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**Asia Pacific Strategy**

- Psychological hang-ups
- An uneven and difficult history
- Political convergence
- Energy, the spearhead of the relationship
- Strategic tensions
- Pragmatism – The importance of doing business



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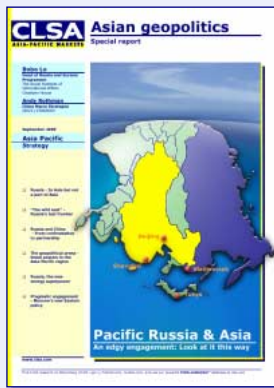
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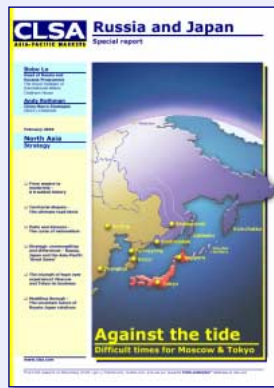
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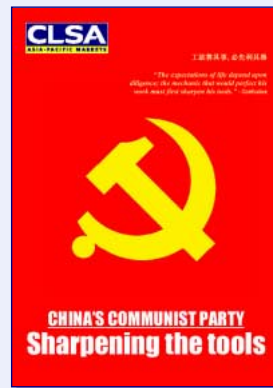
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## Dr Bobo Lo

Dr Bobo Lo heads the Russia and Eurasia Programme at Chatham House and is a Visiting Scholar at the Carnegie Moscow Center. He has written extensively on Russian foreign and security policy as an independent researcher and, previously, as First Secretary and then Deputy Head of Mission at the Australian Embassy in Moscow (1995-99). He is a regular contributor to Oxford Analytica and The World Today, and commentates frequently in the media on Russian domestic and foreign policy.

Dr Lo's publications include: (with Dmitri Trenin) *The Landscape of Russian Foreign Policy Decision-Making* (Carnegie Moscow Center, 2005); 'A Fine Balance – The Strange Case of Sino-Russian Relations' (*Russie.CEI.Visions*, Institut Francais des Relations Internationales, April 2005); 'The long sunset of strategic partnership: Russia's evolving China policy' (*International Affairs*, London, March 2004); *Vladimir Putin and the Evolution of Russian Foreign Policy* (Chatham House and Blackwell Publishing, 2003); and *Russian Foreign Policy in the Post-Soviet Era: Reality, Illusion and Mythmaking* (Palgrave Macmillan, 2002).

## Foreword

The relationship between China and Russia is one of the most interesting in Asia. After the 1949 Communist victory, Soviet assistance was key to China's industrialisation, and Stalin treated Mao like a younger, poorer and less sophisticated brother. Today, Moscow and Beijing speak of an equal partnership, but there is a sense in Russia that China is increasingly the senior partner.

In *China and Russia: Common interests, contrasting perceptions*, renowned Russia scholar Dr Bobo Lo explains how Moscow's fears about becoming dependent on Beijing are influencing one of the world's most important energy relationships.

On the one hand, Dr Lo writes, Moscow values China as a 'strategic partner' whose rise challenges smug Western assumptions of strategic, economic and normative superiority. On the other hand, China represents to many Russians the most serious long-term threat to national security. For them, the question is not 'if' but 'when' Beijing will move against Russian interests.

Russia would like to use the rapidly growing Chinese energy market as a balance against the increasingly complicated European markets, but at the same time Moscow is reluctant to trust the Chinese as a long-term energy partner. The Kremlin worries that 'the more energy Russia supplies to China, the more it assists the modernisation and rise of a power that one day could challenge its interests across the board,' according to Dr Lo. This has led to the confusion and double-dealing over the East Siberian oil pipeline.

It is in Moscow's interest to develop a stronger, more businesslike relationship with Beijing, Dr Lo believes, even though the consequences of a powerful, globally influential China could be severe for Russia: the erosion of Moscow's control and, eventually, sovereignty over its eastern regions; displacement as the leading power in Central Asia; and marginalisation in Asia-Pacific and global affairs.

CLSA is pleased to present the third in a series of reports by Dr Lo. Last year, in *Pacific Russia and Asia*, Dr Lo explained why Russia has today developed a sense of being part of Asia that was inconceivable until very recently. Earlier this year, in *Against the Tide*, he explained why Moscow and Tokyo face serious obstacles to constructing a more positive bilateral relationship, a problem that limits Russia's ambition to become a serious player within the region. In this report, Dr Lo discusses why 'for all its tensions, the Russia-China relationship is a pragmatic, even cynical affair, in which common interests frequently compensate for the lack of shared values and perceptions.'

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**Putin's visit to China a spectacular success**

## China and Russia

President Vladimir Putin's visit to China in March 2006 was in many respects a spectacular success. The Russian delegation was the largest and most diverse in post-Soviet times. The number of agreements, 29, represented a record in the history of the relationship. And the atmosphere was the most positive of any of Putin's overseas trips.

**Future of relationship looks bright**

Surveying the landscape of the relationship, there seems nothing not to like. The 4,300km common border has finally been demarcated in its entirety; Moscow and Beijing agree on practically every regional and international issue of consequence – Chechnya, Taiwan, Iraq, Iran. Official trade has multiplied nearly sixfold during Putin's presidency; and the first ever Sino-Russian joint military exercises took place in August 2005.

**But challenges below the surface**

The future of the relationship looks bright. China's energy needs and Russia's desire to increase oil and gas exports point to further substantial growth in economic ties. The current international environment appears to offer abundant opportunities for Sino-Russian cooperation in countering American 'hegemonic' ambitions. Indeed, so warm is the bilateral climate that there is mounting speculation that the 'strategic partnership' may evolve into a formal political-military alliance.

**The relationship is much like great power relationships of the past**

And yet, scratch a little below the seemingly smooth surface and there is much to challenge the official optimism. The first indication that all is not quite as it seems is the evident concern in Russia about China's rapid rise as the next global superpower. The second point is that, notwithstanding all the fanfare, the Russia-China relationship is still relatively small beer compared to the two countries' ties with the West. Third, for two such apparently warm strategic partners, both sides are surprisingly suspicious and wary of each other. Although they retain many interests in common, Russia and China view their relationship from very different perspectives and in very different ways.

Nevertheless, for all its tensions the Russia-China relationship is a pragmatic, even cynical affair, in which common interests frequently compensate for the lack of shared values and perceptions. This makes it something less than the grandiose 'strategic partnership' advertised in official communiqués, but also far from the fragile enterprise its critics disparage. It is, in sum, much like many great power relationships of the past – full of weaknesses, mutual suspicions and 'empty spots', but effective and mutually beneficial in many respects, and surprisingly resilient.

**Fundamental dichotomies**

**The psychology of the relationship**

The Russia-China relationship is characterised by several fundamental dichotomies. Perhaps the most influential of these is the Russian notion of China as the embodiment of both the 'good' and 'bad' East. On the one hand, China is a valued 'strategic partner' whose rise challenges smug Western assumptions of strategic, economic and normative superiority. On the other hand, China represents to many Russians the most serious long-term threat to national security. For them, the question is not 'if' but 'when' Beijing will move against Russian interests.

The good/bad East dichotomy is also evident in another, very different form. Despite the dizzying pace of Chinese modernisation over the past 30 years, many Russians still think of China as backward. This partly reflects the lingering influence of outdated Soviet-era stereotypes, but it also arises out of Russian perceptions of the Chinese military – numerically massive but low-tech – and the more contemporary connection between Chinese border traders and shoddy consumer goods. Although these assumptions are being undermined by new realities, China is still seen as 'second-class' compared to Japan and even South Korea. Developments such as the toxic spill of benzene in the Songhua River in November 2005, which briefly threatened the water supply of the Russian border city of Khabarovsk, only confirm such perceptions.

**Concern that China is overtaking Russia**

This raises the question of Russia's inferiority/superiority complex. Traditionally, this dichotomy has been applied to describe its attitudes towards the West, when discomfiture in the face of Western rationalism and prosperity was offset to some extent by a feeling of spiritual superiority. In relation to China, the dichotomy works somewhat differently. Russia may 'belong' to Western civilisation and consider itself more advanced and sophisticated. However, this scarcely softens growing concerns that China is overtaking – indeed, has overtaken – Russia as a modern international power.

