in order to “mask” domestic shortcomings or problems. Either way, the relationship would be characterized by intense competition, which would leave bilateral relations shaky and affect the wider geopolitical stability of Asia and beyond.

There are two potential “hot spots” in particular where an open rivalry could emerge and play out, either independently or in tandem. The first regards the fate of the Russian Far-East, which has always been a thorny issue in Sino-Russian relations. Russian anxiety that China might still be considering seeking to regain its “lost territories” has never completely disappeared. More likely, it has been subdued in the current climate of “best relations ever”. While the border dispute is now settled and the border regions are stable and friendly, the issue of Russia’s “land grab” could resurface due to growing nationalism in China, or just because China will have gained even more of a relative power advantage over Russia in the future and could just simply take back its lost territories by force. In addition, the lure of the natural resources in the Russian Far East might influence relations. China’s voracious need for oil, natural gas and agricultural products could translate into a strong push to gain access to these resources, by force if necessary. China’s need for natural resources could also lead to a stronger push to gain access to the Russian Arctic, including the offshore resources there. Added to this, the Russian Far East faces a vast demographic deficit compared to the much larger Chinese population on the other side of the border. One plausible effect might be Chinese migration into Russia, probably uncontrolled, that creates local resentments with the potential to escalate. Moreover, given the currently underdeveloped state of the Russia Far East economically and its need for even greater foreign assistance, notably from China, in order to modernize, Chinese economic influence could create greater resentment in Moscow as it fears a loss of control over the region.

The second potential hot spot concerns interactions in Central Asia. China has, as noted above, gradually gained the economic upper hand in the region. It is possible that China’s expanding economic

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32 There are around 6 million Russians living in the Russian Far East. In the three northern Chinese provinces (Heilongjiang, Jilin and Liaoning) there are approximately 110 million Chinese.
power will also give it more influence over political and security matters. China's presence will eventually penetrate beyond Central Asia and into the entire post-Soviet Eurasia sphere. If China's BRI project turns out to be the major reshaping of Eurasia that Beijing envisions, the answer to the question of what Russia's future role might be in such a long-term plan remains elusive. As noted above, China has until now respected Russia's sense of its privileged position in the region, a policy that has served Chinese interests well. However, it is possible that China's dominant position in the bilateral relationship might make China more confident about pursuing an assertive policy toward Russia in Central Asia. Moreover, as China's economic interests in Central Asia expand, the need for China to develop policies that protect and guarantee those interests will become more pronounced. Two prominent China scholars, Andrew Scobell and Andrew Nathan, have noted that: “limited interventions in countries around China’s periphery are conceivable if vital interests such as the safety of Chinese citizens or access to energy resources come under threat”.

One of the most critical turning points will therefore be if China increases its security presence, for instance, through closer bilateral military ties with Central Asian states, including setting up military bases. As noted above, one of the hallmarks of today’s bilateral relationship is that China and Russia have by and large “split responsibilities” in Central Asia, where China acts as the economic provider in terms of trade and investment while Russia provides hard security. While not a reality yet, reports suggest that China is contemplating opening up training facilities in Afghanistan, which could see the deployment of Chinese soldiers. While Russia cannot compete with China economically, it will not stand idly by as Beijing moves in as a security provider and in effect challenges Russia’s interests in Central Asia. Russia might in such a case decide to build closer ties with its long-term traditional partner, India, a strategic adversary of China, in order to check China’s ambitions. This would also affect the thus far largely manageable Sino-Russian interaction in the SCO, which would instead be characterized by more collision than cooperation – and perhaps even dissolve.

The open rivalry scenario is unlikely. In fact, it is the least probable of the four scenarios. First and foremost, the costs involved in an open conflict are simply too high. Historically, past periods of rivalry and confrontation have been extremely costly for both sides, and a repeat of such situations is to be avoided at all costs. In addition, it makes little strategic sense for either side to take an aggressive stand. While Russia will probably have to come to terms with its junior position with regard to China, a balancing posture will be costly for Russia, unless of course China does something extreme such as invade the Russian Far East, which is thought to be extremely unrealistic. The notion of a rapprochement between the USA and Russia in order to box in China is also unrealistic.

