



Trends in Russia-China Relations **Implications for India**

NANDAN UNNIKRISHNAN
UMA PURUSHOTHAMAN

OBSERVER RESEARCH FOUNDATION

First published in 2015

ISBN: 81-8681-811-1

by:

Observer Research Foundation
20, Rouse Avenue Institutional Area,
New Delhi - 110 002, INDIA
Ph. : +91-11-43520020, 30220020
Fax : +91-11-43520003, 23210773
E-mail: contactus@orfonline.org

Printed and bound by:
Vinset Advertising, Delhi

Disclaimer

The views expressed in this publication are solely those of the authors. The publication may be reproduced for academic or non-commercial purposes only. Prior permission of the copyright holder should be obtained for reproduction in any form for commercial purposes.

© Observer Research Foundation, 2015

All rights reserved

Trends in Russia-China Relations

Implications for India

NANDAN UNNIKRIISHNAN
UMA PURUSHOTHAMAN

OBSERVER RESEARCH FOUNDATION

About the Authors

Nandan Unnikrishnan is Vice President and Senior Fellow at the Observer Research Foundation, New Delhi. At ORF, he looks after the Eurasia Studies Programme. An alumnus of Jawaharlal Nehru University (JNU), he began his career as a journalist with the Press Trust of India (PTI). From 1985 to 1987, he was deputed by PTI to the Institute for Defence Studies and Analyses (IDSA). In 1995, after 15 years in PTI culminating with a three-year posting to Moscow as the Bureau Chief, he moved to Business India's Television Channel – TVI – as the News Coordinator for International Affairs. He rose to head the channel in 1998. During his tenure at ORF, Nandan has participated in several national and international conferences and lectured in academic and specialised institutions.

Dr. Uma Purushothaman is a Research Fellow at the Observer Research Foundation, New Delhi. Previously, she worked as a Research Associate at the United Service Institution of India. She has published numerous works concerning India, the United States, Russia, China, and Iran for a variety of domestic and international academic sources and has presented papers at many conferences, including in China and Belgium. Her current research interest is Great Powers in Asia. She received her Masters and PhD from the Jawaharlal Nehru University, New Delhi.

Contents

Preface	iii
I. Introduction	1
II. Russia-China Relations: A Brief History	5
III. Views on Global Governance	9
IV. Sino-Russia Engagement at Multilateral Forums	13
V. Economic and Trade Relations	21
VI. Energy Ties	31
VII. Military Cooperation	49
VIII. Cultural Ties	57
IX. Afghanistan	59
X. Central Asia	61
XI. The Arctic	65
XII. Climate Change	67
XIII. The Russian Far East and China	69
XIV. Russian and Chinese Military Postures	87
XV. The Role of External Players	91
XVI. Conclusion	95
XVII. Implications for India	99
Endnotes	105
Bibliography	117

Acknowledgements

This monograph is the culmination of a year-long study conducted in 2012, by the Observer Research Foundation, with support and inputs from many quarters. We would like to thank the many scholars from China and Russia we met during our field trips—Dr. Dmitri Trenin from Carnegie, Moscow; Dr. Alexander Lukin and Dr. Ivan Safranchuk from the Russian Diplomatic Academy; Prof. Yuri Dubinin from Moscow State University; Prof. Su Hao and Dr. Gao Fei from the China Foreign Affairs University; Dr. Yang Cheng from the East China Normal University; and Dr. Natalia Ryzhova from the Far East Institute of the Russian Academy of Sciences. We would also like to thank Mr. Nalin Surie, former Ambassador, and Prof. Rajesh Rajagopalan from JNU, for their valuable inputs. We owe a debt of gratitude to Mr. Ajay Bisaria for the time he spent with us explaining India's policy concerns.

We would also like to thank our colleagues at ORF: Mr. Samir Saran, Dr. C Raja Mohan, and Dr. Manoj Joshi, for their comments on earlier drafts. Thanks are also due to Ms. Sadhavi Chauhan for data collection and Ms. Anushya Ramaswamy for her contribution to the section on Sino-Russian cooperation in multilateral fora. We would particularly like to thank the administrative staff at ORF for logistics support for our field trips and conferences.

Errors and shortcomings, if any, are entirely ours.

Nandan Unnikrishnan

Uma Purushothaman

Preface

In a rapidly-changing world where new powers and fresh alliances are emerging, Russia-China relations will form a key component in determining the evolution of the balance of power in the world.

There is increasing convergence between Russia and China on several global issues. Moscow and Beijing openly coordinate positions on these issues, particularly in the UN Security Council. They are also engaged in multilateral fora such as RIC, SCO, and BRICS, and see such an engagement as one way of strengthening a multipolar world in which they are key players as well as a platform to present an alternative viewpoint to the Western-dominated global discourse.

At the same time, the so-called “China threat” plays an important role in Russia's foreign and defence policies. Russia actively develops its Eastern Military District, supplying it with new weapons and troops, and holds military exercises every year to practice the redeployment of troops to the Russian Far East from the European part of Russia. Similarly, the counterpart “Russia threat” plays a role in China's foreign and defence policies: the Chinese military conducts exercises simulating an invasion of Russia with its troops marching 1,000 kilometres to test the army's long-range projection capacity.

Russia knows that despite its superiority in terms of nuclear weapons, its conventional forces are no match to China's military. China, on the other hand, fears being encircled and isolated if Russia joins the West.

Moscow and Beijing realise that the political systems in both countries are transitional in nature although similar in terms of systems governed by self-perpetuating elites. Therefore, there is always the possibility that both countries may change, thus transforming the nature of a China/Russia threat: from what is currently hypothetical to a real one. This would have terrible potential consequences for both countries.

It is to avoid the possibility of such a confrontation that the leaders of both countries are trying to bind their nations together through a web of military, economic, energy, and social ties.

Beijing and Moscow have been re-invigorating their military cooperation through arms sales (China acquired \$2 billion worth of Russian arms between 2011 and 2012) as well as through regular joint military exercises (bilateral as well as multilateral) and exchange of experts.

For example, during Chinese President Xi Jinping's recent visit to Russia, it was widely reported in the Chinese media that Russia had agreed to sell China some 24 Su-35 multirole fighter jets and four Amur-class diesel submarines. This is a higher level of technology than supplied before, indicating a change in Russia's attitude towards transfer of technology to China, given Moscow's fears of it being reverse engineered.

Economic relations are portrayed as the “new strategic basis” for Sino-Russian relations. China is Russia's biggest trading partner and the largest Asian investor in Russia. China sees Russia as a powerhouse of raw material and a growing market for its consumer goods.

While Russia exports natural resources, China supplies manufactured goods. This imbalance in the structure of trade is beginning to worry Russia. Russia's long-term economic relationship with China also faces an existential conundrum. Russia needs financial resources and technology to restructure and modernise its economy to reduce its dependence on raw materials exports. However, the technologies it requires for this are available not with China, but in the West.

Sino-Russian energy relations have fallen short of their potential so far. The most important hurdles to greater energy cooperation in the decade 2000 to 2010, were Russia's fear of a Chinese monopsony (fears of being dependent on one consumer of energy) as well as price disputes. Now the strategic reluctance on Russia's part to sell energy to China is diminishing with the demand for Russian energy in Europe declining and the US likely to become a net exporter of gas and oil to Europe.

In the meantime, China has been trying to diversify its energy sources in Central Asia, West Asia and Africa, while also exploring the option of shale gas. Therefore, while

Russia could become dependent on China as a market, it seems highly unlikely that China will become dependent on Russia for energy. Thus, Russia's fears of a Chinese energy monopsony may yet materialise.

Russia and China have similar interests and priorities in Central Asia. Nevertheless, China's increasing inroads into the region make Russia uncomfortable and could become a source of tension. So far, China appears to be sensitive to Russian concerns. In 2010, China and Russia issued a joint statement in which China acknowledged the post-Soviet region as an area of Russia's special interests and expressed support for Russia's endeavours to uphold its national interests and security in Central Asia. Another area of tension could be China's recently espoused interest in the Arctic. However, even here, Beijing and Moscow have begun collaborating with each other.

Cooperation in the Russian Far East has the potential to be a game-changer in Sino-Russian relations if they are able to move towards joint development of the region. While Moscow realises the need to develop the Far East and integrate it with the Asia Pacific region, it faces a bigger dilemma: who should its partner/s be in developing the Far East? Should it be Japan? Or South Korea? Perhaps, China? Or all of them together? The answer to this question would point towards whom Russia would lean to, in the years ahead. There are fears in some circles in Russia of Chinese immigration, but these are being dismissed by most Russian and Chinese experts.

Despite Russia's reluctance to be China's “junior partner”, the apparent convergence at the political, strategic and economic levels appears to be transforming the bilateral relationship into a lasting partnership. However, a lot will depend on how each country's ties with the US develop: for both countries, their most important bilateral relationship continues to be that with the US.

If the US changes its policy towards Russia and embraces it, Russia might be tempted into risking its relations with China for a partnership with the US. China fears a rapprochement between the West and Russia would be against it. This currently appears unlikely, though. Another possibility is if the US and China move into a closer relationship. If this happens, Russia will be pushed to move closer into a strategic embrace, albeit an uncomfortable one, with China because of its fear of a G-2 between China and the US.

However, none of these differences are insurmountable given the current geo-strategic goals of Russia and China. Post-Cold War Sino-Russian relations are a reflection of tactical pragmatism in both countries. As long as the glue binding Russia and China is their shared interest in balancing the US, we feel that for the next few years, China and Russia will remain close partners, creating all the necessary preconditions for transforming this tactical proximity into a strategic partnership.

This has obvious implications for India, which will find its strategic options increasingly constrained if a Sino-Russian strategic partnership emerges. In the event of Russia and China becoming closer to one another, India will have to either cooperate with Russia and China, or balance against them by drawing closer to the US.

If the growing relationship develops into a Russian dependency on China, then closer coordination between Russia and China in multilateral fora like BRICS, SCO, and RIC, would constrain India's options.

If Russia starts supplying high technology to China in the military sphere, India's security could be compromised. There is also the possibility of Russia growing closer to Pakistan because of China's influence.

Therefore, it is important that India draw up strategies that protect its national interests, including the following:

- Deepen its relationship with Russia, because Russia is an important balancer for India vis-à-vis China;
- Within the framework of the excellent military relationship with Russia, India needs to impress upon Russia that it should not transfer technology to China that could prove to be detrimental to India's security in the long run.
- Promote mutually beneficial trilateral cooperation between Russia, China and India that could contribute towards reduction of mistrust and suspicion between India and China;
- Similarly, pursue policies that will increase China's dependency on India;
- Finally, develop closer ties with the United States aimed at developing a new trilateral—US-Russia-India—that could balance any moves towards a strategic partnership between China and Russia.

I. Introduction

In a world that is rapidly changing, where new powers are emerging and new alliances and partnerships are constantly being forged, Russia-China relations will form a key component in deciding how the balance of power in the world evolves. Sino-Russian relations seem to be at their best today and there appears to be a convergence of views on many issues of international importance.