During the Stalin-Mao era of 'unbreakable friendship' (see Section 2), the Sino-Russian relationship was portrayed in fraternal terms – 'older brother', the Soviet Union, helping 'younger brother' China to grow up. Half a century later, the tables have been turned. Although Moscow and Beijing speak of 'equal partnership', there is a sense that China is increasingly the senior partner. Whereas once it relied overwhelmingly on Soviet technology, this dependence is diminishing all the time; these days Beijing's prime interest is in Russia's natural resources, principally oil and gas. Thus, one of Moscow's long-standing fears *vis-à-vis* the West – of being relegated to a raw materials appendage – is coming to fruition in its relationship with China.

**Russian suspicion of China**

Ultimately, the most striking dichotomy in the Russia-China strategic partnership lies in their contrasting attitudes to one another. Russia regards China with profound suspicion and anxiety, even while it seeks to broaden cooperation with it. For all the positive noises and the imperative of pragmatic engagement, there is a nagging undercurrent of mistrust. The Chinese approach to Russia is much more self-confident. There is little doubt in Beijing that China holds the stronger cards in the relationship, even though it is Russia that has the energy resources and the vast nuclear arsenal. Chinese policy-makers have few illusions that the Russians have much affection for them. Nevertheless, whatever temporary setbacks and disappointments may occur, they believe that the longer and deeper the relationship develops, the more the balance of power within it will swing towards China – and the more the Russians will come to realise this themselves.

**The importance of history**

## The ebb and flow of history

In order to understand the psychology of the relationship, we need to refer back to the historical record, focusing in particular on several landmark 'moments'. These have been critical in shaping the strategic partnership, and will continue to exert a powerful influence on its future course.

### Russia's 'Mongol complex'

The first of these seminal historical moments is the Mongol invasion of Russia in the 13<sup>th</sup> century and subsequent rule in the following three centuries. Although there is little obvious connection between the Mongols and today's (overwhelmingly Han) Chinese, the invasion established in the Russian mind a lasting image of the East as a prime source of threat. Crucially, there were no countervailing positive currents, which meant that the East became synonymous with barbarism and backwardness as well as destructiveness. Current Russian fears about a Chinese demographic tide engulfing the Russian Far East are born of this 'Mongol complex'.

Such Sinophobia may seem all the more illogical given that it was the Tsars who expanded eastwards in the 17<sup>th</sup>-19<sup>th</sup> centuries, with the Manchus attempting to restrain Russian imperial expansion. Nevertheless, this clash of empires established a territorial, political and civilisational fault-line where previously there had been nomadic tribes and lots of empty space.

Area China lost in the 'unequal treaties' of the 19<sup>th</sup> century



Source: CLSA Asia-Pacific Markets

**Stalin's 'younger brother'**

Matters came to a head with the Aigun (1858) and Peking (1860) treaties, under which the decaying Qing dynasty ceded most of the present-day Russian Far East (RFE). The loss of these vast territories created a lasting 'territorial question' between Moscow and Beijing. Russians are well aware that these lands were transferred to them under duress, a fact that makes them permanently suspicious of Chinese irredentist ambitions. These concerns have been sharpened by the Chinese insistence on describing the 1858 and 1860 agreements as 'unequal treaties' imposed by the foreign imperialist powers on a helpless China.

**The 'unbreakable friendship'**

When officials describe today's strategic partnership as the high-point in Sino-Russian relations, they are implicitly comparing it to the previous benchmark – the 'unbreakable friendship' between Joseph Stalin (1879-1953) and Mao Zedong (1893-1976). In fact, the relationship between the two supreme leaders was uncomfortable. Stalin played both sides (Nationalists and Communists) in the Chinese civil war and his support of Mao was often lukewarm and conditional. Even after the Communists' final victory in 1949, the relationship remained difficult. Although Soviet assistance was critical to China's industrialisation and its development of nuclear weapons, Stalin disliked Mao's ideological and political independence, while Mao resented patronising Soviet behaviour. The People's Republic might have called itself 'younger brother', but this in no way implied satisfaction with its subordinate status.

**Mao and Stalin**

The tensions between Moscow and Beijing, incipient under Stalin, flared up under his successor, Nikita Khrushchev (1894-1971). Ideological disputes, personality clashes between two leaders of vast egos, disagreements over the common border and China's international role all contributed to a spectacular deterioration in bilateral relations. By 1960, the 'unbreakable friendship' had collapsed completely, graphically illustrated by the overnight withdrawal of 1,390 Soviet advisors from China in June that year.

**Armed confrontation along the Sino-Soviet border**

Although Khrushchev's removal in a Party *coup d'état* in 1964 led to a temporary relaxation of tensions, the underlying problems in the relationship remained unresolved. Indeed, it was under Khrushchev's successor, Leonid Brezhnev (1906-82), that political conflict escalated into military confrontation. In the course of 1969, a series of clashes along the Ussuri River resulted in several thousand casualties, mainly on the Chinese side, with the most serious bloodshed occurring on Damansky Island. Although the confrontation received far less publicity than the 1962 Cuban Missile Crisis, it was one of the most serious flashpoints of the Cold War era and could easily have degenerated into a conflict of far more serious proportions.

From this low-point, relations improved slightly during the seventies. The *détente* initiated by US President Richard Nixon in 1971 had the knock-on effect of reducing Sino-Soviet tensions to manageable levels, as Brezhnev worked to ensure that the Soviet Union would not become strategically isolated by enemies to its east and west. However, the relationship with Beijing remained chilly, with no movement on the territorial issue and continuing modest economic ties (annual trade turnover was 10-15 times less than the volume of Soviet-Japanese trade over the same period).

**Gorbachev's vision****Changing the pattern – Gorbachev in Vladivostok**

After nearly two decades of stagnation, Mikhail Gorbachev's 1986 speech in the Pacific port city of Vladivostok heralded a sea-change. Although its early results proved modest, Gorbachev's vision of cooperative relations between Russia and its eastern neighbours – China, Japan, South Korea – provided the conceptual foundation of a much more positive approach towards Asia in general, and China specifically. It fell to Gorbachev's successors, Boris Yeltsin and Vladimir Putin, to translate cooperative sentiments into real policy shifts. However, the exceptional progress in Sino-Russian relations over the next 15 years would scarcely have been possible without Gorbachev's initial groundwork.

**The emergence of  
'strategic partnership'****Bombast and progress – The Yeltsin-Jiang years**

Relations between Moscow and Beijing during the Yeltsin era (1991-99) underwent consistent improvement. After a brief flirtation with the chimera of 'equal partnership' with the United States, Russian foreign policy moved towards a more 'geographically balanced' approach. The Kremlin retained a fundamentally Westerncentric world-view, but began to appreciate the utility of a mutually beneficial relationship with Beijing. The 1990s witnessed significant progress towards finalising the common border, the resolution of tricky issues such as Chinese 'illegal migration' in the Russian Far East (see Section 3), and growing convergence on key international issues. At a personal level, Yeltsin enjoyed a good relationship with Chinese leader Jiang Zemin, who had studied in Moscow in the 1950s.

On the debit side, the 'strategic partnership' – a moniker acquired in 1996 – was hampered by the disjunction between overblown rhetoric and lack of substance. Bilateral trade remained modest throughout the decade – US\$5-6bn per annum – while there was continuing hostility towards China in Moscow and especially in Russia's far eastern regions. It also became apparent that Yeltsin valued good relations with China less for their own sake than as a counterweight to American 'hegemonism' and 'unipolarity'. The strategic partnership became affected by the ups and downs in Russia's relations with the West, in particular the United States. It was entirely symptomatic of Yeltsin's erratic conduct that he should, during his final overseas visit to Beijing in December 1999, react to American criticisms of the war in Chechnya by announcing that Russia and China would 'dictate to the world'.