Second, while it cannot be excluded, it is unlikely that domestic politics will dictate relations to such an extent that they turn overtly hostile. While current domestic challenges in both China and Russia will test the resilience and stability of the regimes, the political establishment will by and large be driven by the same overarching motive of keeping relations on track, or at least preventing them from becoming hostile.


Nationalism or domestic interest groups, such as the energy companies or the military, can of course influence specific issues, but the overall incentives for stable relations are likely to remain the same.

Third, the question of the Russian Far East falling into Chinese hands rests on a number of dubious propositions. While there certainly are and have been large flows of Chinese migration, most Chinese migrate internally within China or to other parts of Asia, usually southeast. In fact, Russia as a migration destination is not particular popular among Chinese. Furthermore, it makes no sense for the Chinese government to seek to retake the “lost territories”. If China wants to take control over resources, it can do so by commercial and economic means, which is far more effective.

Fourth, while China is likely to be a dominant actor in Central Asia, at least economically, it will remain dependent on Russia for stability and security, not least in combating religious extremism and separatist movements that could threaten the political and social stability of China’s Xinjiang province – a high-priority issue for Beijing domestically. Moreover, it is also possible that other regional players, such as India and Iran, might play a larger role in the region. Alienating Russia might spur Moscow to forge relationships that could create difficulties for China.

**Implications for Europe**

An open rivalry scenario would mean greater instability on the Eurasian landmass or in the Asia-Pacific but also on the global stage. For Europe this would mean greater uncertainty as China and Russia would compete openly for influence and power in Eurasia but probably also in CEE. Europe will find it difficult to develop a strategy on how to position itself between China and Russia as both Moscow and Beijing are likely to be jockeying for Europe’s support.

Russia would move closer to Europe, also in security terms, in order to “balance” China. It is an open question how far Europe would be willing to concretely engage in such balancing with Russia against China, since Europe would have strong interests in maintaining and developing close economic and trade links with China. Much will also depend on how relations between China and the USA develop. If China is in a position where Chinese-US relations are also tense and conflictual, China will not be able to engage in a costly competition between Russia and the USA at the same time, no matter how bad the relationship gets with Russia.

**Military alliance**

The second potential scenario depicts the formation of a formal military alliance between China and Russia, most likely in response to growing and intense strategic pressure from the West, and from the USA in particular, on both China and Russia simultaneously. The question of the potential emergence of an anti-Western alliance is perhaps one of the most commonly debated issues regarding Sino-Russian relations, not least in Western circles. It dates back to the mid-1990s when China and Russia established their strategic partnership. While such debates have often resulted in mostly dismissive assessments, contemplating a future alliance is today arguably more relevant than ever, given the recent upturn in Sino-Russian relations as discussed above.

The bottom line would be a formalized agreement or treaty on mutual military

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35 The International Migration Organization (IMO) estimates that there are 60 million overseas Chinese. In Russia, estimates put Chinese migration at between 400,000 and 550,000, the majority of whom are found in western Russia and not in Siberia or the Russian Far East.
support in the event of an attack by a third party on either China or Russia, similar to article 5 of NATO’s Washington Treaty. Other components would also be needed for a full-fledged military alliance of a more enduring and comprehensive nature. Such elements would include a common defence policy, an integrated military command, joint troop placements and exchanges of military bases. In addition, there would have to be sophisticated joint military exercises and high levels of interoperability, as well as a joint command complex and an advanced military-technological relationship— including technology transfers but also joint design and production— and far-reaching exchanges of military personnel for education and training.

Strictly speaking, the current state of the Sino-Russian relationship does not immediately presage all or even most of the above elements. Nonetheless, China and Russia would not need to fulfil all these elements in order for the relationship to constitute a concrete development toward alliance formation. In fact, the question of a China-Russia alliance does not seem to be too far-fetched at first glance.