The Russia-China relationship has been a rollercoaster since the emergence of the People's Republic of China. The two nations have moved from being ideological fellow travellers in the 1950s to open hostility from 1970 till the end of the Cold War, and on to the current status of 'strategic partners'. Talking about the current state of relations, prominent Russian strategic thinker, Dmitri Trenin, describes the relations as “miraculous”¹, given the fact that while one country is on the rise both politically and economically, the other is in relative stagnation, if not decline. Expounding on the same theme, he writes in his seminal work, *Post-Imperium*:

*“...for the first time in some 300 years, Russia can no longer look down on China as the more backward, sleepy, isolated, technologically inferior or—militarily weak. The change of this scale happened within a mere decade, and in peace. The remarkable thing is that this change has not led to either new hostility or a hegemony of the stronger party. It has not even led to resentment on Russia's part, or jubilation on China's.”*²

The Sino-Russian relationship, while currently falling short of a full-fledged strategic partnership, has the potential to develop into one and completely alter the balance of power not only in Asia, but also globally. Today, Sino-Russian contacts take place on many levels—operational and ceremonial, official and non-official, civilian and military, and their relations are now much “closer, less contentious, more equal and more multifaceted.”³ Every department in the Russian Ministry of Foreign Affairs has consultations every year with its Chinese counterparts on issues of importance.⁴ The two countries share deep political and strategic ties and have growing trade relations, particularly in the energy sector.

Russia sees China as an important economic partner and a market for its raw materials and energy. China is Russia's biggest trading partner and the largest Asian investor in Russia. For Russia, China with its financial muscle (even if potentially threatening) is an important partner in Central Asia and a useful partner in international forums. Russia is keen to engage China in regional and global blocs that exclude the US in the hope that this will prevent China and the US from arriving at any arrangement to rule the world as a diarchy. As a Russian expert on the US says, "If a G-2 (between the U.S. and China) happens, Russia will be in a deep black hole."

For China, cordial relations with Russia are important because in the long term, China needs a peaceful neighbourhood for its economic growth. It realises that its rise might be affected if it gets into a costly confrontation with Russia. Also, China realises that it needs more friends and partners in the world at a time when it is getting involved in disputes around its neighbourhood and also with the US. This is all the more important given that China views the US rebalance as being essentially meant to contain them. Therefore, a friend or ally like Moscow—which shares the same scepticism, if not hostility towards the US—is useful for Beijing. Moreover, Russia is becoming an important market for its consumer goods. China sees Russia as a raw material powerhouse and a growing market for Chinese consumer goods. The old belief that Chinese products are inferior does not appear to hold true anymore. This is particularly true, outside the big cities, in the Russian regions. Russia also appears to be facing a shrinking market in Europe/West for its energy products; China hopes to benefit from this. From the strategic viewpoint, Russia's importance to China arises out of the fact that Russia is the only country which falls into all three rings of China's 'three-ring' diplomatic strategy of having good relations with big powers, friendly ties with neighbours and all-round cooperation with other developing countries.⁵

There is an increasing convergence between Russia and China on several global issues. Moscow and Beijing openly coordinate positions in multilateral forums, particularly in the UNSC against the West, and have similar views on Western interventionism; so much so that the partnership is perceived by the West as anti-Western. However, the reality is a little different; there is an undercurrent of tension in the relations. For both countries, their most important bilateral relationship is the one with the US. While for Russia, China might be the second most important bilateral relationship, as far as China is concerned, Russia might not even be its second most important bilateral

relationship. Moreover, signs point to growing Russian uneasiness with China's increasing power and influence; in modern history, Russia has never been a junior partner to China but this seems to have now become the situation in which it finds itself. Russia also fears a diarchy between US and China. Some experts in Russia feel that China covets Russian territory, a claim that Chinese experts vehemently dismiss. Russia views itself primarily as a European power and aspires to be part of the Western alliance. In China too, there is a certain amount of contempt for Russia's underdeveloped economy. For China, Russia has been a traditional foe-turned-almost-strategic-partner and it fears that any rapprochement between the West and Russia could be directed against it. Moreover, while Beijing and Moscow have overlapping interests on several issues, they also compete for power, influence and wealth, principally energy resources.

Chinese President Xi Jinping's first foreign trip was to Russia in 2013. During the visit, Russia and China signed several agreements on various sectors including energy, education, and agriculture, indicating much closer cooperation. Does this mean that Russia has overcome its fears about China? If yes, what are the drivers prompting this change? If no, why? The answers to these questions are of obvious interest to India, which has multifaceted relations with both countries. India has a long history of friendship with Russia, starting from the immediate post-independence period to present times when Russia is one of India's closest defence and strategic partners. With China, India's relations have been rougher, complicated by unresolved border issues. China of course is our largest neighbour, our competitor in virtually every field, and a country which has inflicted military defeat on us; not to forget its all-weather friendship with Pakistan. We have longstanding boundary and border disputes with China. And of course there is the issue of the presence of the Dalai Lama in India. Russia, on the other hand, is possibly the only all-weather friend for India, our leading defence supplier and one of our strongest and oldest allies. So the relevance of Russia-China relations for India is manifold. Therefore, understanding the nature, trends and nuances of Sino-Russian relations is important for India. The way this relationship evolves will define some of India's foreign and economic policies.

This study aims to capture the complexities of this relationship and make a considered guess on what implications this could have on India, its strategic choices and its bilateral relations with China and Russia. This study aims to answer the following questions:

- What are the forces driving China and Russia together or pulling them away from each other?
- What is the essence of the Sino-Russian partnership?
- Is it a strategic partnership or a tactical alliance?
- What is the role of external actors in this partnership?
- How will the Sino-Russian relationship evolve in the future?
- What implications does the Sino-Russian partnership have for Indian policymakers?

The main hypothesis that this study examines is that the Sino-Russian relationship is a tactical alliance. The study is based on field trips to Russia and China where we held extensive interviews with academicians and policymakers on both sides as well as an extensive review of primary and secondary literature.

II. Russia-China Relations: A Brief History

Russia-China relations have historically been turbulent. The first contacts between the two countries can be traced to the 17th century when the Tsardom of Muscovy came into contact with the ruling Manchus while it was pushing its frontiers eastward from the Urals towards the Pacific.⁶ In the next couple of centuries, while Russia colonised and consolidated Siberia in the 1850s and 1860s, Russia extended its borders till the Amur and Ussuri rivers and annexed territories whose inhabitants till then had been tributaries of the Manchus.⁷ The treaties through which the Russians annexed about 1.5 million square kilometres are now known as “unequal” treaties in China. In the latter part of the 19th century, Russia expanded into Manchuria. In 1900, Russia took part in a collective European intervention in Beijing and it built a naval base at Port Arthur (Lushun), a commercial port at Dalny on the Yellow Sea in 1898 and founded the city of Harbin in Manchuria. Russia's expansion ended only when it was defeated by Japan in the 1904-1905 war and was dislodged from Manchuria. This defeat led to the failed uprising against the Tsar in 1905 – the precursor to the 1917 October Revolution that resulted in the creation of the Soviet Union.

Subsequently, Soviet Russia became involved in the Chinese civil war. It tried to control the Chinese Communist Party and at the same time gave arms to Chiang Kai Shek's Nationalist Party.⁸ In fact, during World War II, the USSR supported the nationalists and even gave them air force support against the Japanese. This was essentially because the Chiang Kai Shek's Nationalist Party was stronger than the Chinese Communist Party at that time. The Soviet Union could not run the risk of China falling to Japan and so supported the stronger party. The Soviets feared that if China fell to Japan, it would become a perfect launching pad for an attack by the Japanese on the USSR.⁹ Eventually, the Soviet Union supported the Chinese Communist Party, led by Chairman Mao Zedong, in the Chinese civil war. It then befriended the People's Republic of China, giving it massive aid. In 1950, the USSR and China signed a Treaty of Friendship, Alliance and Mutual Assistance and several other agreements, which

bound the two states to help each other militarily in case of an attack by Japan or any other state aiding Japan in aggression, but not covering China against attacks by the US or any country other than Japan.¹⁰ The USSR provided China financial, military and technological assistance, while treating China as a junior partner. Ideological differences developed between the two countries in the late 1950s, eventually leading to a formal split. Some experts maintain that the two parted ways because Mao Zedong was unwilling to accept Soviet leadership of the international Communist movement after Joseph Stalin's death. In fact, the two communist parties differed starkly in their assessment of Stalin's role. Other scholars have added that it was Moscow's unwillingness to provide Beijing with nuclear weapons and transfer this technology which led to the split. In the late 1960s, China and the Soviet Union had border clashes at the Ussuri River and the Damansky-Zhenbao Island.

In the 1970s, China moved closer to the US and remained aligned with the US against the USSR until almost the end of the Cold War. In the late 1980s, then Soviet leader Mikhail Gorbachev made efforts to normalise relations between the two countries, including travelling to Beijing in 1989 and initiating discussions on the border issues. Both countries wanted to concentrate on their economic growth and avoid the possibility of a conflict, particularly the USSR which was wary of a two-front conflict. The two countries agreed to build their relations on the basis of the five principles of coexistence through a communiqué in 1989. In fact, even as the West criticised the Chinese government for its handling of the 1989 Tiananmen Square incident and imposed sanctions on it, the Soviet Union called for a political dialogue, describing the incident as an internal affair.¹¹

Sino-Russian relations improved dramatically after the fall of the Soviet Union. In 1991 and 1994, the two countries signed border agreements to delimit the eastern and western sections of their borders, but some minor sectors remained unresolved. Subsequently, they demilitarised their shared frontiers, adopted a mutual “no first use” nuclear weapons posture, and established a direct Presidential hotline, the first that China has established with another government.¹² The groundwork for this was laid by then Russian President Boris Yeltsin who in 1995 said: “China is a very important state for us. It is a neighbour, with which we share the longest border in the world and with which we are destined to live and work side by side forever.”¹³

In 1996, China and Russia announced that they were forging a strategic partnership. In 2001, Moscow and Beijing signed the historic “Treaty of Good-Neighbourliness, Friendship, and Cooperation”—the first official agreement between the two nations since the Sino-Soviet treaty of 1950. This treaty would be valid for 20 years and laid emphasis on a cooperative relationship founded on friendship, non-interference in each other's internal affairs and respect for each other's political, social and economic systems. Also, in Article 5, Russia confirmed its long-standing position that there is only one China and Taiwan is an inalienable part of it.¹⁴ Under Article 8 of the treaty, both sides pledged not to join any alliances with third country/countries detrimental to the sovereignty, security and territorial integrity of the other side and affirmed that they would not permit activities on their territories of any organisations and groups detrimental to the other side.