**The Putin-Hu dynamic**

**The search for likemindedness**

The task facing Putin upon coming to power in January 2000 was to place relations on a more businesslike footing and translate the rhetoric of strategic partnership into the real thing. This involved in the first instance an increased effort to engage with the Chinese leadership at a personal level. Just as Yeltsin and Jiang Zemin had developed a rapport, so Putin sought to do the same with his counterpart. In this, he was fortunate in that Hu Jintao succeeded Jiang as Party General Secretary in 2002. The fact that Hu was much closer in age to Putin, and that both were representative of a more modern type of national leader, enabled them to establish their own particular relationship. The Putin-Hu personal dynamic has been a crucial factor in raising Russia-China ties to a qualitatively new level in recent years.

**Finalisation of the border**

**Resolving outstanding bilateral differences**

Under Putin, the personal politics of summitry have been accompanied by substantive progress in several key areas, most notably the final demarcation of the common border. Although this question had been largely settled during the 1990s, a number of outstanding (if small) issues remained unresolved.

**Putin and Hu**



Source: [www.russia.org.cn](http://www.russia.org.cn)

The finalisation of the border in June 2005 was a significant achievement. It demonstrated an uncommon flexibility and willingness to compromise on both sides – especially unusual in the case of Russia. The settlement also symbolised a new level of trust between the two governments and removed, seemingly for good, the most serious potential irritant in the relationship.

**The illegal migration issue**

The border question is closely tied to another issue that has exercised Russian policy-makers for much of the post-Soviet era – ‘illegal migration’ into the RFE from the three adjoining Chinese provinces of Heilongjiang, Jilin and Liaoning. This issue became a cause *celebre* during the 1990s, exploited by federal, and especially local, politicians for populist purposes. In fact, the actual extent of migration has been vastly overstated. The most reliable estimates put the numbers of Chinese in the whole of the RFE at around 100,000, of whom less than half are permanent residents. This figure is much lower than the numbers who lived in the area during Soviet times, before Stalin expelled the Chinese and Korean minorities in 1938.

Although local prejudice against the Chinese – particularly Chinese traders – still exists, it has been less pronounced in recent years. Efforts by Moscow and especially Beijing to regulate the flow of shuttle trade and Chinese business activity in the RFE have had real impact. Local regional administrations have picked up on the general improvement in relations at the federal level by encouraging interregional commerce and Chinese

**Necessary, but not necessarily liked**

**Foreign policy ties**

investment. For example, in 2005 trade between Primorskii krai (Maritime province) and China reached US\$1.4bn, a 72% increase on the previous year. The Kremlin continues to fret about the demographic imbalance between the RFE (total population 6.7 million) and the three adjoining Chinese provinces (more than 110 million), but the emphasis has shifted from blaming the Chinese to emphasising the need for 'active measures' to encourage immigration from western Russia and other former Soviet states into the region.

**Chinese shuttle traders doing business**



Source: FOTOE

**Domestic and international likemindedness**

The border settlement and the defusing of the migration question fit into a broader picture of convergence on sensitive questions. Although much of this is troubleshooting, political convergence also reflects a more ambitious, activist approach to the relationship. Moscow and Beijing are committed to demonstrating their likemindedness on a broad range of political and security issues – domestic, regional and international. The focus in the first place is on priorities viewed by either side as matters of vital national interest. For Russia this means Chechnya (and the North Caucasus); for China, Taiwan and Tibet. The Putin-Hu era has seen an unusual level of mutual solicitude on issues of particular sensitivity. The Kremlin has consistently reaffirmed its commitment to the 'one China' policy and refused to recognise the authority of the Dalai Lama (although it permitted the latter to make a short pastoral visit in November 2004). Meanwhile, Beijing has backed Moscow's military campaign in Chechnya and supported – financially as well as politically – the Kremlin's de facto re-nationalisation of the Yukos oil company. (In 2005, a Chinese loan of US\$6bn to the Russian government enabled Rosneft to purchase Yuganskneftegaz, the production arm of Yukos.)

## Chronology of the Russia-China border question

### The Treaty of Nerchinsk

1689 – The Treaty of Nerchinsk was the first signed by the Qing Empire with a European state. In defining the border along the Argun River, the treaty designated the whole of the Amur region as belonging to China and denied the Russians access to the sea of Okhotsk.

1858 – The Treaty of Aigun gave Russia control of the left bank of the Amur River. Under the treaty, which was pushed through with the help of ‘gunboat diplomacy’, the border ran the length of the Amur River to its mouth, giving Russia access to the sea of Okhotsk.

### The ‘unequal treaties’

1860 – The Treaty of Peking gave Russia the right bank of the Amur River, present-day Primorskii krai, and parts of Manchuria. As a result of the treaties of Aigun, Peking and Tarbagatai (1864), Russia gained some 665,000 square miles of Chinese territory. The Manchu province of East Tartary became the Russian Far East.

1937 – Japan invades Manchuria.

1938 – Stalin expels the Chinese and Korean population from the Russian Far East.

1945 – The Soviet Union takes over Manchuria from the Japanese.

1949 – The Soviet Union returns Inner Mongolia to China.

### Border clashes

1969 – Soviet and Chinese border guards clash on Damansky Island on the Ussuri River.

1986 – In a major speech in Vladivostok, Gorbachev indicates that the Soviet Union is prepared to be flexible on the border issue.

1991 – Agreement is reached on delimitation of the eastern section (97 percent) of the border.

1994 – Agreement on the western section of the border.

1995 – Agreement on the final stretch (54 km) of the border.

1996 – Shanghai agreement on confidence-building measures along the former Sino-Soviet border.

1999 – Signing of the Protocol on Delineation of the Eastern and Western sections of the border.

### Signing of the Sino-Russian Treaty of Good Neighbourliness, Friendship and Cooperation

2001 – Signing of the Sino-Russian Treaty of Good Neighbourliness, Friendship and Cooperation.

2004 – Agreement on final demarcation of the eastern border, settling the question of the remaining disputed islands in the Amur River.

2005 – Ratification of the final border agreement by the Chinese and Russian legislatures.

**Shared values or common interests?**

**Converging values**

More generally, both governments attach prime importance to issues of sovereign independence and resisting 'external interference' in domestic affairs. Sino-Russian political convergence has been given impetus not only by the growing congruence of security and especially economic interests (see below), but also because both countries face pressure from the West on issues of democracy, market liberalisation, and media and religious freedoms. Whereas in the 1990s, there was little suggestion of shared values (as opposed to common interests) between Yeltsin's Russia and Jiang's China, today there is an emerging consensus on the viability of non-Western, indigenous forms of modernisation. The Kremlin is becoming more defiant in the face of Western criticisms, while China is becoming more market-oriented, though not necessarily more democratic. Although the similarities between the Russian and Chinese systems should not be exaggerated, the two leaderships have established a common language in relation to domestic governance issues as well as foreign policy.

The international environment post-9/11, too, has been conducive to normative and political rapprochement between Moscow and Beijing. Although in the immediate aftermath of 9/11, Putin turned Russian foreign policy towards the United States, the new primacy of security issues in world affairs favoured the strategic partnership with China. The highlighting of terrorism as the greatest threat confronting civilisation helped legitimise a hardline approach towards separatism, radicalism and extremism. Moscow and Beijing found it easy to agree on the priority of collective over individual rights, of 'order' over freedom, and of ensuring security rather than 'hurrying' to introduce alien democratic practices.

**Building institutions**

**Strength through institutionalisation**

The final element in Sino-Russian political convergence is institutional. Although the relationship is highly personalised, the two governments have sought to develop a network of bilateral institutions at all levels in order to create a lasting foundation for future progress. This institutionalisation is vital to implementing high-level decisions and strengthening the fabric of ties, providing insurance in the event of disagreements and even downturns. In this respect, the strategic partnership differs markedly from Russia's relationship with the United States, which remains excessively dependent on the alleged chemistry between Putin and George W. Bush, and is consequently somewhat fragile and lacking in substance.

Consistent with the theme of 'strength through institutionalisation', Moscow and Beijing have expanded bilateral cooperation to as many areas as possible. Thus, the real significance of the first ever joint military exercises in August 2005 was not so much strategic – heralding the emergence of a political-military alliance – as political. 'Military-technical cooperation' was the one area where bilateral ties had languished, limited previously to Russian arms transfers to the People's Liberation Army (PLA). The exercises, modest though they were, symbolised crossing the 'last frontier' in the strategic partnership. Both sides have also devoted considerable resources to human contacts in culture, education and sport. This year is the Year of Russia in China and 2007 will be the Year of China in Russia. Although many of these activities are little more than window-dressing, they serve to publicise a shared commitment to diversifying and intensifying the relationship.