First and foremost, there has been a remarkable and as yet underappreciated change in official rhetoric. While China and Russia continue to eschew direct and open language that describes their relationship as one of an alliance in the making, leaders and officials in both China and Russia feel increasingly comfortable about openly describing each other in terms resembling an ally.\(^{36}\) Strategic documents also increasingly deploy language that depicts China and Russia as working closely together against perceived threats from the West.\(^{37}\) Leading Russian intellectuals are discussing more openly the possibility that an alliance-like partnership with China might be in the national interests of Russia. For instance, Sergei Karaganov, a former foreign policy advisor to Putin who has in the past been quite skeptical about China, now calls the relationship “a quasi-alliance”.\(^{38}\) The Russian military analyst, Vasily Kashin, has claimed that the recently held Vostok-18 was an open declaration of an alliance between China and Russia.\(^{39}\) The Chinese have traditionally been even more muted about any official description of an alliance in the making, but there also the tone has shifted somewhat of late. For instance, when China’s Defence Minister, Wei Fenghe, visited Russia in April 2018 he told reporters that his meeting was a signal to “let the Americans know about the close ties between the armed forces of China and Russia”.\(^{40}\) There have also been voices inside the Chinese elite calling for a formal alliance, most notably Professor Yan Xuetong at Tsinghua University or Zhang Wenmu at Beihang University.

Second, a move towards an alliance is also supported by concrete steps taken over the years toward closer and deeper military cooperation. Many have already claimed that the arms trade relationship contains crucial elements of a potential alliance.\(^{41}\)
Others note that China and Russia have attempted through the SCO to construct an “alliance-like” body in order to balance and offset the US military presence in Central Asia. A recent systematic evaluation of a potential Sino-Russia alliance, argues that China and Russia are “on the verge of an alliance”. According to Alexander Korolev, the level of military and security cooperation is exhibiting such depth and scope that it more or less resembles an alliance, even though Beijing and Moscow do not formally describe as such. The most crucial development has been the institutionalization of regularized mechanisms for inter-military consultations and dialogue at virtually all levels, from the senior leadership to the regional military district level, and even border garrisons.

Finally, some argue that the growing normative convergence on opposition to liberal values and norms, and upholding and even promoting the notion of authoritarian rule creates an increased sense of “sameness”, although of course normative convergence does not constitute a necessary condition for a formal alliance.

Nonetheless, while the relationship has undoubtedly developed substantially since the end of the Cold War, and importantly exhibits a fairly robust and comprehensive security aspect, a formal alliance in the next 10–15 years is unlikely. There are several reasons for this.

First, the memories of how the 1950 Sino-Soviet alliance treaty ended are not particularly warm, to say the least. As noted above, historical interactions between China and Russia constitute an important element in the dynamics of the relationship and few in the political elite wish to see a repeat of Sino-Russian attempts at formal alliance making.

Second, a formal alliance would bind the two states into a commitment they are not ready or willing to make: to aid the other in a military conflict. Neither Beijing nor Moscow has any desire to be drawn into a military confrontation with the USA, and especially into a conflict in which the other party has no real vested security interest. For instance, Russia would be unlikely to support China militarily on the Taiwan issue and China would not back Russia in the event of a military confrontation with NATO in Europe. An alliance would also be likely to strengthen the US alliance system and create a strong response in terms of containment policies by the USA, its allies and close strategic partners. For China, that could vastly complicate relations still further with important Asian powers such as Japan, South Korea and the ASEAN countries, which China has high levels of interdependence with on trade and economic investment. Such interdependence will only grow stronger in the future. Moreover, while resentment and opposition toward the USA might increase over the years, relations with the West still matter greatly for both countries. For all of Russia’s talk of turning to Asia, the Moscow elite is still strongly focused on Europe, with which it shares closer historical, cultural and economic ties than with Asia. China, perhaps even more than Russia, has a vested interest in remaining on a cordial footing with the West. China has made remarkable progress in its economic and technological development but still needs Western markets, technology and businesses opportunities to further modernize. Risking open confrontation with

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Washington on behalf of Russia will be costly. An alliance would also place considerable constraints on China’s and Russia’s own preferences for independent and strategic room for maneuver. For China, for instance, an alliance would be a break with its longstanding non-alignment policy, which for all its recent adjustments and changes remains fundamentally unchanged. The question is also one of leadership of any potential alliance. Given that China will be the dominant power in the bilateral relationship, the question arises whether Russia would accept China’s leading role.