In October 2004, after Russian President Vladimir Putin's visit to China, the 4,300-kilometre border was finally demarcated in its entirety, thus resolving a 300-year-old territorial dispute. In 2005, the Russian Duma ratified the agreement despite resistance from opposition parties and from politicians in the Far East and in 2008, the Tarabarov Island and a part of the Bolshoi Ussuriysky Island were handed over to China. Reciprocally, in 2010, China and Russia issued a joint statement in which China acknowledged the post-Soviet region as an area of Russia's special interests and expressed its support for Russia's endeavours to uphold its national interests and security in the CIS.¹⁵

The 2001 Treaty and the final demarcation of the borders demonstrate the desire of the two countries to build close relations commensurate and reflective of their common positions on many international issues.

III. Views on Global Governance

Not surprisingly, there is a great degree of convergence in how Russia and China perceive the world and the way it should be governed.

The Russian Foreign Minister, Sergey V. Lavrov, pointed out this similarity of views at a press conference in 2012:¹⁶

First of all, this is equal rights, respect for sovereignty and territorial integrity of states, non-interference into domestic affairs, inadmissibility to solve international and regional conflicts with force or force threats. Russia and China stay firm on these principles dealing with different conflicts which today are considered by the international community - the situation in the Middle East and North of Africa, Korean Peninsula, situation around Iranian Nuclear Programme, Afghanistan or any other crisis. At the same time, our countries promote positive consolidating agenda in different multilateral formats, including UN, BRICS (Brazil, India, China, South Africa), RIC (Russia, India, China), Group of Twelve and, of course, SCO.

Russia and China believe that the world has never before experienced a situation where several powers have emerged at the same time (multi-polarity or poly-centricity) and this is fraught with challenges as well as opportunities. Moscow and Beijing both consider the present structure of global governance a relic of the post-World War II period, which does not adequately take into account the emergence of a new multi-polar world. Though both Russia and China benefitted from the global governance structure enforced at the end of the 1940s, they feel that the system is dominated by and biased towards the West, led by the United States.

Beijing and Moscow want to correct this imbalance. They are not seeking radical change, but want some changes that will reflect the decline of the West and the shift of power towards the East. They want to build a structure of global governance which is not dominated by the West or any other bloc. As Charles Grant suggests:

Both view it as a Western concept, used by the West to promote the interests of the West; both remain strongly committed to the principle of non-interference in other countries' affairs; both prefer concert diplomacy—informal gatherings of great powers—to other sorts of global governance; both like to use regional bodies to strengthen their positions in their neighbourhood and globally; and in both countries there are struggles and arguments between two broad tendencies—one relatively liberal, that is fairly positive about in engaging in global institutions, and one more nationalist, that is suspicious of engagement.¹⁷

Moscow and Beijing believe that the United Nations must be reformed in order to reflect the realities of today's world and give a place at the high table to new powers. However, they are both reluctant to give up or dilute their veto powers. Moreover, Beijing and Moscow hold similar views on the concept of 'responsibility to protect', seeing it as a ruse to justify Western interventions in third countries. While not being against the concept *per se*, they feel that there should be a more consultative process with all powers before any intervention in another country and this should preferably be under the UN umbrella. This partly explains their opposition to any kind of intervention in Syria and their vetoing of UN Security Council resolutions brought by the West.

Russia and China have similar positions on dealing with cybercrime and neither has signed the Budapest Convention on Cybercrime because of concerns about provisions allowing the intelligence agencies of other countries to get access to their data without their explicit consent, which would undermine their sovereignty. Along with Tajikistan and Uzbekistan, they formulated an International Code of Conduct on Information Security and submitted it to the UN for discussion at the General Assembly. The proposal recommends dealing with cybercrime multilaterally within the framework of the United Nations to establish international norms and settle disputes about cyberspace.¹⁸ However, the code has been criticised by the West because it maintains that the real intention of the two countries is to suppress dissent on the internet.

Russia and China also want a reform of the international economic order. They want emerging powers to have more weight in international financial institutions like the World Bank, International Monetary Fund (IMF) and the World Trade Organisation (WTO). They have tried to use the newly-formed international organisations like the

BRICS (Brazil, Russia, India, China, South Africa) to achieve these goals, by coordinating positions before important multilateral meetings such as the G-20. Another instance of their aspiration to restructure the architecture of global economic order is their desire to make international trade less dependent on the US dollar. Towards this end, they have agreed to carry out part of their bilateral trade in their national currencies. On 23 June 2011, China's Central Bank and the Central Bank of the Russian Federation signed a new currency cooperation agreement according to which China and Russia expanded the geographic scope of the settlement currency from border trade to general trade, and RMB and Ruble became convertible currency in terms of bilateral payments for goods and services.¹⁹ Russia and China want to take this to a higher level by getting the BRICS countries to carry out at least part of their intra-trade in their own currencies.

However, they still do have differences on some aspects of global governance²⁰ though they never publicly criticise each other's foreign or domestic policies.²¹

Russia gives greater priority to security issues than economic issues. It is driven by a desire to retain its status as a great power, which was attained by the Soviet Union. The Soviet Union was primarily concerned with the strategic power balance, not having attained a globally-relevant economic stature.

China, on the other hand, recognises that militarily it lags behind the US and Russia and therefore does not prioritise security issues; rather it emphasises economic issues. China understands that it needs to maintain its current rates of growth in order to sustain its economic development and finance its modernisation programmes. Therefore, it supports free trade and is more engaged on economic issues.

Moreover, each country sees the other as a useful partner in counterbalancing the US, but each sees itself as being at the centre of this effort. This could become a source of tension.

Significantly, some experts note that China did not support Russia during its war on Georgia in 2008.²² In fact, they say, China worked within the Shanghai Cooperation Organisation (SCO) to ensure that the SCO's 2008 summit did not come out in support of the independence of South Ossetia and Abkhazia. Therefore, some

experts believe that Russia, too, is unlikely to support China on the Taiwan issue beyond rhetoric should there be a confrontation between the US and China.²³

Yet this scenario appears unlikely. If indeed a confrontation develops between China and the US over Taiwan, it appears more likely that Russia would support China so as to widen the breach between China and the US.

IV. Sino-Russia Engagement at Multilateral Forums²⁴

China and Russia give great importance to multilateral forums, seeing such an engagement as one way of ushering in and strengthening a multipolar world in which they are key players and also presenting an alternative to the Western-dominated global discourse. In the Sino-Russian context, “Multilateralism is the antithesis of unipolarism, seen as a code word for the American assumption that the United States can act unilaterally and even outside the United Nations where Russia and China have veto power.”²⁵

Russian foreign policy and threat perceptions are to a great extent driven by the fear of a world dominated by the US, or being “consigned to a black hole” by a diarchy of China and the United States. This drives Russia to participate in as many forums as possible in which China is a member, convinced of the importance of maintaining interaction in order not to be marginalised.

China, on the other hand, feels that engaging in multilateral forums strengthens its claim of a “peaceful rise”,²⁶ and thereby increases its soft power and contributes to improved bilateral relations through engaging in seemingly constructive multilateral engagements.²⁷ It also feels that participating in multilateral forums helps it to institutionalise its own growing power and protect its interests.²⁸

China and Russia feel that they can assist each other in terms of gaining access to important multilateral fora:

[...] Russia has great potential to help increase China's role as a world power. And at the same time the Chinese side could seriously assist Russia's entry to the system of regional integration in order to support a global balance of power advantageous to both states.²⁹ China and Russia are thus engaged in many multilateral forums. The most important of these are the UN Security Council, BRICS, RIC, SCO and the G-20, where the two countries usually take common positions.

UN Security Council

Beijing and Moscow both see the United Nations as the most important instrument of global governance. They have publicly affirmed this through joint statements³⁰ as well as at public fora like BRICS. China and Russia not only want a bigger role for the UN, but also want to play stronger roles within the UN. They see the UN as being imperative to promote their own interests and also as being inseparable from the larger objective of promoting a multi-polar world.³¹

As veto-wielding members of the United Nations Security Council, China and Russia have used the platform to take common positions on controversial issues like Kosovo, Iraq, Iran, Sudan, Zimbabwe, Libya and most recently Syria. They thus demonstrate their solidarity and project an alternative to the views of the US and its allies. However, Russia has been more willing than China to use its veto, allowing China to abstain and thus avoid antagonising the US and its allies.³² So, on the occasions when Russia supports the West, China either abstains or allows the resolution to pass as it does not want to be seen as the lone opponent against the West.

Such behaviour is classic Chinese pragmatism at work. As Fyodor Lukyanov, editor of the magazine *Russia in Global Affairs*, elaborates, “China and Russia have an informal agreement over how to vote in UN Security Council. China basically follows the Russian vote when it comes to issues where China is not vitally interested.... But on vital Chinese interests in East Asia, China will expect Russia to take its side when Beijing wants it.”³³ Other scholars call the strategy used by China and Russia as “soft balancing” against the US and its allies in the UNSC.

In the 1990s and early 2000s, China let Russia take the lead in confronting the US within the UNSC. However, recently China has become less reticent about confronting the US. This can be attributed to the West's declining economic stature after the global financial crisis, which has made Chinese elites more self confident.³⁴ It also reflects the generational shift in the Chinese leadership and the rise of Chinese nationalism. Leaders like Xi Jinping appear more open to pursuing a more pro-active foreign policy.³⁵

While in the 1990s, China and Russia used to align positions on the use of sanctions, more recently, they have taken common positions on what the West defines as “rogue” or “pariah states.” As Joel Wuthnow explains:

Regarding pariah states, UN diplomats refer to a condominium among the two powers to support each other when their respective national interests are at stake. Specifically, Russia followed China's lead on the DPRK and vice-versa on Iran. Similarly, Russia supported China's resistance to U.S. plans to punish Myanmar in 2007, while Beijing appeared to return the favor by voting with Moscow against a Western-sponsored draft on Zimbabwe the following year.³⁶

More recently, China and Russia have voted in tandem in the aftermath of the Arab Spring, against the West's positions on Libya and Syria. Clearly, both Russia and China sometimes operate in tandem in order to get a bigger space to promote their own interests and to consolidate their political and strategic prerogatives. This is perhaps a prelude to what could happen in the future if the West continues to insist on the broad applicability of the Responsibility to Protect (R2P) doctrine to intervene in other countries to promote democracy and protect human rights.

China's main interests in the UN are the following:

- 1) Protecting sovereignty, autonomy and its independence of decision-making;
- 2) Maintaining geostrategic balance and national security;
- 3) Cultivating a favourable international image and status as a responsible member of the international community and a great power; and,
- 4) Promoting China's economic and political interests.³⁷

Russia has similar interests. The key difference, however, is that China sees itself as the only P-5 country that voices the concerns of the developing world.³⁸ For Russia, the P-5 membership is a symbol of its global power even though it no longer is the power it once was.

Russia and China see each other as the P-5 state with which they have most in common.³⁹ For both countries, the P-5 membership is a symbol of their global reach and the means for realising it.⁴⁰ Both governments wish to avoid being isolated at the UN. So they have a natural incentive to try to synchronise their positions within the UNSC as it gives them reassurance and possible support. This also explains why they are loath to impose vetoes on their own.