**Moscow's interest in Asian multilateral forums**

This same commitment explains also the growing interest in Moscow and Beijing in Asian multilateral forums. In addition to considerations of 'good international citizenship' – the desire to be seen as a constructive as well as influential actor – active participation in the Shanghai Cooperation Organization (SCO) and the Asia-Pacific Economic Cooperation (APEC) grouping contributes to the strengthening of bilateral ties. After all, these organisations are concerned with the same issues of counter-terrorism, regional economic integration and energy security that are among the major preoccupations of the strategic partnership. In particular, the SCO's emphasis on regional security confidence-building is a useful extra layer in reinforcing the Sino-Russian border agreement.

**Strategic suspicion**

**Discomfort and mistrust**

Of course, the picture is by no means as rosy as official rhetoric would have us believe. Although the level of mutual trust is higher than ever, neither side feels entirely comfortable with the other. Chinese officials complain privately that Moscow continues to view Beijing with considerable suspicion, even if this is expressed more discreetly than in the past. They claim that the Russians sell superior weaponry to the Indians, that Moscow is reluctant to sell military design technology to China, and that it is sometimes slow to consult Beijing on issues of vital interest. For example, Putin's decision to endorse the American troop presence in Central Asia after 9/11 and his casual acceptance of Washington's withdrawal from the 1972 Anti-Ballistic Missile Treaty came as unpleasant surprises to the Chinese leadership. More generally, the Chinese are irritated that Russian policy-makers from Putin down continue to speak of the danger to national security caused by an 'empty' RFE – a less than subtle allusion to the 'China threat'. They resent the inference that Beijing will seek to challenge the border settlement as soon as it feels able to do so.

**Russia's Westerncentrism**

For their part, the Russians do not see the Chinese as like-minded in the fullest sense. Any normative convergence is strictly circumscribed by differing cultural-historical traditions and moral perceptions. Russian foreign policy may be 'multivectored' in that it pursues its national interests in many parts of the globe, but the Kremlin's world-view remains overwhelmingly Westerncentric. It is not for nothing that Putin insists that Russia is an integral part of 'European civilisation' or that he reiterates his commitment to democracy, the rule of law, and civil society. This is not just a crude attempt to curry favour with the West, but reflects a deeper conviction that modern Russian norms and values more closely approximate those of the West than the East. Whatever their differences, Russia sees itself as existentially intertwined with the West. Conversely, irrespective of how much they may agree, Russia continues to view China as essentially 'foreign'.

**The economic relationship**

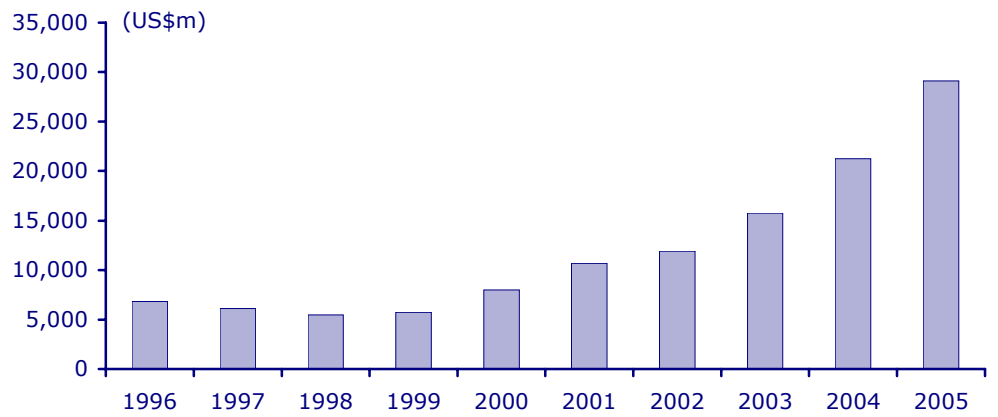
**Mutual interests, different priorities**

The ambivalence in the political relationship is mirrored in the economic sphere. On the one hand, there is a trade boom that shows no signs of ending. On the other hand, the mistrust that limits political and normative convergence also undermines bilateral economic relations. Bullishness about future possibilities is tempered by anxieties – mainly on Russia’s side – about overdependence and vulnerability.

**The trading boom**

The most spectacular achievement of Putin’s China policy has been the nearly sixfold increase in official bilateral trade from US\$5.7bn in 1999 – the last year of the Yeltsin presidency – to US\$29.1bn in 2005. As a result of this growth, China has become Russia’s second-largest trading partner after the EU, ahead of such stalwarts as Belarus and Ukraine. Additionally, so-called ‘unofficial’ trade – mainly cross-border shuttle commerce – has risen to well over US\$10bn.

**Bilateral trade between China and Russia**



Source: NBS

All the prognoses indicate that the surge in bilateral trade is likely to continue for the foreseeable future. During Putin’s recent visit to China, he declared that the volume of trade would probably reach US\$60bn by 2010 – and most experts agree with him. At present rates of projection, China could take over from the EU as Russia’s number one trading partner within a generation.

Less positive from Moscow’s point of view, however, is that Russia is increasingly becoming an exporter of raw materials and an importer of industrial and manufacturing goods. Energy deliveries – oil and gas in particular – now account for the largest share of Russia’s exports to China. Conversely, the relative importance of the arms trade is diminishing. Although China remains the leading customer for Russian arms (just ahead of India), it is unlikely that the figure much exceeds US\$2bn; indeed, the total value of Russian arms exports worldwide for 2005 is only around US\$6.1bn.

More generally, exports of Russian machinery and equipment to China fell by almost half in 2005 while Chinese exports of the same items increased. During his March 2006 visit, Putin expressed concern about the “raw material bias of Russian exports.” His comments reflected not just a fear that Russia was being left behind in the race for global economic competitiveness, but more specifically that it was being overtaken by China, a developing country and often problematic neighbour.

**Russia is increasingly an exporter of raw materials and an importer of manufactured goods**

**The closer  
the relationship, the  
greater the discomfort**

**The fear of China-dependence**

One of the paradoxes of the Sino-Russian strategic partnership is that the closer relations become, the more uncomfortable Moscow feels about its dependence on Beijing. The tension between the desire for expanded economic cooperation and the fear of China-dependence is evident in three areas in particular: interregional trade; Russia’s attempts at economic integration into the wider Asia-Pacific region; and the energy relationship.

Interregional commerce between Russia and China has always played an important role in the overall trading relationship. However, the closeness of such ties has never been more important than during the post-Soviet period. After the collapse of the USSR in December 1991, Moscow left Russia’s eastern provinces to fend for themselves. The central subsidies that had previously sustained these regions were cut drastically, and the local populations found themselves struggling to find the most basic necessities. As a result, they became increasingly, and in some cases entirely, dependent on Chinese goods brought over by ‘shuttle traders’ (*chelnoki*).

Although the situation of Russians living in the Far East is no longer as parlous as in the 1990s, the region remains heavily reliant on Chinese imports of basic food and other consumer items. This dependency has engendered contradictory reactions among the local population, which recognises the critical contribution of Chinese shuttle-traders but envies their relative affluence, and resents having to accept ‘inferior’ but cheap imports because of the lack of alternatives. Many locals are humiliated by their miserable standards of living in comparison with people they had formerly regarded as backward and ‘uncivilised’. Russian regional administrations are only too happy to feed xenophobic sentiment, seeing the shuttle-traders as a convenient scapegoat to mask their own inadequacies; all this while they continue to develop interregional ties with the administrations of the adjoining Chinese provinces (see above).