Third, and relatedly, if current trends continue, China’s military power is set surpass that of Russia (excluding nuclear arms) and move closer to parity with the USA, at least in selected areas. China has already extracted much of what it needs from Russia for its military development. The question therefore arises, disregarding the deterrence effect: what enhanced capabilities would a formal alliance offer China?

Fourth, while there is certainly a lively academic debate inside both China and Russia about the prospects for an alliance, the mainstream view is that such a development would not be desirable. Yan Xuetong and Zhang Wenmu do not represent mainstream foreign policy sentiments in China as they hold rather “hawkish views”. Yan Xuetong, for instance, is believed by most China-Russia scholars to be an outlier in his views on a Sino-Russian alliance. The Russian intellectuals calling for closer ties with China reflect Moscow’s attempts to gloss over potential problems with China rather than a genuine desire for an alliance, and reflect more resentment toward the West than real commitment to an alliance.

Implications for Europe

The main implication for Europe of an alliance between China and Russia is the strong deterrence effect that such a formation would have on Europe. If China and Russia were to reach a formal commitment on mutual military support should one of the two be attacked militarily, Europe (NATO) would find itself also facing China. It is of course very hard to assess whether China and Russia really would provide actual support in case of a military conflict, but the deterrence effect would be substantial. For Russia, this could mean greater strategic space to push its interests in CEE, the post-Soviet sphere or the Arctic region, but also elsewhere such as in the Middle East. A China-Russia alliance would in other words strongly affect Europe’s relations with Russia. Similarly, Europe would also be less inclined to “push back” on China’s increased regional and global presence where Chinese interests or policies collide with European interests, as in the Asia-Pacific or on the Eurasian landmass. More broadly, a Chinese-Russian alliance would mean a general global divide between East and West, with China-Russia on one side and Europe, and most likely the USA and its Asian allies, on the other.

Limited relationship

The third scenario is considered more likely than either the alliance or the open rivalry scenario. This scenario depicts a situation in which China is the more powerful partner but the utility of a close relationship with Russia is less apparent, both for strategic reasons and based on more material considerations. Moreover, Russia has greater problems accepting China’s preeminent position in the bilateral relationship, which has created a strong dependency on China. Russia is more of a regional power, preoccupied with positioning itself in Europe and the immediate post-Soviet sphere. Russia is unhappy with its loss of global great power
status as China now is the only peercompetitor of the USA. Such resentments spur strong nationalist resentment towards China in Russia.

In one sense, this scenario has some similarities with the open rivalry scenario but with the important difference that competition is broadly contained and kept in check. China-Russia relations therefore resemble a fairly limited relationship driven by short-term gain. The overall picture is that this scenario would also cause more tension and challenges that prevent the relationship from moving forward. It is more likely to stagnate or even deteriorate. In that sense, this scenario is a regression from the current positive momentum of Sino-Russia relations. Bilateral interaction is confined to a few select areas of cooperation where instrumental needs dictate engagement. The now much lauded increase in bilateral trade is depleted and confined to a few sectors. China's need for Russian natural resources makes up the lion's share of bilateral trade, notably in oil, natural gas and agricultural products. China's dependency on Russian arms imports has been overcome by China's indigenous industries, which can design, manufacture and sustain their own needs. In addition, China might even begin to export more to Russia as its technological level surpasses that of Russia. This also means that China could surpass Russia as an arms exporter on the international market.

In terms of regional and international politics, Russia is a less important actor than today and therefore also of less importance to China. Russia has on the surface accepted that China is the dominant actor in the Eurasian heartland and in the Asia-Pacific region but does not like the fact. Russia attempts to maintain a relatively independent foreign policy and aims to develop close working ties with other Asian states, but without any real leverage to fundamentally change the basis for the relationship of one where Russia is increasingly dependent on China. China uses Russia as a partner to balance the USA in the Asia-Pacific region, but only on specific issues. At the global level, China and Russia still take a common stand against those values and norms which are not in line with their own, but this increasingly takes the form of theatrical show and less concrete steps to achieve something joint.