Moreover, they do not want to be taken for granted by the other P-5 members.⁴¹ After the fall of the Soviet Union, Russian leaders felt very keenly the diminished regard with which the US and the West viewed Russia. After Tiananmen Square, China's self-imposed low profile allowed the West to snub it. Both Beijing and Moscow want to make sure that this does not happen again and feel that this can be ensured by occasionally using the veto, particularly in a joint manner.

BRICS

The BRICS forum is increasingly becoming an important opportunity for Russia-China cooperation. While for China, “BRICS is a means to confirmation of its rising global profile... Russia sees the forum as a way to re-emerge as an important international player.”⁴² Russia also hopes to attract investments from the BRICS countries and wants it to be an alternative voice to the West. Russia urgently needs systemic overhaul and its BRICS calling card offers it the maximum single point leverage in this regard. As Jaibal Naduvath and Samir Saran argue:⁴³

[The] economic ethos of BRICS historically has been pivoted around creating sustainable and inclusive institutional structures, which operate with high degree of predictability, posited as counterweight to overcome the highly negotiated nature of their national agency. Dipping into this rich collective experience, especially those of Brazil, India and China, who have long perfected models of sustainable reform with emphasis on equitable wealth distribution, could significantly alter Russia's own learning curve, delivering quicker results with much less effort and fiscal pain.

For China, BRICS serves to consolidate its claim to being a developing country and using the group to reassure its important neighbours, India and Russia, that it will not be a threat to them in the future. While Beijing and Moscow are trying to strengthen the SCO for stability and security in the heart of the Eurasian continent, they are also trying to shape BRICS as a multilateral forum for global issues, not only in the economic and financial areas, but also in international political and security issues.⁴⁴ The BRICS' progress has been rapid and the members are holding regular meetings to consolidate the forum. New institutions like a BRICS Development Bank are being discussed as is the idea of intra-BRICS trade in local currencies. The BRICS countries have also taken common positions at forums like the G-20 on issues like the reform of

the global financial institutions such as the IMF and World Bank and on dealing with the global financial crisis. They also want to present alternative narratives which are development centric from the emerging countries.

However, China, with its superior economic clout, is clearly the major player in BRICS. Russia is the only member of the BRICS to have applied to join the OECD, perhaps because it sees itself as part of the developed world and of the West. There are other points of inflection within BRICS between Russia and China.

Some Russian experts are of the view that China is using BRICS to push its own agenda, to project its commitment to multilateralism. It feels that China is too focused on the economic aspects of BRICS rather than political issues, to which Russia wants BRICS to pay more attention. This is because while Russia is the only country other than the US which can destroy the world several times over, it is not an economic power. So Russia wants to use BRICS to project its power and international standing and provide “external validation of Great Power aspirations widely prevalent in Russian elite circles.”⁴⁵ China, with its growing economic, military and political power, already has international standing and does not require BRICS for this. Beijing sees BRICS as a useful platform to intensify bilateral and other relations and its interest in the grouping is primarily economic. In this context, it is important to note that during the first three BRICS summits, political issues were hardly mentioned. But this has changed in the last couple of summits. For instance, both the Delhi Declaration as well as the eThekweni Declaration talked about issues such as the situation in Syria, the Arab Israeli conflict, the Iranian nuclear issue and Afghanistan. This trend is likely to continue as BRICS's clout on the world stage increases. Also, the two P-5 members in BRICS would like to use the BRICS platform to express their points of view on global issues.

Russia and China also differ on the question of 'broadening versus deepening' of BRICS. Russia wants deepening of BRICS through institutionalisation while China is not averse to adding new members. Also, while Russia seems to be more interested in the RIC format, China wants to give more importance to BRICS. These factors might give rise to tensions between Russia and China within BRICS.

RIC

In 1998, Russia, India and China came together with the idea of opposing unilateralism and promoting a pluralistic democratic international order. Though Russia's initial motive was to counter US hegemony, later it became worried about the idea of a US-China diarchy and wanted to use the forum to keep China close to itself. China was enthusiastic about RIC as it felt that it could be the dominant player in the grouping. The RIC countries have issued statements on several issues of international importance. Over the years, the RIC nations have also begun cooperation in various fields and have created subsidiaries like RIC Trilateral Experts Meeting on Disaster Management, the Trilateral Business Forum, and Trilateral Academic Scholars Dialogue, and held other trilateral projects and conferences in these specialised fields. But in recent years, particularly with the emergence of BRICS, RIC seems to have lost momentum. There have been some efforts to reinvent RIC and to make it more relevant. For instance, the Foreign Ministers meeting in 2013 in Delhi and the Fortaleza discussed global issues like Afghanistan, Syria, Iran, Palestine and terrorism.

SCO

The Shanghai Cooperation Organization was established in 1996 as the 'Shanghai Five', with the purpose of relaxing border tensions between the member nations. The founder members were China, Russia, Kazakhstan, Tajikistan and Kyrgyzstan. However, in 2001, the organisation renamed itself the Shanghai Cooperation Organization, expanding to include Uzbekistan and changed its goals to combating the 'Three Evils' of terrorism, separatism and extremism. The main aims of the SCO are: to ensure the political status quo in Central Asia; avoid potential geopolitical and economic hazards; and restrain the influence of the USA (and by extension NATO) in this region.⁴⁶ Both Moscow and Beijing agree that Afghanistan should have a greater role within the SCO and, hence, Afghanistan was admitted as an observer in the SCO in June 2012. Russia and China are apprehensive about the situation in Afghanistan post-2014 and might view the SCO as a tool to engage more with Afghanistan after the US drawdown.

China has used the SCO for strengthening its bilateral economic ties with the Central Asian Republics. China's increasing economic influence in Russia's 'near abroad'

might, in the future, become a point of tension between China and Russia. At the SCO summit in Beijing in 2012, China's proposal for an SCO development bank did not go through because of Russia's opposition, just like the previous Chinese proposal to establish an SCO-wide free trade zone.⁴⁷

Another point of contention is with regard to new members. As part of the larger geo-strategic balancing game played by Russia and China, both nations have supported different partners which allow them leverage over the other. While Russia originally wanted India to become a member, China wanted Pakistan too as a member. Now the compromise that seems to be emerging is that both should be members of the SCO. Clearly, Russia realises that an emerging India will play a balancing role to China, and allow Russia more leverage, or backing, on issues that Russia stands to lose if it is alone. It is perhaps for these reasons that China was opposed to India's joining the SCO. But now it has changed its stance on India's membership.

V. Economic and Trade Relations

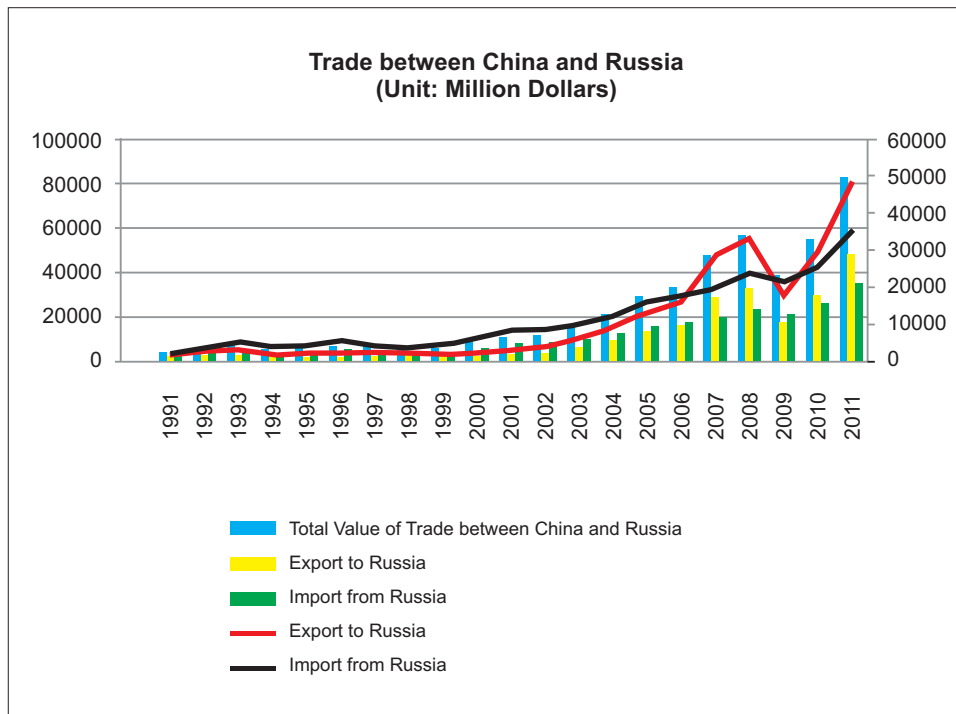
The fundamental basis for any successful relationship between Russia and China will be the nature of their economic relations. Chinese scholar Gao Fei describes economic relations as the “new strategic basis” for Sino-Russian relations.⁴⁸ Russia sees China's economic growth as an opportunity. As President Vladimir Putin said, China's rise “carries colossal potential for business cooperation” and is “a chance to catch the Chinese wind in the sails of our economy”.⁴⁹

There was hardly any trade between the Soviet Union and China during the Cold War years. Economic relations during the 1950s comprised mainly of the aid given by Russia to China. While the Soviet Union exported machinery and equipment, fertilisers, timber, steel, aluminium, it imported consumer goods and food products from China. During the 1990s, trade picked up as cheap Chinese consumer goods flowed into the Far East, which had suffered due to the breakdown of economic links with the rest of the country.⁵⁰ In 1991, an agreement on trade was signed and Russia was given the status of Most Favoured Nation. Russia became an important market for goods from the adjacent Heilongjiang and Jilin provinces. As John Graver says, the landlocked interior of greater China needs to 'look to its landward neighbours' in order to emulate the success of its coastal regions.⁵¹ Today, Russia also sees economic relations with China as another platform to promote integration with the Asia-Pacific, making it a win-win relationship for both countries.

China is currently the second largest economy in the world. It has become a manufacturing hub for cheap consumer goods and its economic influence is increasing across the world. Russia, meanwhile, is only the 11th largest economy in the world, though it has left behind the economic chaos of the 1990s. Its economic growth has been fuelled by exports of energy and raw materials. In terms of Purchasing Power Parity, Russia's share of global output has remained stable at around 3 percent in the last fifteen years, while China's share has increased from less than 6 percent to almost

14 percent.⁵² Western economic sanctions imposed due to the Ukraine crisis and decreasing oil prices mean that Russia's economic outlook is again gloomy while China's is much more positive.

Figure 1: Sino-Russian Trade



Source: Gao Fei, 'Sino-Russian Economic Relations: Dynamics and Perspective', Paper presented at the ORF conference on 'Russia-China Relations: Perspectives from India, Russia and China', New Delhi, 14 December 2012.