**Engagement  
and mistrust**

**Russian economic integration in the Asia-Pacific**

The dichotomy between engagement and mistrust is equally apparent in perceptions of China’s role in assisting Russian economic integration in the Asia-Pacific region (APR). In the 1990s, Beijing’s good offices were crucial in paving the way for Russian membership of APEC, while today its energy needs offer Moscow enhanced opportunities for a much broader engagement in the region. On the other hand, some Russian policy-makers suspect that the Chinese leadership – and Chinese business – is quietly obstructing Russian economic penetration into the APR. They believe that Beijing wants Russian energy for Chinese industrial consumption – and energy security – but does not welcome the arrival of a new, increasingly influential economic player in the region.

**Energy ambivalence**

**An ambivalent energy relationship**

Unsurprisingly, such tensions and uncertainties are most evident in the complex energy relationship. On the plus side, this is experiencing extraordinary growth, which is set to continue for many years yet. Russia’s determination to capitalise on high world oil and gas prices has translated into a much more vigorous approach towards diversifying markets and pipeline routes. Russia’s National Energy Strategy envisages that by 2020 the share of total oil exports to Asia will rise to 30% (gas exports up to 15%) from the current 3%, and it anticipates that China will account for by far the largest proportion of this. Even today, it is clear that China has consolidated its position as Russia’s leading energy customer in Asia, widening the gap

**Fears of overdependence on China**

between itself and other Asian markets such as South Korea and Japan (for whom the territorial dispute with Russia remains a serious impediment to the development of strategic economic relations).

On the other side of the ledger, the Kremlin is becoming increasingly sensitive to the potential risks of overdependence on China as a primary market for Russian oil and gas. Ideally, it seeks a fully diversified Asian energy market, extending beyond China to cover the wider Asia-Pacific region – Japan, South Korea, the United States, and Southeast Asia. Achieving such an outcome would enable Moscow to dictate the terms and conditions of delivery, and exploit energy more effectively as an instrument of geopolitical influence in the APR. As things stand, however, China's dominant position among Russia's Asian energy customers means that the 'buyer' in this instance is at least as influential as the 'seller', notwithstanding Russia's reputation as an 'energy superpower'.

**Pipeline shenanigans**

This reality is behind Putin's refusal to commit himself over the routing of the East Siberian oil pipeline. The double-dealing that has marked this long and messy saga has many causes, but is motivated ultimately by a reluctance to trust the Chinese as a long-term energy partner. Beijing's favoured route to the Daqing terminal in Heilongjiang province could make China the monopoly customer and allow it to dictate price by manipulating volumes. (The Kremlin retains bad memories of Turkey doing this with the Blue Stream gas pipeline in 2003.)

**A choice between China and Japan**

Consequently, the Kremlin prefers the idea of accessing the wider Asia-Pacific market via construction of a trunk pipeline to Perevoznaya on the Pacific coast. However, while this makes sense in terms of strategic flexibility, there are serious technical, commercial, and political objections to the proposal. First, it is estimated that there are insufficient oil reserves in East Siberia to justify construction of the main, longer pipeline on commercial grounds alone. Second, a pipeline to the Pacific coast would effectively bypass Russia's largest energy customer in the region (China) in favour of Japan and the USA, markets that are much more uncertain. Third, choosing the longer route would cause ructions with Beijing. Although this is not in itself an insuperable problem, it would encourage the Chinese to intensify their search for alternative suppliers of oil (and gas) – as they are already doing in Central Asia, Africa and South America.

The confusion over the East Siberian oil pipeline is heightened by Russia's attempts to 'balance' the Asian, Chinese-dominated energy market against its existing European markets – a geopolitical game that it is not best-equipped to manage. Although the gas dispute with Ukraine in January 2006 aroused a panic in Europe over energy security, Moscow's position is by no means as strong as the Western media have portrayed. Russia needs its primary energy markets in Europe because it cannot rely on the Chinese taking up the slack in the case of a downturn/collapse in demand. On the other hand, the Chinese market is critical to Russia because it offers the most immediate dividends in terms of new demand, as well as insurance in the event the EU seeks new sources of supply, as it warned it might do after the disruptions caused by the Russia-Ukraine gas dispute.



## The East Siberian oil pipeline

In Feb-99, Russian Prime Minister Yevgenii Primakov and Chinese Premier Zhu Rongji signed an agreement to conduct a preliminary feasibility study for an oil pipeline with a capacity of 20-30mt/year (mty) from Angarsk near Lake Baikal to Daqing, the main Chinese oil terminal in Heilongjiang province.

In Mar-03, Mikhail Khodorkovsky, CEO of Yukos (then Russia's largest oil company) concluded an agreement with CNPC to develop the Angarsk-Daqing pipeline. Yukos announced that it would pump 700mt of crude (worth US\$150bn) to China over the next 25 years. The agreement was formally endorsed by Putin and Hu Jintao in May-03. The Yukos-CNPC agreement unravelled in the summer of 2003 following the Russian government's arrest of senior Yukos executives, including Khodorkovsky himself.

In Jul-03, the Japanese government offered Moscow a financial package to build a pipeline from Angarsk to the Russian Pacific port of Nakhodka. The package involved a US\$7bn investment for construction of the pipeline plus a further US\$5bn to explore new deposits in eastern Siberia. In Sep-03, the Russian Ministry of Natural Resources rejected the Yukos-sponsored route ostensibly on environmental grounds. It was decided to shift the start-point of the pipeline to Tayshet, 250km northwest of Angarsk. On 31 Dec-04, Russian Prime Minister Mikhail Fradkov announced that the oil pipeline would be built from Tayshet to Perevoznaya bay, near Nakhodka.

In the course of 2005 growing disagreements between Moscow and Tokyo over the territorial question cast fresh

doubt on the routing of the pipeline. In Sep-05, Putin indicated that priority would be given to the Tayshet-Daqing branch line, although he claimed that both routes would eventually be built. Currently, there are two competing routes for the East Siberian oil pipeline. The first is the 4,188km pipeline from Tayshet to Perevoznaya. This is strongly supported by the Japanese government. Estimates of likely capacity are in the range of 50-80mty. The second route is a 2,500km pipeline from Tayshet to Daqing. This has been vigorously pushed by Beijing. Its estimated capacity is 25-30mty. The official Russian position is that it would like to build both pipelines and that it is committed to meeting the energy requirements of all its Asian customers – China, Japan, South Korea and other interested parties.

Both Tokyo and Beijing have offered substantial financial inducements – estimates go as high as US\$14bn – to swing the Kremlin's decision in its favour. Neither is interested in the construction of both pipeline routes and each insists on priority for their preferred option. The Japanese have indicated that they would be unlikely to invest in the Pacific pipeline if Moscow decided first to build to Daqing.

During Putin's most recent visits to Japan (Nov-05) and China (Mar-06), he signed various agreements on long-term energy cooperation. However, no final decision has been made on the routing of the East Siberian pipeline. Currently, nearly all Russian oil exports to Asia go to China via railroad from eastern Siberia to Daqing. In 2005, Russia exported about 8mt to China, a figure expected to rise to 15mt in 2006.

### East Siberian oil and gas pipelines



Source: [www.eia.doe.gov/emeu/cabs/Russia/Full.html](http://www.eia.doe.gov/emeu/cabs/Russia/Full.html)

**Russian defensiveness****A half-hearted engagement**

Ambivalence colours the whole web of bilateral energy ties – electricity and nuclear, as well as oil and gas. On the surface, everything appears to be developing smoothly. Putin has made energy cooperation the spearhead of the relationship with Beijing. His March 2006 visit saw a raft of agreements: on oil and gas pipeline development, cooperation on peaceful nuclear energy, the supply of electricity.

However, many of these agreements are light on substance and even lighter on binding commitments. The Kremlin seems unwilling to pursue a policy of positive engagement to its logical conclusion – that of a strategic energy partnership. The blockage appears to be psychological rather than a rational response to Chinese policy, which has generally been constructive. The leadership in Beijing has taken a number of steps aimed at tightening the energy relationship: proposing to buy equity in Russian enterprises; lending the Kremlin money to help finance the dismemberment of Yukos; and offering finance for the East Siberian oil pipeline project (including for the initial exploration and development of the East Siberian fields). Perhaps the problem lies precisely in China's keenness to increase its involvement in the Russian energy sector and its growing capacity to do so effectively. That Beijing has both the 'hunger' and, increasingly, the wherewithal to prosecute its energy objectives worries Moscow.