However, China and Russia will go to great lengths to contain and manage the most severe challenges and continue to maintain a functional relationship. China and Russia will still have a strong vested interest in maintaining a close relationship in order to secure their respective domestic regimes. Faced with domestic challenges and external pressures, the shared interest in upholding the principles of non-intervention in internal affairs and state sovereignty will continue to be a strong unifying force. Ultimately, China and Russia will have an intrinsic interest in maintaining an overall amicable relationship as both sides will still share some important common objectives, most fundamentally keeping the border peaceful, stable and largely friendly, and guaranteeing regime survival.

This scenario is close to one of the current mainstream views in the Sino-Russian literature perhaps best represented by the Australian former diplomat and long-time observer of Sino-Russia relations, Bobo Lo, and his notion of the bilateral relationship as an "axis of convenience". While Bobo Lo has somewhat re-evaluated some of the claims he made previously and now sees things in a more positive light, for instance recognizing the significant improvement in and durability of relations, the basic underlying logic that is driving the relationship, and more importantly pulling
China and Russia apart in the long term, still holds.

This scenario is quite likely but it paints a somewhat pessimistic view of the relationship. It is interesting to note that this narrative of a limited, pragmatic and highly convenient relationship has been the dominant image among Sino-Russian observers, not least in Western circles, since the 1990s. At the same time, bilateral relations between China and Russia have confounded such predictions and instead moved even closer, as is highlighted in part one of this report. This increasingly calls into question the dominant view of Sino-Russian relations.

**Implications for Europe**

A limited relationship between China and Russia as described above will have certain implications for Europe, and these are to some extent similar to the open rivalry scenario discussed above. First, Russia is likely to (re)-engage with Europe as Moscow tries to offset some of the asymmetry in the relationship. This could mean renewed attempts to rebuild mostly economic and trade links but also overcome the current mutual hostility and tension in the security dimension of Europe-Russia relations. This implies that Russia will feel more relaxed about Europe and NATO’s force presence on the Russian border, leading to a reduction in military tension between Russia and Europe.

Second, a limited Sino-Russian relationship will have limited consequences for Europe in the global arena. While China and Russia will continue to work closely on issues regarding global governance and international crisis management, Sino-Russian cooperation will be pragmatic and sketchy. More importantly, since China will be a global great power and relatively stronger than Russia, Europe will need to pay more attention to China than Russia in terms of global governance. This will also be the case in Eurasia and closer to European borders as Chinese economic interests will have expanded closer to Europe. Russia will play a role like any other major power in China’s Eurasia project but not be allotted a special role.

**Strategic alignment**

The fourth and final scenario, strategic alignment, is considered the most likely of all the future scenarios presented. In essence, in this scenario China and Russia do not form a formal alliance, but nor do they descend into open rivalry. Instead, they develop a highly functional and stable strategic partnership that serves the interests of both countries very well. The relationship, however, becomes more than just a limited relationship and certainly does not stagnate or deteriorate. At the same time, relations remain flexible enough to allow both sides to adjust to changing conditions and demands. China and Russia develop existing areas of cooperation and explore new areas while at the same time, as far as possible, avoiding issues of contestation and competing interests.

Broadly speaking, Chinese and Russian interests will continue to converge in the current pattern while also creating denser interdependence in the diplomatic-political, security and economic domains. This will also help make the relationship more enduring as it will increasingly be dictated by its own bilateral internal dynamic. However, the USA will maintain its leading global and regional role, thereby continuing to provide strong incentives for China and Russia to work closely together. This by and large conforms to past and current trends in Sino-Russian relations and therefore seems likely to continue unabated for the next 10-15 years, in the absence of any major domestic crisis in China or Russia or changes to underlying geopolitical conditions.
However, while the positive aspects will be further accentuated, areas of disagreement or even conflicting interests will remain. China will be the dominant actor and Russia will have less strategic room to promote its own interests. In the Asia-Pacific region, Russia will struggle to develop the closer ties it craves with other important Asian states such as Japan and South Korea, in part because they are close US allies and in part because Russia has little to offer these countries, but mainly because Russia has developed such a close relationship with China. China will therefore also have greater leverage to dictate the terms of engagement and could decide to take advantage of Russia’s predicament. While China is likely to extract a substantial price for cooperation, this price is unlikely to be extortionate. The last thing China wants is a hostile and angry neighbour, even if it is a relatively weak one.