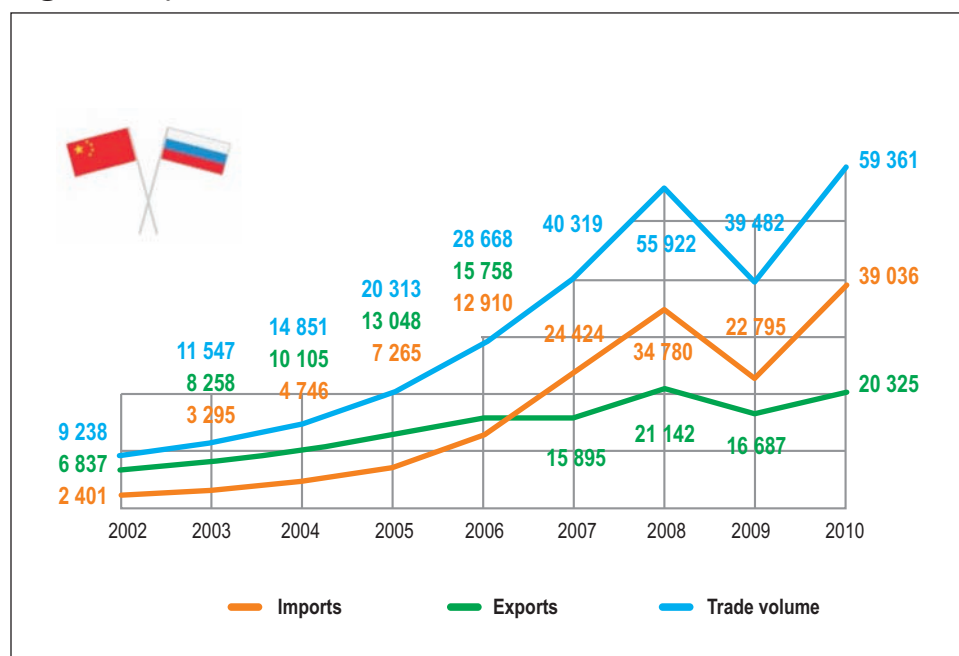
Table 1: Russia-China Bilateral Trade Volume

Year	Export To China	Import From China	Total Trade Volume	Increase or Decrease in Total Trade Volume (%)	Trade Balance
1991	1,917	2,046	3,963	—	-129
1992	2,737	1,669	4,406	—	1068
1993	3,068	2,335	5,403	22.62	733
1994	2,838	952	3,790	-29.85	1,886
1995	3,377	865	4,242	11.92	2,512
1996	4,684	996	5,680	33.89	3,688
1997	3,982	1,261	5,243	-7.69	2,721
1998	3,144	1,146	4,290	-18.17	1,998
1999	3,476	889	4,365	1.74	2,587
2000	5,233	948	6,181	41.60	4,285
2001	4,021	1,611	5,632	-8.88	2,410
2002	6,790	2,382	9,172	38.59	4,408
2003	8,161	3,270	11,431	24.62	4,891
2004	10,020	4,733	14,753	29.06	5,287
2005	13,049	7,239	20,288	37.51	5,810
2006	15,734	12,888	28,622	41.07	2,846
2007	15,893	24,412	40,305	40.81	-8,519
2008	21,049	34,721	55,770	38.36	-1,3672
2009	16,093	22,885	38,978	-30.10	-6,792
2010	19,783	39,059	58,842	50.96	-19,276
2011	32,020	46,011	78,031	32.61	-13991

Source: IMF Direction of Trade Statistics, Various Years. Note: (a) Trade levels are in millions of \$US. From Sujit Kumar, 'Russia-China Economic Relations: An Analysis', 2013,

<http://sites.uom.ac.mu/wtochair/attachments/article/83/SujitKumar-Russia-China%20Economic%20Relations%20An%20Analysis.pdf>, p.18.

Figure 2: Dynamics of Sino-Russian Trade



Source: 'Toward the Great Ocean, or the New Globalization of Russia', Valdai Discussion Club Analytical Report, Moscow, July 2012, p.28.

China is now Russia's biggest trading partner and two-way trade equalled almost US\$ 88 billion in 2012, a huge increase from 2001. The two countries expect trade to reach US\$ 100 billion by 2015 and \$200 billion by 2020. Russia has a positive balance of trade vis-à-vis China. China is also Russia's biggest Asian investor and Chinese FDI to Russia in 2010 reached \$567.72 million, a significant increase from \$77.31 million in 2004.⁵³ China was the sixth largest importer of Russian goods in 2010. Trade in machinery and electronic products is expected to reach \$30 billion by 2015. In 2010, the Sino-Russian trade volume was 1.92 percent of China's total foreign trade⁵⁴ and 10 percent of Russia's total trade. While Russian exports to China accounted for 7 percent of Russia's total exports, 10 percent of Russia's imports in 2012 were from China and China was Russia's largest import partner.⁵⁵ Thus, while trade with China was a significant share of Russia's overall trade, for China, its trade with Russia constituted a small share of its overall trade. This has to be looked at in conjugation with the fact that while China's share in Russia's trade has been growing steadily from 4.8 percent in 1990 to 10 percent in 2010, Russia's share in China's foreign trade declined by almost 1.5 times, from 3.5 percent to 1.9 percent.⁵⁶

Table 2: Russia's Trade with China in 1999: Top Ten Exports and Imports (as percentage of total exports and imports)

Exports	Imports
Hydrocarbons (7.8%)	Machines (7.2%)
Timber and timber products (6.7%)	Chemical Products (5.0%)
Chemical Products (10.3%)	Shoes (11.9%)
Fisheries (18.5%)	Textiles (13%)
Coloured Metals (10%)	Cotton (15%)
Ores (6.1%)	Leather Products (20.5%)
Fertilizers (0.1%)	Furniture and mattresses (0.3%)
Cellulite and paper (15.2%)	Readymade Products-textiles (1.6%)
Precious stones and metals (5%)	Furs (1.3%)
Machinery and equipment (14.9%)	Toys and Sports Products (0.9%)

Source: Website of the embassy of the Russian Federation in China

Table 3: Russia's Trade with China in 2011: Top Ten Exports and Imports (as percentage of total exports and imports)

Exports	Imports
Hydrocarbons (56.76%)	Machines (40.91%)
Timber and timber products (8.65%)	Chemical Products (9.28%)
Chemical Products (7.6%)	Shoes (6.34%)
Fisheries (0.53%)	Textiles (5.41%)
Coloured Metals (6.40%)	Cotton (5.20%)
Ores (3.94%)	Leather Products (2.69%)
Fertilizers (8.31%)	Furniture and mattresses (2.12%)
Cellulite and paper (2.82%)	Readymade Products-textiles (1.80%)
Precious stones and metals (2.26%)	Furs (3%)
Machinery and equipment (0.70%)	Toys and Sports Products (1.85%)

Source: Website of the embassy of the Russian Federation in China

While Russia exports natural resources to China, China exports almost all kinds of manufactured goods to Russia. The main exports from Russia to China—i.e., hydrocarbons, mineral products, wood and chemical products—accounted for 83.88 percent of its total exports to China. Hydrocarbons constituted only 7.8 percent of Russia's exports to China in 1999, but reached 56.76 percent in 2011. In 2010, Russia also provided electricity worth \$44.09M to China and was the fourth largest source of hydrocarbons to China behind Saudi Arabia, Angola and Iran. While the commodities

exported by Russia to China are mainly raw materials, its imports from China are mostly value-added products. This clearly points to Russia gradually becoming a resource adjunct to China and some Russian experts have described the nature of trade as 'neo-colonial'. A report by the Valdai Club (a prestigious annual event where eminent foreign experts interact with top level Russian policymakers, including the President and the Prime Minister) laments the fact that there is almost no information in Russia about export niches in China not related to raw materials and that there are no efforts to promote Russian goods and investments in China.⁵⁷

This imbalance in the structure of trade is beginning to worry Russia. Russia fears that it is gradually becoming a mere resource appendage to China. China in fact is no longer keen on industrial goods/merchandise from Russia. Its focus is solely on raw materials, with the possible exception of military/space technology. Even in the case of machinery and equipment, China's share is rising exponentially while Russia's is falling. At the same time, one must remember that this is not the case just with Russia's trade with China; the structure is the same with Russia's trade with other countries. Border trade can contribute to prosperity on either side of the border. But border trade volumes are much below the potential.

China has been investing in several sectors of the Russian economy. For instance, in April 2006, a group of Shanghai State firms invested \$1300 million in real estate in Russia; in October 2008, Minmetals invested \$300 million in Mechel, a steel company; in 2009, Xiyang Group invested \$480 million in the iron sector; in April 2010, Tencent invested \$300 million, picking up a 10.3 percent stake in the technology company Digital Sky Technologies; in March 2012, Zinjin Mining invested \$100 million in metals and in May 2012, the China Investment Corporation (CIC) invested \$412 million in Polyus, a metal company. Even in the finance sector, in banking, in February 2011, the CIC invested \$100 million in the VTB Bank group and \$1000 in the Russia Direct Investment Fund.⁵⁸ These figures show that much of the Chinese investment is going to the energy and raw materials sector, particularly metals. Other investments go to companies in the border regions, which then export their products (raw materials and semi-finished products) to China.⁵⁹ The total Chinese investment in the Russian Federation, according to the China Global Investment Tracker, is \$11.4 billion. On the other hand, Russian investments in the Chinese economy only total \$817.8 million. In 2011, this was only \$31.02 million, about 11 percent less than in 2010.⁶⁰ Most experts feel that two-way investment falls short of true potential at about \$3 billion.

Table 4: Chinese Investments in Russia, 2006–2013

Year	Month	Investor	Investment in Millions	Partner/Target	Sector/Sub-sector
2013	June	CNPC	\$810	Novatek	Energy/Gas
2013	May	China Construction Bank	\$100	Finance	Banking
2013	April	CIC	\$100	Russia Forest Products	Agriculture
2013	April	China Nonferrous	\$750	East Siberian Metals	Metals
2013	March	State Grid	\$1,140		Sintez Energy
2013	February	CIC	\$100	Moscow Stock Exchange	Finance/Investment
2012	June	Huadian	\$600		Energy
2012	May	CIC	\$420	Polyus	Metals
2012	April	Norinco	\$500	Basic Element	Metals/ Aluminium
2012	March	Zijin Mining	\$100		Metals
2011	October	CIC	\$1,000	Russian Direct Investment Fund	Finance/Investment
2011	June	Fuyao Glass	\$200		Transport Transport/Autos
2011	May	China Chengtong	\$350	Real estate	Property
2011	February	CIC	\$100	VTB Group	Finance/Banking
2010	December	Three Gorges	\$170	EuroSibEnergo	Energy
2010	October	Three Gorges	\$2,290	EuroSibEnergo	Energy
2010	September	Huadian	\$360	JSC Territorial	Energy
2010	April	Tencent	\$300	Digital Sky Technologies	Technology
2010	March	Huadian	\$650	Sintez	Energy/Gas
2010	January	Norinco	\$460	Daghestan Public Aviation Parts	Transport/Autos
2009	October	CIC	\$300	Nobel Holdings	Energy/Oil
2009	July	Xiyang Group	\$480		Metals/Iron
2008	October	Minmetals	\$300	Mechel	Metals/steel
2006	July	CNPC	\$500	Rosneft	Energy
2006	June	Sinopec	\$3,490	Rosneft	Energy
2006	May	China Metallurgical	\$120		Agriculture
2006	April	Group of Shanghai state firms	\$1,300		Real Estate/ Property

Source: Adapted from Derek Scissors, 'China Global Investment Tracker: 2012', Washington DC: The Heritage Foundation, 14 January 2014, <http://www.heritage.org/research/reports/2012/01/china-global-investment-tracker-2012>.