**Fuelling China's modernisation**

The Kremlin faces a major dilemma. Russia depends on China as one of its key energy markets, while the reliable supply of oil and gas is critical in substantiating the image of a prospering strategic partnership. However, the more energy Russia supplies to China, the more it assists the modernisation and rise of a power that one day could challenge its interests across the board. Putin's recent complaint regarding the structure of bilateral trade – Russian raw materials resources in exchange for Chinese manufacturing goods (see above) – reflects the changing dynamic of the relationship. In a very brief period, China has metamorphosed from younger brother to equal partner to senior player in the strategic partnership. Russia's sense of vulnerability is undoubtedly a major contributing reason for the series of defensive measures it has taken *vis-à-vis* Chinese energy interests in recent years: blocking CNPC's bid for a major share in the Russian oil company Slavneft in December 2002; stalling over the routing of the East Siberian oil pipeline; and reserving options over the direction of the Kovykta gas pipeline.

**A mixed outlook**

The lack of clarity in Russia-China energy ties begs the question about the potential for growth in the larger economic relationship. On the surface, the outlook appears rosy, given China's increasing energy requirements (oil demand alone is predicted to reach 600m tonnes per annum by 2020), continuing high oil and gas prices, and the Russian economy's reliance on energy exports. Even with Moscow diversifying its energy customers and Beijing doing the same with suppliers, there are few obvious impediments to sustaining the positive momentum for at least the next 10-15 years.

**Reliance on political synergies**

But the fact that political, security and economic interests are so closely intertwined in both Russia and China is a source of weakness as well as strength. Much of the impetus in trade between two strongly statist systems has come from the commitment of the respective leaderships to this aim. Contrast this to the case of Russia-Japan, where ongoing political difficulties have acted as a brake on commercial ties, particularly in the energy sector where cooperation is very modest indeed.

**Unpredictable decision-making in Moscow**

The nexus between the political and the economic raises concerns about what would happen if now largely dormant security and strategic tensions were to re-emerge between Moscow and Beijing. There is historical precedent for this; the Sino-Soviet schism in the late 1950s and early 1960s led to a rupture in economic as well as political and security ties. And although the bilateral and international environment at the beginning of the 21<sup>st</sup> century is very different from that of 50 years ago, there are several features in common with the past: underlying suspicions; uncertainty about each country's status in the relationship; the determining role of the state in economic activity; and dissatisfaction with each other's business practices.

One can add to this list the problems inherent in the over-personalisation of Russian decision-making, which as a result is often hostage to sectional agendas rather than a larger view of the national interest. The tortuous progress of the East Siberian oil pipeline illustrates how far individual and group interests can undermine effective, consistent policy. Until there is greater predictability in decision-making, there will always be serious questions about the fragility – and potential for growth – of Sino-Russian economic ties.

**The strategic agenda**

**Anything but American hegemonism**

**Anxieties about China**

## Working the angles

Despite the enhanced profile of economic priorities, the Sino-Russian relationship continues to be defined principally by its strategic agenda. Geopolitics, more specifically, retains a pre-eminent position in the foreign policies of both countries, whose elites have been raised in a culture of 'hard' rather than 'soft' power.

### Geopolitics and multipolarity

The enduring influence of a geopolitical mindset is evident in concepts such as the 'global multipolar order', which Moscow and Beijing made the centrepiece of their relationship during the 1990s. Ostensibly, such ideas had their own 'objective' logic. But their real *raison d'être* was the United States. Moscow's vision of multipolarity, in particular, was little more than a 'revised' form of bipolarity. No longer able to contest Washington's dominance in the post-Cold War environment, Russian policy-makers cast around for ways of mitigating the exercise of American power across the globe. In this endeavour, China represented a kindred spirit, and the 'global multipolar order' a more equitable alternative to American 'hegemonism' and 'unilateralism'.

In practice, things were not so simple. The rationale of the 'strategic partnership' became increasingly negative, with greater importance being given to frustrating American objectives than expanding bilateral relations for their own sake. This trend underlined the obvious point that Moscow and Beijing were much more interested in, and engaged with, the United States than with each other.

Since entering the Kremlin in January 2000, Putin has adopted a more nuanced approach. There has been far less rhetoric about multipolarity and the 'multipolar world order' – even if these slogans still feature in summit communiqués. Significant progress across the bilateral relationship has highlighted the intrinsic importance of close ties. Today, it is no longer true that China serves primarily as a counterweight in Russia's difficult relationship with the United States (and the West more generally).

### Russian threat perceptions

Nevertheless, the re-emergence of a positive bilateral agenda has done little to allay Moscow's anxieties about the 'China threat'. In its most elemental and primitive form, this fear is embodied in the bogey of a 'yellow horde' rushing in to fill the 'empty spaces' of the Russian Far East. This threat assumes especially live form against the background of a larger demographic crisis in Russia (where some estimates predict that the total population will fall from today's 143 million to 100 million or even as low as 70 million by 2050), and the pressures on living space in northern and eastern China.

Such fears are based on the premise that China will move against Russia as soon as it feels strong enough to do so. For the time being, this is not in prospect since the leadership in Beijing has much more critical and urgent priorities – internal modernisation and Taiwan, to name but two. But in the longer term, the situation could change. At its present rate of development, China is set to become one of the world's leading economies within 10-15 years. This emergence is likely to translate – in fact, is already translating – into enhanced military capabilities. There is a growing body of opinion that China has already surpassed Russia in terms of aggregate power – political, economic and military. Even in the one area where Russia enjoys undisputed superiority, nuclear weapons, there are fears that China is catching up fast.

The discomfort Moscow feels about the changing bilateral balance is exacerbated by Beijing's increasing activism in international affairs. It matters little that contemporary Chinese foreign policy emphasizes engagement rather than competition. What concerns the Russians is Beijing's shift from a largely regional-centred approach to one that is much more 'multivectored'. China appears to be developing both the capacity and the ambition to advance its interests at all levels – bilateral, regional and global. The consequences for Russia could be cataclysmic: the erosion of control and, eventually, sovereignty over its eastern regions; displacement as the leading power in Central Asia; and marginalisation in Asia-Pacific and global affairs.

### **China's challenge and Russia's response**

The Putin administration has reacted in multi-faceted fashion to the challenge presented by China. In the first instance, it has attempted to alleviate the problem of the RFE's depopulation by encouraging the immigration of labour into the region from western Russia and the Central Asian republics. This approach is inspired by the experience of the Baikal-Amur railway (BAM) project in the 1960s, when the Soviet regime persuaded workers to relocate to the east through a mixture of incentives and coercion. Today, however, the impracticability of the latter method and insufficiency of the former have meant that efforts to reverse the population flow have met with little success.

**A 'hug your enemy' strategy**

A second, more pragmatic response is the strategy of 'hug your enemy' (or 'keep your friends close, your enemies closer'). This is founded in the understanding that, regardless of whether China poses a genuine threat, Russia is not in a position to confront it militarily or economically. The only option is engagement, ensuring that Beijing has a major stake in lasting stability, security and prosperity in the region. Such thinking is behind the drive to develop transnational energy and infrastructural projects such as the East Siberian oil pipeline, the Kovykta gas pipeline, and extension of the Trans-Siberian railway into the Korean peninsula. If Russia and China become full participants in these long-term ventures, the theory runs, then they would be less likely to come into conflict since they would have too much to lose.

**Russia's increasing political marginalisation is the problem**

### **The real China threat**

Despite the speculation about the possible loss of the Russian Far East, the real China threat is not military or demographic expansion, but Russia's progressive marginalisation from regional and global decision-making. In Central Asia, for example, China is challenging – discreetly – Russia's once pre-eminent position. The old strategic arrangements, whereby Beijing was happy to leave Moscow the responsibility of managing radical Islamic and separatist currents, are unravelling. In the wake of 9/11, the American military presence in Central Asia has established a new reality, one in which Russia's claims to be the leading power in the region have been called into serious question. In this more fluid environment, China is adopting an increasingly interventionist approach in order to advance its security and economic interests. Although not specifically directed at Moscow, Chinese activism in Central Asia is effectively undermining a traditional sphere of Russian influence.