However, compared to the limited relationship scenario, cooperation will overshadow competition. Most importantly, however, China and Russia will have found a mutually acceptable modus operandi for managing their relationship under new geopolitical conditions where China in all respects is the more powerful actor in the relationship and where Russia is largely reconciled and accepting of its junior role. This means in practice that many of the currently toxic issues, such as China’s economic penetration into the Russian Far East and China’s coming dominance in Eurasia, will not only have been managed, but turned into positive and mutually acceptable solutions for both parties.

Three factors in particular make it plausible that relations will assume the nature of a stable and strong relationship in the next 10–15 years. First, bilateral and regional interaction and the complexity of issues linked to China-Russia interactions will create a growing interdependence between the two in which cooperation will achieve its own dynamic. For instance, China and Russia will develop an even closer military-technical relationship in which Russia and China can share their most advanced weapons and intelligence, and engage in routine or complex military exercises. In terms of energy, Russia will be a major supplier of oil and natural gas to China. China will have gained more access to upstream production in, for instance, Siberia and also deepened its energy cooperation with Russia in the Arctic. The Power of Siberia gas pipeline will be fully operational and the Altai gas line will have been constructed to provide China with increased deliveries of natural gas. These are large projects that signal long-term commitment in which both sides, albeit Russia to a larger extent, subject themselves to a certain degree of dependency. China and Russia will also attempt to broaden their bilateral cooperation in new and expanding areas, such as space and the cyber realm. The notion of a “Greater Eurasian Partnership” currently promoted by Russia will transform from a loose political platitude to substantial, concrete cooperation. For instance, the SCO would develop into the main multilateral vehicle in which China and Russia can coordinate their respective Eurasia policies, perhaps even by establishing a free trade area. Importantly, the complex, unpredictable and to a certain extent unstable security environment in Central Asia, notably in the guise of non-traditional security threats, makes continued cooperation between both states not only logical, but necessary.

Second, despite the relative decline of the USA and China’s continued rise, China will be in no position to displace the USA entirely in the Asia-Pacific, let alone globally. China and Russia will therefore remain concerned about US power and influence, and their joint opposition will
create continuing incentives to work together to offset the USA. Importantly, this dictates that there will be no major changes in Chinese-US relations or Russian-US relations from their current state of strategic tension. Nonetheless, it is likely that China will set the terms more directly than Russia. This could mean that Russia finds itself increasingly supporting China’s positions on issues of strong Chinese national interest, such as the territorial disputes in the South China Sea.

Third, there will be growing normative affinity. It is likely that China and Russia will continue to uphold their strong belief in authoritarianism as an appropriate mode of governance. China and Russia will continue to maintain the principles of state sovereignty and non-intervention and to be alert to any promotion of Western liberal values and norms. In analyses of China-Russia relations, the idea of a growing normative convergence between China and Russia has often been downplayed or brushed off as a facade. Others believe this to be a mistake. The Princeton University Professor Gilbert Rozman, for instance, an astute observer who has spent decades examining and assessing the Sino-Russian relationship, argues that China and Russia share a growing ideational basis for a strong and enduring relationship based on their shared communist past, which gives them certain similarities in terms of national identity and interests. This in effect also strengthens the bilateral relationship to a greater extent than is commonly recognized.45

**Implications for Europe**

Since the strategic alignment scenario is seen as the most likely, its implications for Europe are discussed at relatively greater length than the other scenarios. The first implication is that a stable and enduring Sino-Russian relationship would allow both China and Russia to focus their resources and time on more pressing security issues elsewhere. For China, this would be on maritime issues in the East China Sea and South China, and on Taiwan, while for Russia it would be in the post-Soviet sphere. The maintenance of a friendly and peaceful border region guarantees China and Russia a safe and sable “strategic rear”. In fact, it could be argued that Russia would not have been able to annex Crimea in 2014 if it had not established such friendly relations with China, and therefore did not need to concern itself with maintaining a strong military posture on the Sino-Russian border. Similar arguments can be made for China. China and Russia are likely to maintain this border posture, which enables both sides to continue to deter or push back against US policies in their respective regions – and for Russia to push back against Europe.