Aware of the fact that their bilateral trade remains below potential, Russia and China have been holding regular meetings to address this underachievement, particularly exploring more trade on machinery and high-technology products. Cooperation in areas like “near-border zone trade and interregional trade and economic relations; joint development and use of forest resources, including the establishment of production facilities for in-depth wood processing in the Russian territory, the conditions of access to markets for goods in mutual trade, the creation of an enabling environment for agricultural goods trade, protection of intellectual property”, etc are being discussed.⁶¹ Russia and China in June 2012 set up a Russia-China Investment Fund (RCIF) worth about \$2-4 billion to tap investment opportunities together. Above 70 percent of the fund's money will be invested across Russia and the CIS and the rest will be invested in Chinese businesses and projects. The fund is expected to invest in agriculture, forests, mining, and the services sector.

Russia's recent accession to the WTO throws up opportunities as well as challenges for China. While it might open up more markets for China, it would also face competition from other countries who also want to get a share of the market. Russia would have to reduce tariff rates, thus enabling China to increase its exports to Russia. It would also have to make its trade system more standardised and improve trade environment, consequently contributing to the long-term and stable development of bilateral trade and economic cooperation. On the other hand, China is concerned that it might not be able to compete with the high quality products from other countries as Chinese goods are cheap, low-tech and do not have much value addition.⁶² Also, as a WTO member, Russia will have to adhere to stringent certification standards for agricultural imports, thus affecting Chinese agricultural imports; Russia will also have to ensure IPR protection, making advanced technical imports from China much more difficult.⁶³

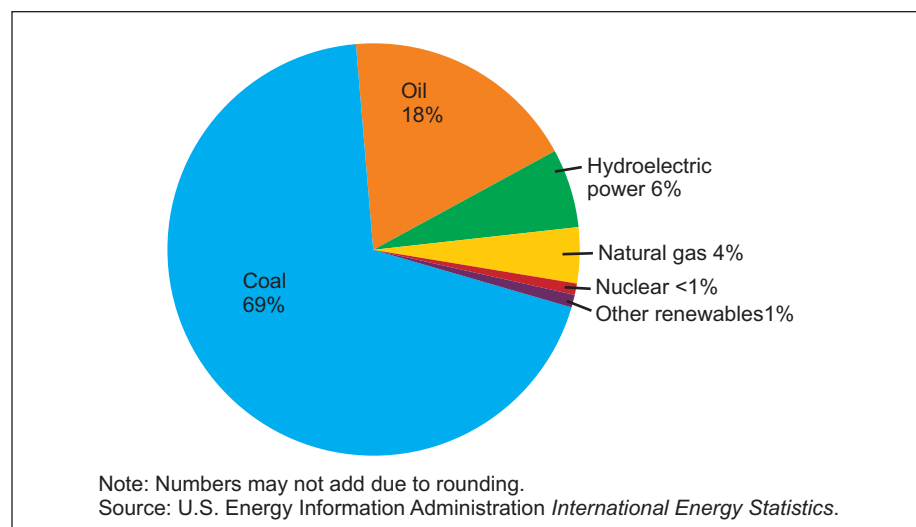
Even while recognising that Russia-China trade has grown substantially and China has become an important trading partner for Russia, one must not forget that the EU as a whole is a much bigger trading partner for Russia. In 2010, imports from the EU constituted 43.1 percent of its total imports compared to 18.1% from China and exports to the EU constituted 49.4 percent of its total exports as compared to 5.3 percent⁶⁴ for China. Thus, the EU was Russia's main trading partner with 47.15 percent of Russia's total trade as compared to China's 10 percent.⁶⁵

Russia's long-term economic relationship with China also faces an existential conundrum. Russia needs financial resources and technology to restructure and modernise its economy to reduce its dependence on raw materials exports. Finance may not be a problem for Russia to source, but the technologies it requires are available mostly in the West. Therefore, Russia has no option but to go to the West to modernise and restructure its economy. While China has the financial wherewithal to help Russia, it is unlikely to subsidise Western-oriented modernisation of Russia's economy because in the long term this would take Russia closer to the West. Whether this will place any strains or artificial limitations on Russian economic relations with China remains to be seen.

VI. Energy Ties*

Energy trade and cooperation is an important aspect of the Sino-Russian economic and strategic partnership. In fact, Russia's economic growth over the last few years has been fuelled by its huge energy reserves and the high prices of oil and gas. Sino-Russian energy cooperation would seem to be the perfect match: while China is one of the world's largest importers of energy due to its large population and rapid economic growth, Russia is one of the largest exporters of energy and has over 48 trillion cubic meters of discovered natural gas reserves, ranking first in the world, and its 200 billion tons of coal reserves, meanwhile, ranks it second. Russia also has some 6.5 billion tons of petroleum reserves. This, added to their close proximity and the long border (which does not have many natural barriers) shared by the two countries offers numerous transportation options and contributes to the complementarity in energy relations. For China, energy from Russia, which would be transported over land, is a way out of its Malacca Straits dilemma⁶⁶ as in this case there would not be any sea-based disruptions to its energy inflows.

Figure 3: Total Energy Consumption in China by Type, 2011



*Since this manuscript was submitted, Russia and China have signed energy deals worth billions of dollars.

Figure 4: Top Ten Oil Importers, 2013

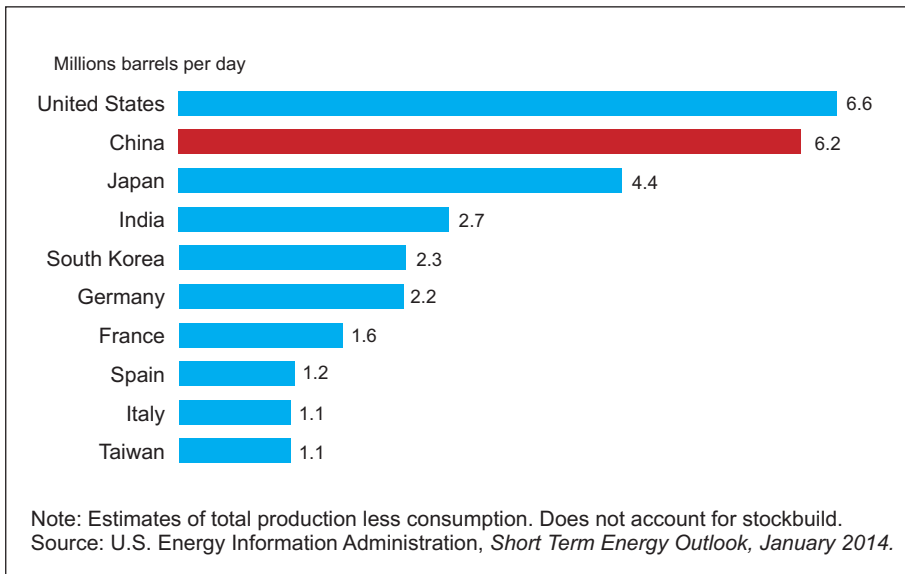
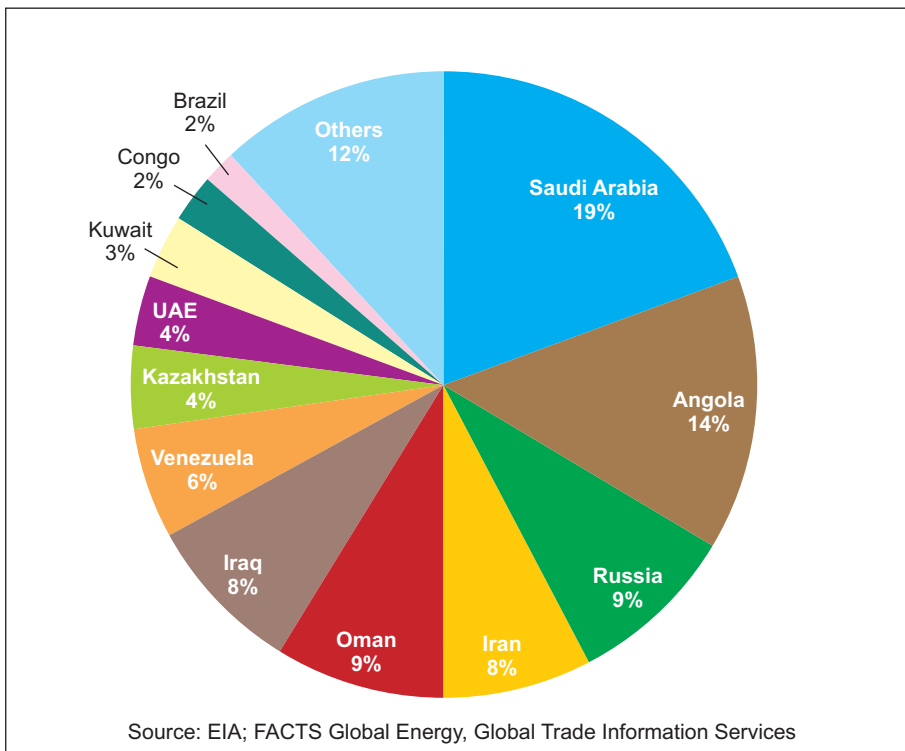


Figure 5: China's crude Oil Imports by Source, 2013



Russia sells oil to China at prices lower than that of the West Asian countries and can become the largest exporter to China.⁶⁷ According to the *BP Statistical Review of World Energy 2011*, Russia was the world's largest producer of oil and the second-largest of natural gas in 2010. In the years ahead, China, which is already the biggest energy consumer in the world, is likely to drive the global energy demand and the International Energy Agency (IEA) says that by 2030, it is expected to consume about 16.3 m/d of oil. Overall, according to the IEA, by 2035 China will consume nearly 70 percent more energy than the US, the second-largest consumer. The IEA's World Energy Outlook 2011 predicts that the share of China in Russia's total fossil-fuel export earnings will increase from 2 percent in 2010 to 20 percent in 2035, while the share of the European Union will fall from 61 percent to 48 percent.