In Northeast Asia, the situation is somewhat different. Here China is the established power and Russia the relative newcomer. Although Moscow has attempted to carve out a (modest) role for itself, most notably through participation in the Korean Six-Party talks, Beijing has shown little enthusiasm

**China has taken the lead in talks with North Korea**

for facilitating this involvement. Deep-down, Russia understands that it is a peripheral player with limited influence, and that China wants to keep things that way. The best it can hope for, then, is a strategic environment where no single power dominates at the expense of others. In much the same way that Moscow opposes American 'hegemonism' and 'unilateralism' in global affairs, so it would like to see Chinese strategic ambitions in Northeast Asia contained within stable limits – even while it accepts that it is scarcely in a position to undertake this itself.

**Six-party talks in 2003**



Source: Korea Overseas Information Service

**Strategic diversity**

Strategic diversity is one of the core themes of the Russia-China relationship. For China, it is primarily a geoeconomic concept. Mindful of Moscow's reluctance to commit itself over the East Siberian oil and gas pipelines, China is diversifying its sources of supply by moving into Central Asia. CNPC's purchase of PetroKazakhstan for US\$4.18bn and a recent agreement with Turkmenistan for the annual delivery of 30bn cubic metres of natural gas are motivated by Beijing's desire to maximise energy security and extend its geoeconomic reach.

**Strategic calculus**

For Moscow, energy security (from the supplier's perspective) and the projection of economic influence are similarly important objectives, as illustrated by its handling of pipeline issues. But the emphasis on strategic diversity extends well beyond economic agendas to encompass strategic calculus across the board. In Central Asia, Russia is looking to regain some of its Soviet-era influence with the help of states such as Uzbekistan and Kazakhstan. In Northeast Asia, it retains hopes of being a 'swing power' between China and Japan. And globally it flirts with the notion of Russia-China-US 'triangularism' and a Moscow-Beijing-New Delhi 'axis', an idea first mooted by then Russian foreign minister Yevgenii Primakov in December 1998.

**Russia-China-Japan**

The clearest example of strategic diversity in action is in Northeast Asia, where the Kremlin would ideally like to position Russia between China and Japan. The idea behind such 'balancing' is that, in making itself equally useful to both countries, Russia would then be able to punch well above its modest weight in the Asia-Pacific while limiting its dependence on others.

**Balancing Tokyo and Beijing**

**Triangularism**

Unfortunately for Moscow, this goal is becoming increasingly unrealistic given the simultaneous stagnation of its ties with Tokyo and an ever expanding relationship with China. The growing Sinocentric bias in Russian foreign policy nullifies any chance of playing off Beijing and Tokyo against each other, except in the limited context of the East Siberian oil pipeline. Even here, there are doubts as to how long this brinkmanship can be sustained, given that both China and Japan are intensifying their search for alternative energy suppliers, sources and technologies.

**Russia-China-US**

On a grander scale, triangularism remains an important component in Russia-China relations *vis-à-vis* America. The linkages are not as primitive as in the 1990s, when tilting towards Beijing became the Yeltsin administration's standard tactic whenever it sought to influence Western policy. Nevertheless, although the main impetus behind the growth of Russia-China relations is now bilateral interest, strategic calculus still enters into the equation. The joint military exercises in August 2005, for example, were designed to sow a little 'creative doubt' in Washington's mind, in the hope that the US might feel more inclined to treat Russia with greater 'respect' and sensitivity.

Of course, most of this is bluff and none too successful at that. Russia and China are so clearly more oriented towards the West than to each other that the 'threat' of a Moscow-Beijing axis is largely illusory, a 'paper tiger'. Moreover, any Western anxieties on this score have resulted not in a 'softer' line towards Russia in Europe and the US, but a more suspicious and intolerant attitude. Putin's latest efforts at working the strategic angles with China and, to a lesser extent, India have therefore been generally counterproductive in terms of advancing Russia's interests with the West.

**A new quality of multilateral engagement?**

Putin's realisation of the limitations of strategic balancing has led him to expand Russia's multilateral engagement in the region. One aspect of this is more active participation, rather than mere association, with Asian multilateral structures such as APEC, the ARF and the East Asia Summit (EAS). Another is broadening the agendas of formerly limited institutions such as the SCO to encompass economic as well as security issues. On a more concrete level, it entails making real progress on transnational energy and infrastructural projects, and improving regional cooperation on 'common threats and challenges' – terrorism, the proliferation of Weapons of Mass Destruction, regional conflicts and instability, and drugs trafficking and other transnational crime.

Such positive-sum interdependency has its own logic of course, given the gravity of these challenges. But it also has another, more directly Sinocentric rationale as well – containment through multilateralism. The greater the emphasis on common threats and joint action in response to them, the more checks and balances there will be on the exercise of Chinese power, now and in the future. In a relatively benign strategic environment, as opposed to one where great power rivalries are more overt, the growing disparity between Chinese and Russian capabilities might not matter so much. Multilateralism in the form of a 'Concert of Asia' might achieve what Russia alone is unable to do, namely contain assertive behaviour by Beijing, guarantee the security of the Russian Far East, and extend Moscow's reach into the Asia-Pacific.

**Putin's plan for multilateral engagement**

**Trust in capabilities,  
not intentions****Strategic culture new and old**

All this raises questions about the evolution of Russia's strategic culture and its impact on the relationship with China. Is Putin presiding over an evolution in attitudes, or is Moscow's strategic thinking still dominated and weighed down by the baggage of the past? The answer is probably a mixture of the two. There are genuine indications of a more flexible mindset emerging in the Kremlin, more pan-Asian and less anti-Chinese. But it is clear that there is a long way to go before the Russian political establishment sheds its suspicions about Beijing's intentions. The aphorism, 'trust in capabilities, not in intentions', will continue to define Russia's approach towards its largest neighbour.



## Looking to the long term – Six scenarios

For the next decade at least, the outlook for the Russia-China relationship is reasonably good. The two countries will continue to find each other useful for the range of reasons discussed earlier: a measure of political and normative convergence, economic interest, and strategic commonalities. Further ahead, however, it is extremely difficult to predict how the strategic partnership might evolve. The existence of so many variables – in Russia, China, the Asia-Pacific and globally – mean that a number of different scenarios cannot be excluded.

### Strategic convergence

The most straightforward long-term prognosis is for the present positive trend in relations to continue more or less indefinitely. Regardless of what happens with the East Siberian pipelines, Russia will remain a key supplier of oil and gas, electrical and nuclear energy to China, whose requirements will only increase as it continues to modernise. Indeed, with the development of LNG production in Sakhalin and East Siberia, there may be a further quantum leap in the energy relationship.

A smooth upward trajectory is, however, threatened by incipient political and strategic tensions. While the two governments agree on most international issues, there is potential for misunderstandings to occur in connection with the demographic imbalance in the Far East and 'illegal migration'. The rise of the PLA as a truly modern fighting force, capable of fighting all kinds of wars, could generate growing tensions between the two militaries and raise fears of irredentist claims from Beijing. Taiwan, too, could under certain circumstances become a cause of friction. A crisis between Beijing and Washington would really test the degree to which Russia is prepared to offer moral and political, let alone military, support to China.

So much will depend on the course of the Sino-American relationship. If this degenerates into confrontation, the Kremlin will find itself having to make difficult, 'no-win' choices. On the other hand, if Washington and Beijing are able to transcend the legacy of mutual strategic suspicion and build on their already substantial economic engagement, then Moscow could find itself on the outer, isolated and increasingly irrelevant.

In a very real sense, strategic convergence represents a transitional phase, out of which the relationship must eventually go forward or regress. The curious mixture of close cooperation and historical mistrust that marks Sino-Russian ties may be difficult to sustain, particularly after China completes its transformation from a regional player to a genuinely global actor and multi-dimensional power.

### Political-military alliance

The joint military exercises last August provoked considerable speculation in the Western media about an emergent Russia-China axis. In the light of Russia's deteriorating relations with the US and the EU, many observers concluded that Moscow was 'turning East' and might eventually ally itself with China and perhaps India. This interpretation has been fuelled by Putin's determination, since the Iraq crisis, to pursue an assertively 'independent' foreign policy in contrast to the more pro-Western line he favoured during much of his first term (especially after 9/11).