Second, closer Sino-Russian military cooperation is likely to mean that naval exercises held in Europe in recent years will become more frequent. In future, it is also possible that China and Russia will conduct joint exercises in the Barents Sea. For the time being, however, such exercises are more geopolitical signaling than an indication of military alliance formation. Even if security relations are developed further in the future, China has no interest in engaging in military conflict in Europe. For China, military exercises in Europe aim to give credence to China’s ambitions to become a global naval power, and are also spurred by domestic considerations. More importantly, China’s strategic interests lie in the Asia-Pacific region. China is not willing to be dragged into a military confrontation in Europe, especially on behalf on another state – even Russia. Nonetheless, as indicated above, security and military cooperation between China and Russia has

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reached a solid and comprehensive level. Should there be a major deterioration in relations between China and the USA, or the USA and Russia, the possibility of an alliance cannot be completely ruled out.

Third, economic interactions between Europe, Russia and China will be affected. Western sanctions on Russia following the crisis in Ukraine have made it harder for Russia to conduct business and manage projects, not least in the energy sector. Russia has invited Chinese companies to fill the gap. While Chinese companies are still less technologically advanced than many of their Western counterparts, China has made great strides and will continue to do so. Even if the sanctions are lifted, there are indications that Russia no longer wishes to join the Western club in the same way as it did in the 1990s. China will therefore comprise an increasing share of Russia’s economy. For Northern Europe this has already meant a growing Chinese presence in the Arctic, with Chinese engagement in oil and gas projects and involvement in building infrastructure for the NSR.

Fourth, coordination efforts between China’s BRI and Russia’s EEU could have implications for Europe’s role in Eurasia. Several of the EEU member states, including Russia, are in need of capital and investment, not least to develop or improve their infrastructure and transportation networks. China offers large sums in loans that are more competitive than those from Europe. In other words, if China’s BRI is a success, and this includes a leading role for Russia as its political ambitions indicate, Europe’s role in shaping Eurasian economies and politics could be reduced. It is therefore essential for Europe to remain engaged in the region, and with China and Russia on the BRI and the EEU. More generally, Europe needs to develop a more coherent and long-term strategy for dealing first and foremost with China’s BRI, but also with the emerging Sino-Russian partnership in Eurasia.

Fifth, the implications of a stronger China-Russia relationship will make it harder for the countries of Western Europe, but crucially also for the USA, to drive a wedge between China and Russia in the way that the USA used improving Chinese-US relations as leverage against the Soviet Union during the Cold War. While the relationship is far from a military-political alliance, it will continue to strengthen. This could complicate matters regarding global governance, in particular addressing security issues in arenas such as the United Nations Security Council where China and Russia often take a different stand from Western nations. More generally, Russia represents a more direct threat to European security. Europe’s policy response to Russia will therefore mostly be based on what Russia does in the immediate European neighborhood. China is further away from Europe and generally perceived in a more positive light relative to Russia. However, China’s challenge to Europe is becoming more direct as several European countries have begun to express concerns about Chinese investments in Europe. More broadly, China’s approach to global governance and the international order might pose a growing challenge as China increasingly seeks to reshape, if not overturn, existing rules and norms to fit its own interests more directly. If China adopts an agenda that conflicts with Western norms and values, and if Russia continues to be a strong partner of China in this regard, a Sino-Russian partnership could challenge Europe’s efforts to uphold the current liberal order. At the same time, it must be stressed that China and Russia are not forming an overtly anti-Western alliance. Relations with the West will remain a high priority. In the end, China and Russia will act in accordance with their own interests and a
mutually beneficial relationship serves their strategic ends.