In 2010, oil imports from Russia constituted just 6 percent of China's total oil imports and Russia was only China's fifth-largest supplier of oil; in the case of gas imports, imports from Russia constituted just 4 percent of China's total gas imports.⁶⁸ China is an important consumer as well as an important investor in Russia's state-owned energy companies. However, clearly energy relations and trade have fallen short of their potential though the two countries continue to have negotiations for expanding energy cooperation. The following sections explore Sino-Russian energy cooperation in various sectors so far and analyse why it remains modest in comparison to its potential.

Transport of oil to China till 2011 was costly and time consuming as oil was transported via the railways. Moreover, the severe weather in Siberia often caused disruptions in supply. Therefore, an oil pipeline from Russia to China was proposed to overcome these problems. China wanted the pipeline to end in China. From Russia's point of view, this proposal had merits as well as demerits: while it would significantly increase the amount of oil that could be exported to China, it would also make Russia over-dependent on China; that, in turn, would make China the sole consumer and give it more leverage to dictate prices.⁶⁹ However, a Pacific oil pipeline would grant access to more Asian markets and perhaps North American markets but at greater costs and at the risk of alienating China.⁷⁰ Also, Russia did not want to build a pipeline which would pass through other countries in order to minimise reliance on transit countries.

Taking all these factors into account, in 2006 Russia agreed to build the East Siberia–Pacific Ocean (ESPO) oil pipeline with a branch to Daqing in China

(overlooking Chinese concerns over inadequate supply) so that it could sell its oil to China as well as other countries. However, work on the pipeline only commenced in 2009 when the China Development Bank, through what is popularly known as an 'oil for loans' agreement, disbursed \$25 billion in soft loans at a sub-market interest rate of 5.7 percent to the Russian companies Rosneft and Transneft, allowing China to reduce exposure to the global financial crisis by converting US dollar foreign-exchange reserves into oil and gas resource assets.⁷¹ These loans helped Rosneft and Transneft to overcome the financial difficulties they had been facing due to the drop in oil prices because of the global financial crisis and allowed them to make strategic investments in short-and long-term projects.⁷² In exchange for these loans, Russia agreed to sell 15 million tonnes of oil to China annually for 20 years.

The first stage of the pipeline was constructed from Taishet to Skorovodino in Amur region and from there, a spur to Daqing in China has been built. The Chinese section of the pipeline became operational in January 2011. Construction of the second stage of the pipeline from Skorovodino to the Pacific port at Kozmino Bay near Nakhodka in the Far East started in January 2010 and was completed in December 2012. Till then, oil was transported via the railways to the Pacific Coast from Skorovodino. ESPO crude oil prices at Kozmino are linked with crude oil from the Middle East and is more attractive to buyers as it takes less time for transportation.⁷³

The major buyers of Russian oil from Kozmino in 2010 were the following: Japan (30 percent); South Korea (29 percent); US (16 percent); Thailand (11 percent); China (8 percent); Philippines (3 percent); and Singapore (2 percent).⁷⁴ The IAE predicts that the oil at the Kozmino Bay is likely to be sold through spot-pricing rather than contracts, thereby giving flexibility in sales to customers.⁷⁵ The ESPO is also expected to facilitate the development of new oil fields in East Siberia. Another project, the 311-mile Zapolyarnoye-Purpe pipeline is also being built. This will link the Yamal fields to the ESPO Pipeline, shorten the way to the ESPO pipeline and supply 300,000 barrels per day to China. It is planned to be completed in three phases by 2016 and have a capacity of up to 45 MMmt/a.

Figure 6: The East Siberia-Pacific Ocean Pipeline



Source: Ewa Fischer, 'Completion of the ESPO oil pipeline connects Siberia to the Pacific Ocean', 9 January 2013, <http://www.osn.waw.pl/en/publikacje/eastweek/2013-01-09/completion-espo-oil-pipeline-connects-siberia-to-pacific-ocean>.

However, months after the pipeline to China became operational, it ran into trouble over costs. Transneft accused the China National Petroleum Company (CNPC) of violating their supply contract and threatened to take legal action against it. China, which was unhappy with the price it had to pay for the transportation of oil through the ESPO pipeline, wanted oil prices to be the same as the oil at the Kozmino bay. So it paid \$13 less per tonne of crude oil and asked for a discount of \$2.5.⁷⁶ Russia, on the other hand, wanted higher prices as the price of oil was going up in the world market. The dispute was resolved only in April 2012 when Rosneft agreed to give a discount of \$1.5 per barrel, provided China pays its debt of \$134 million.

Another pricing-related problem that could crop up in the future is that if ESPO Blend prices go up considerably faster than those of other sources, China might then view the 'oil for loans' agreement as unfavourable and thus try to cancel it.⁷⁷ Similarly, if ESPO Blend prices were to decrease compared to European market prices, Russia might want to back out.

An additional issue is whether Russia will be able to sell 15 million tonnes annually to China and sell oil on the Pacific Coast at a time when its oil production has stagnated, particularly in the East Siberia and the Far East. Russia needs large-scale investment for

exploration and investment but has been unwilling or unable to invest money for this so far. Since China is supplied with oil from East Siberia, the only way out is for Russia to supply China with oil from Western Siberia so as to fulfil its obligations. But Russia would be unwilling to do this as Western Siberia supplies oil to its European clients, who pay far more than the Chinese. Moreover, transportation costs would also increase given the long distance. The Chinese would also be concerned that in case of tensions with Russia, Russia might do to them what it did to Turkmenistan and Ukraine and cut off supplies.

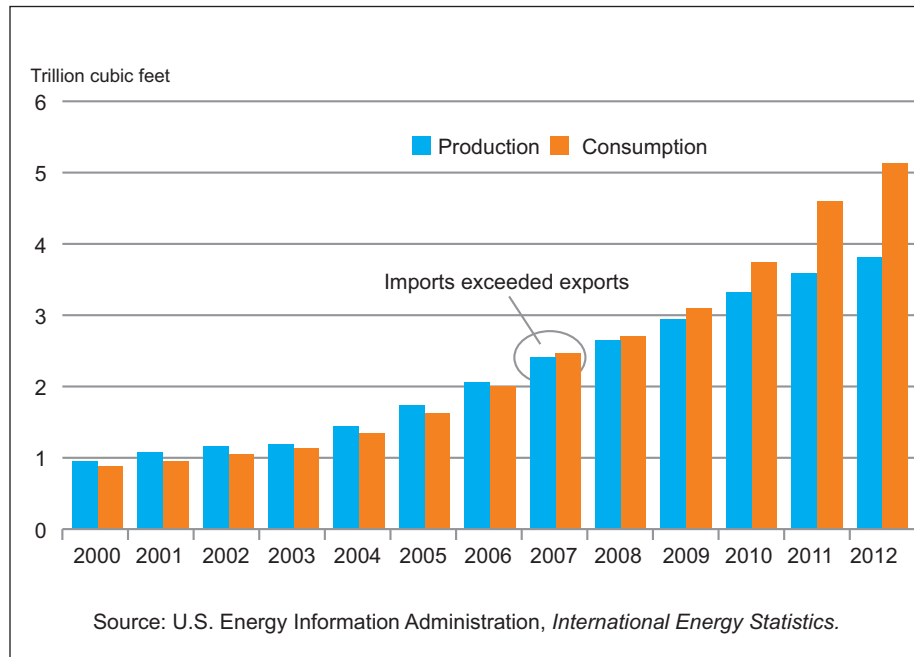
Oil flows to China seem set to increase after President Xi Jinping's visit to Russia in early 2013. Russia and China have reached an agreement according to which Rosneft will triple its oil exports to China from the current 15 million tonnes per day to 45–50 million tonnes per day by 2018. This deal would make China the largest consumer of Russian oil. Rosneft and CNPC have formed a joint venture, in which Rosneft will have a 51 percent-stake and CNPC, 49 percent. Apart from this, CNPC and Rosneft have agreed to jointly develop three offshore blocks of oil near the Barents Sea and eight onshore deposits in East Siberia. Oil from this will be sent to Eastern Russia, China and other Asia Pacific countries.

The hurdles that Chinese companies face in Russia in investing in upstream activities are seen as major impediments to greater energy cooperation by China. Though some progress has been made on this front, it is far short of what China expects; Chinese experts feel that Russia favours Western companies over Chinese. There are also concerns that even if China enters upstream activities, Russia will retain control; there are also misgivings about Russia's lack of transparency and its laws.⁷⁸ Some in Russia want it to sell refined oil rather than crude oil to China. This, too, might become an impediment in the future.

Natural gas is another area of energy cooperation because Russia has the largest reserves of natural gas globally. Gas sales also contribute to Russia's federal revenues and taxes paid by Gazprom (the state-run gas company) account for nearly 25 percent of the country's tax revenues.⁷⁹ However, Russia's gas industry is not in good shape because of ageing fields, lack of investments, Gazprom's monopoly, state regulation and lack of export pipelines.⁸⁰ In 2010, China achieved 94 billion cubic metres of gas production and consumed 106 billion cubic metres.⁸¹ Clearly,

therefore, there is a shortfall between production and consumption; Russia can fill that gap. Moreover, the consumption rate is growing at a very fast rate. It is predicted that in 2020, China's gas demand may reach 300 to 400 billion cubic metres.⁸² China can thus emerge as a large and stable market for Russian gas.