**The outlook is good for the time being**

**Russia will continue to be a key energy supplier to China**

**Tensions remain**

**US-PRC relations will influence Moscow-Beijing ties**

**A Moscow-Beijing axis?**

**Peace Mission 2005**

**Joint military exercises**



General Liang Guanglie (second left), the chief of the general staff of the Chinese People's Liberation Army and Admiral Viktor Fyodorov (third left), commander of Russia's Pacific Fleet, listen to the introduction made by a Russian military official in Vladivostok, Russia, Thursday, 18 August 2005. Source: Imaginechina/CNS

**The primacy of the West**

In fact, Western fears of a Russia-China alliance tend to be the product of hysteria rather than rational analysis. Neither Moscow nor Beijing has any interest in cutting itself from the West through such a committal step. Russia and China might dislike the policies of major Western powers and institutions, but they recognise nonetheless that the West remains the prime source of global power – military, political, economic, technological, cultural and normative – and that they must work with it.

Moreover, the prospect of China one day challenging the supremacy of the West is of little consolation to Russian decision-makers. On the contrary, it would most likely convert what is for the most part a latent fear of China into an increasingly overt Sinophobia. Whereas Moscow believes that the West has no intention of attacking Russia in the foreseeable future, it is nowhere near as confident about China.

**Confrontation**

One scenario favoured by some Russian Sinologists is that China will sooner or later crack up under the weight of various pressures: political succession; democratisation; an overheated economy; social inequality and dislocation; uncontrolled population growth. The resultant instability could impact on relations in two ways.

First, the central government in Beijing might react as many governments under pressure do, namely 'compensate' for domestic setbacks with a more aggressive and nationalistic foreign policy. This might involve revisiting some of the thorny issues thought to have been finalised: demarcation of the common frontier, 'illegal migration', and strategic accommodation in Central Asia. Naturally, any move by Beijing in this direction would have serious repercussions, to the point that armed conflict could not be ruled out. In this connection, the incidents on Damansky Island in 1969 remain fresh in the memory.

**Will instability lead to confrontation?**

**Exaggerated fears**

The second scenario for strategic conflict is predicated on a general collapse of law and order in China. With no effective central authority to contain the anarchy, millions of Chinese could cross the border into the Russian Far East. This would lead to tensions and clashes, at first sporadic and random, but subsequently escalating into interstate conflict.

These scenarios are at best wholly speculative, at worst fantastical. Beijing may in time seek to revive its irredentist claims, but it is improbable that it would risk armed conflict to do so. More likely, it would allow 'nature to take its course', ie, wait for the strategic balance to change irrevocably and incontrovertibly in its favour. In that event, conflict would become redundant. As for the chaos theory, this owes more to chauvinistic Russian fears about the 'yellow peril' than to a considered analysis of why millions of Chinese would want to move into an inhospitable region, from which Russians have been escaping in large numbers over the past 15 years.

**The 'end of history'**

At the other extreme, there is the fond hope in the West that Russia and China will eventually become modern, democratic nations with transparent market economies and civil societies. In 1992, Francis Fukuyama argued in his highly influential book, *The End of History and the Last Man*, that all nations would eventually reach a democratic end-point, this being the most successful system of governance.

**The 'end of history' is a long way off**

Applied to the Sino-Russian relationship, the 'end of history' thesis would suggest that Moscow and Beijing can achieve convergence on an altogether different and surprising basis – Western democratic norms and values, and positive-sum cooperation on regional and global issues. There is some encouragement for this theory in the participation of China and, increasingly, Russia in the WTO process of global trade negotiations. It is not inconceivable to imagine China as a member of the G-8 group of the world's 'leading industrialised democracies', Russia in the WTO or Japan as a Permanent Member of the UN Security Council. If this were to happen, old animosities and suspicions might give way to enlightened self-interest, and geopolitical competition might become supplanted by more universalist perceptions of international security and prosperity.

Although such an optimistic scenario is not as absurd as it might first appear, it is hard to envisage Russia and China (in particular) 'joining' the West politically, economically and normatively. To pretend otherwise is to underestimate the pull of indigenous values and traditions, while overestimating the attraction of the 'Western example'. The limited experience of the post-Soviet period shows that if the respective leaderships in Moscow and Beijing were to move along the path of democratisation this transition would almost certainly be more influenced by local practice than by external models.

Nevertheless, *sui generis* processes of democratisation may contribute to alleviating strategic tensions between Russia/China and the West, and between Moscow and Beijing. There may be no 'end of history' as such – as Fukuyama has since admitted – but the focus on building a more democratic polity and society could engender a change in strategic culture. The traditional geopolitical emphasis on zero-sum, the balance of power and spheres of influence might give way to a more positive agenda – achieving more effective and equitable governance at home, while developing more cooperative and trusting relations with one's neighbours.

**Has the relationship peaked?**

**Stagnation**

Most of the previous scenarios assume there will be movement in Russia-China relations, positive or negative. There is an argument, however, that the relationship has reached its 'natural level'. Outstanding bilateral problems have been resolved; trade is growing, but continues to be constrained by mistrust; and there is broad agreement on most regional and international issues. Russian and Chinese leaders meet frequently and the bilateral relationship has a solid institutional foundation.

The question now is how much potential for growth exists given that neither Moscow nor Beijing seek a mutual alliance, and both look to engage primarily with the West rather than with each other. They can announce new initiatives, even 'breakthroughs', but with time the illusion becomes ever less convincing. With the relationship having 'peaked', it can now only deteriorate or stagnate at best.

In the meantime, the growing disparity between the two countries' political influence and power projection capabilities means that Russia will become increasingly unimportant to China, except as a supplier of energy and other natural resources. Even here, Beijing's policy of diversifying its sources of supply – looking to Central Asia, Africa, South America, as well as the Middle East – may reduce Russia's importance in Chinese energy strategy.

The stagnation scenario seems unduly pessimistic, however, given that Moscow still disposes of thousands of nuclear weapons, maintains a sizeable military establishment, and will retain control over vast natural resources for decades to come. Although China is seeking to diversify its energy sources, its dependence on Russian oil and gas will increase rather than decrease as long as the process of its modernisation remains incomplete. Chinese policy-makers and thinkers may be more dismissive these days of Russian pretensions, in particular Moscow's obsessive attachment to a 'great power' identity, but they recognise that they still need to take account – and advantage – of Russia as a neighbour and a player.

**The most persuasive scenario**

**Strategic tension**

This is perhaps the most persuasive scenario of all. Its core assumptions are that conflicting agendas and interests will emerge over time between Moscow and Beijing, but that these tensions will neither prevent cooperation in areas of mutual interest nor escalate into serious conflict. In some respects, this scenario resembles the strategic convergence scenario in that it predicts a continuation of existing trends rather than a radical departure one way or the other. It differs, however, in that it assigns greater importance to potential fault-lines in the relationship: 'illegal migration', strategic rivalry in Central Asia, competing aspirations as regional and global powers.

This scenario is less apocalyptic or messianic than the scenarios for political-military alliance, confrontation and the end of history. It suggests that the pace of change in the relationship will be slower than many observers anticipate. Whether Russia and China become allies or enemies or become integrated into a Western-dominated world, the process of transition will be long, laborious and uneven.

**Limited scope for qualitative improvement**

Strategic tension shares the assumption in the stagnation scenario that there is limited scope for qualitative improvement. This means, in the longer term, that Russia-China relations will slowly decline as the commonalities between

**But business will go on**

the two countries become less compelling and the differences and tensions more apparent. However, although China's rise as a modern power will result in an increasingly Westerncentric (although not pro-Western) outlook in Beijing, the leadership will maintain a close energy relationship with Moscow and work closely but selectively with it in balancing American strategic ambitions, in Central Asia and the Asia-Pacific.

For its part, Russia will retain a 'multivectored' world-view, in which China will continue to occupy an important but not the most important place. Moscow will remain fearful of the 'China threat' in its various guises – 'yellow peril', the changing strategic equation, the demographic imbalance, Russia's relegation to the periphery of international affairs – but this will not stop it from doing business with Beijing.

Notes



Notes

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