Summary
In sum, when looking at the trajectory of Sino-Russian relations in the next 10–15 years, four potential scenarios were considered: open rivalry, military alliance, a limited relationship and strategic alignment. The most unlikely scenario is open rivalry. This is followed by the alliance and then developments toward a limited relationship. The most likely scenario is strategic alignment. The direction of future relations will to a large extent be determined by developments in the Chinese-Russian-US relationship, domestic factors, and how China and Russia manage the growing power asymmetry. A brief summary of the four scenarios and their implications is presented in Table 3.
### Table 3: Summary of the four scenarios

<table>
<thead>
<tr>
<th></th>
<th>Open Rivalry</th>
<th>Limited Relationship</th>
<th>Strategic alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main characteristics</strong></td>
<td>Intense competition and rivalry, notably in Central Asia</td>
<td>Pragmatism and selective and tactical cooperation</td>
<td>Expanded and deepened strategic cooperation</td>
</tr>
<tr>
<td></td>
<td>Unstable border relations, including strong military presence at border</td>
<td>China dominates relationship but Russia does not like it</td>
<td>China determines relationship but Russia accepts its “junior role”</td>
</tr>
<tr>
<td></td>
<td>Very limited economic, trade and social links</td>
<td>Basic fundamentals unchanged: maintain a working relationship</td>
<td>Highly developed energy ties</td>
</tr>
<tr>
<td></td>
<td>Russia leans toward the West to “balance” China</td>
<td></td>
<td>Close security cooperation to counter USA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>China-Russia joint coordination of Eurasia economy and politics</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Variables/factors shaping direction</strong></th>
<th>Power asymmetry unchecked</th>
<th>Power asymmetry contained</th>
<th>Increased bilateral interdependence</th>
<th>Forceful US policies or approach pushes China and Russia closer together</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High levels of threat perception among elites</td>
<td>Changes in domestic perceptions: China has less need of Russia, Russia sees China as a threat</td>
<td>Threat of US polices toward China and Russia</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Domestic factors such as nationalism, political and/or economic crisis</td>
<td></td>
<td>Growing normative affinity, especially among elites</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Implications for Europe</strong></th>
<th>Instability in Eurasia landmass and Asia-Pacific region, as well as international system in general</th>
<th>Russia closer to Europe</th>
<th>Russia close to China: Europe will have less impact on influencing Russian politics and economics</th>
<th>Global divide between &quot;West and East&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Russia seeks European support to balance China</td>
<td>Limited global impact of Sino-Russian relations</td>
<td>Liberal order and global governance challenged by China and Russia jointly</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>China and Russia matter more individually than together</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Conclusions

Contrary to common belief, the strengthening of Sino-Russian relations happened prior to the crisis in Ukraine in 2014. In fact, it has been an incremental process since the end of the Cold War. It is often ignored that much of today’s close relationship is based on some important steps taken back in the 1990s. Of particular importance was the resolution of the border dispute, which provided the basic fundamentals for a stable, secure and friendly bilateral relationship. Nonetheless, starting during the global financial crisis in 2008, and especially since the crisis in Ukraine, Russia moved even closer to China while China at the same time embraced Russia’s outreach. The growing ties are evident in increased cooperation first and foremost on energy, security and regional and international interactions.

Triangular relations between the USA, China and Russia shape relations, especially China and Russia’s common opposition to US global dominance. Leadership and domestic factors in China and Russia also influence relations, particularly elite perceptions. The most important factor shaping bilateral relations is the growing bilateral power imbalance between China and Russia. China is becoming the stronger partner in the relationship, as is visible at the regional level in Central Asia and the Asia-Pacific region. How the two sides deal with this asymmetry will to a large degree shape future relations. China and Russia will probably continue to expand and broaden their cooperation, which will take the form of strategic alignment. China and Russia will not form an alliance however, as they still cherish their independence and, especially China, their economic links to the West.

Nonetheless, Europe – and the West more generally – will need to accept the “new normal” of a strong and enduring Sino-Russian relationship. The USA will not be able to drive a wedge between China and Russia as it did during the Cold War. Moreover, a closer China-Russia partnership will draw Russia closer into China’s orbit as China increasingly determines the terms of the relationship. This could affect Europe’s approach to Russia as Moscow develops closer political, security and economic ties with Beijing. It will therefore be increasingly important for European policymakers to understand the nature and dynamics of the evolving Sino-Russian relationship, and in particular how China engages with Russia.
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