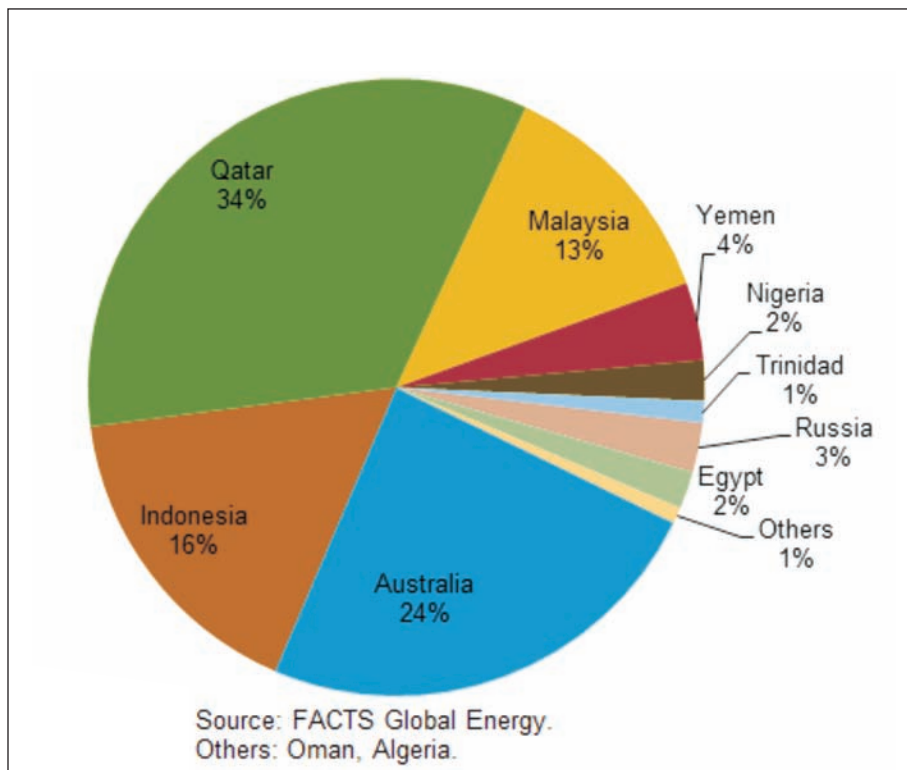
Figure 7: Natural Gas Production and Consumption in China



Although Moscow and Beijing had been discussing gas pipeline projects since the 1990s, these had remained mere plans primarily because the two countries were not able to agree on a price. While Russia wanted to set prices according to European levels, Chinese negotiators wished to pay based on Chinese domestic market prices, which are lower than those of Europe because of governmental regulations. The fact that China had diversified its gas imports through its Central Asia pipeline and its pipeline from Myanmar as well as the fact that it had increased LNG imports from diverse sources like Australia, Qatar and Iran, had given it an advantage in negotiating with Russia over prices. However, during President Xi Jinping's visit to Russia in March 2013, Gazprom signed a deal to export 38 billion cubic meters of gas to China every year for 30 years starting from 2018. This could be increased to 60 billion cubic metres. Reports suggest that Gazprom is pushing for a loan as part of this deal so as to build a pipeline to supply gas to China via Siberia.⁸³ Beijing and Moscow reached a \$400 billion, 30-year deal on natural gas in May 2014. As per this deal, Russia will ship 38

billion cubic metres of gas every year to China from its Far East. While the price at which the gas will be sold is not known, speculation is that it is being sold at a lower rate than for Europe. There are more recent reports suggesting that a new gas deal may soon be signed, which will ship gas to China via the Western route. The Ukrainian crisis and the likely reduction in European dependence on Russian gas, increases the possibility of China becoming the major consumer of Russian gas.

Figure 8: China's LNG Imports by Source (2012)



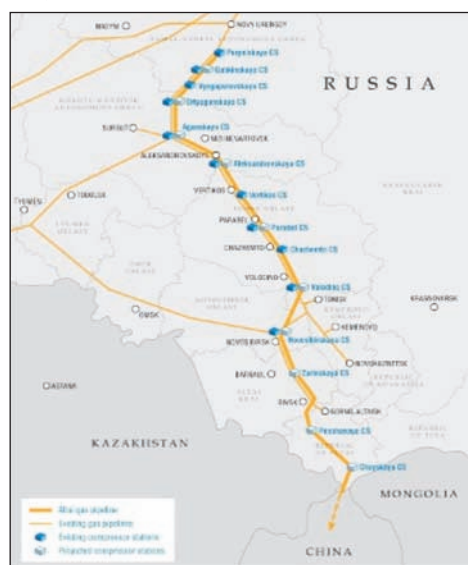
One example of both Russia and China's inability to go through with gas pipelines is the Altai project. In 2006, Gazprom agreed to construct a western line from Taishet in Russia's Altai Republic to China's Central Asia pipeline in Xinjiang, along with an eastern line from Sakhalin Island to the north-east of China. Supplies were expected to start in late 2015. This project, however, has yet to be executed though a framework agreement was signed in November 2014.

The project had run into trouble because of environmental concerns as well as opposition by the Telengit community because the pipeline would cross the Ukok Plateau which the community considers sacred: it is where they have, for thousands of

years, buried their dead. The only way out would be to build the pipeline through a transit country like Kazakhstan or Mongolia, an option that both Russia and China are reluctant to take. European countries are also uncomfortable with the project: as the main consumers of Russian gas, they feel that their energy security could be threatened. Gazprom, though, seems very enthusiastic about gas sales to China, pointing out some major advantages such as close proximity and the absence of transit countries en route, increased tax revenues for local and regional budgets, and job creation.⁸⁴ Feasibility studies of supply routes have been performed and the investment rationale has been completed for the project. The agreement between Gazprom and CNPC says that upon reaching design capacity, Russia will supply 30 billion cubic metres of gas annually for 30 years.⁸⁵ However, now that Gazprom and China National Petroleum Corporation have signed a memorandum of agreement to develop a new eastern pipeline route, environmentalists are hoping that it will negate interest in the Altai project.⁸⁶

Similarly, there is concern in China about whether or not Russia will be a reliable supplier of gas. Russia's gas production in Western Siberia is stagnating and it is not clear whether it is capable of making the large investments necessary for exploring and extracting the gas reserves in Eastern Siberia and the Far East as well as for building infrastructure.

Figure 9: The proposed Altai Project



Source: <http://www.gazprom.com/about/production/projects/pipelines/altai/>

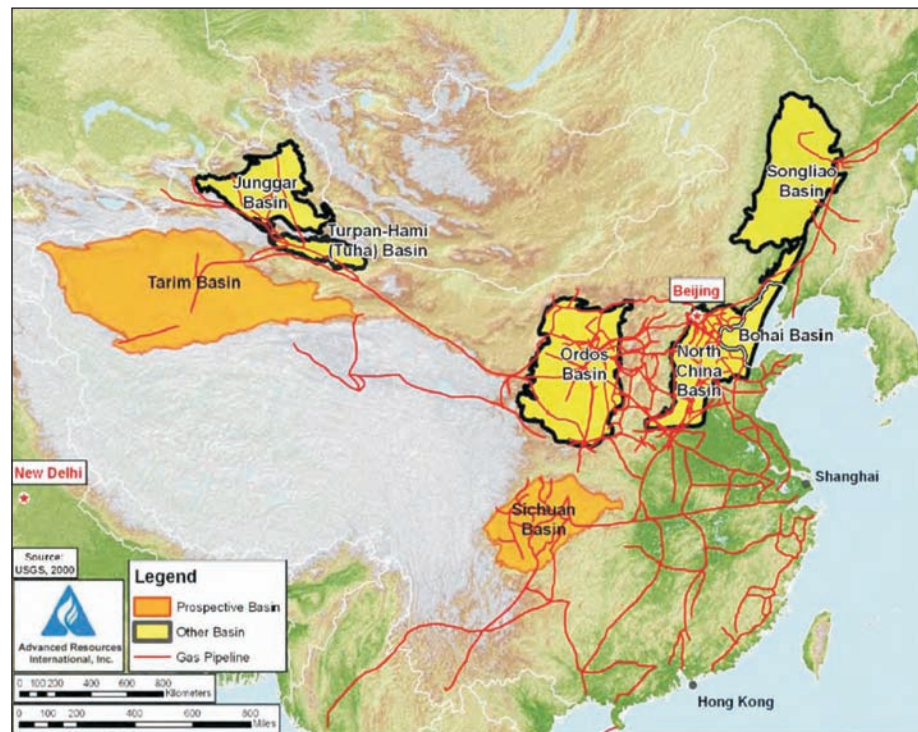
Another factor which could affect Russia's gas sales to China is shale gas. During President Obama's visit to China in November 2009, China and the US signed a Memorandum of Understanding (MoU) on cooperating in the field of shale gas. Since then China has been taking a number of steps towards exploiting its shale gas reserves. In 2011, China's highest executive body, the State Council, recognised shale gas as China's “172nd independent mineral resource”; this was followed by the then Premier Wen Jiabao's annual parliamentary report in 2012 in which he laid out his government's efforts to accelerate the survey and development of China's shale gas resources.⁸⁷ China issued tenders for auctioning shale gas blocks in 2012. In order to draw more companies towards this new area, the Chinese government has promised subsidies and supportive financial policies for shale gas in a blueprint released in 2012.⁸⁸ According to the US Energy Information Administration, China has 1275 trillion cubic feet of technically recoverable shale gas.⁸⁹ Beijing has set a target of 60 billion cubic metres of shale gas production by 2020. However, there are concerns over the environmental impact of hydraulic fracking, a process which requires substantial quantities of water. Moreover, fear of water contamination in a country which is already facing water scarcity might become an impediment to China completely embracing shale gas.

If China succeeds in exploiting its shale gas resources, there will be a significant reduction in its demand for Russian gas. This might again damage Russia's chances of making China a major consumer of its gas.

Figure 10: China's Shale Oil and Gas Basins



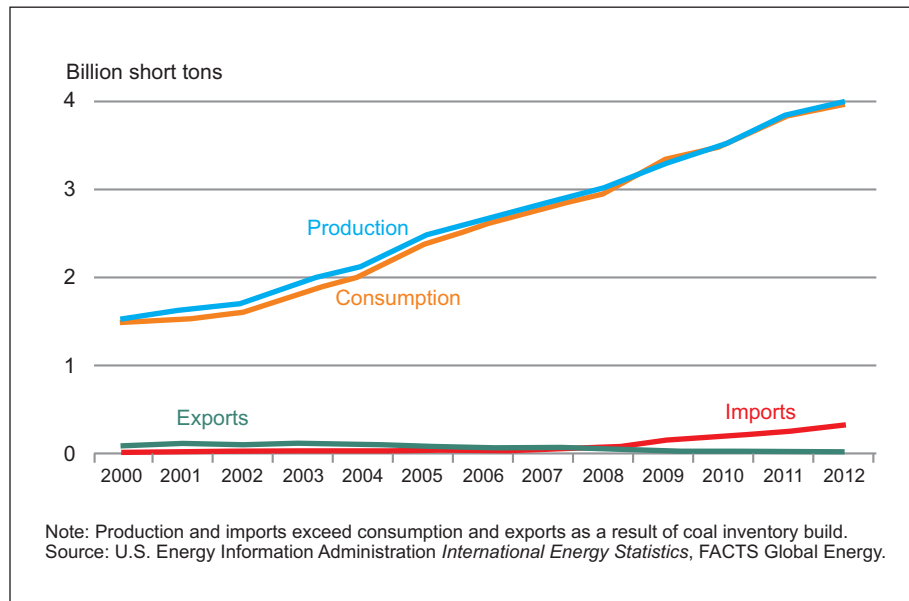
Figure 11: Major Shale Gas Basins and Pipeline Systems of China



Source: 'World Shale Gas Resources: An Initial Assessment of 14 Regions outside the United States', April 2011, US Energy Information Administration, Washington D.C., p. X-1.

China has the third largest coal reserves in the world, behind US and Russia. However, these reserves are depleting rapidly because about 80 percent of China's electricity is produced from coal-fired power plants and it is building one new coal-fired power plant every two weeks.⁹⁰ Due to increasing demand, China's coal production increased by about 136 percent between 2000 and 2009. But despite this, the ever-increasing demand for coal has meant that from being a net exporter of coal, China has become a net importer of coal. Russia, which has the second largest reserves of coal behind the US and one-fifth of global coal reserves, is well placed to fulfill China's demand for coal.

Figure 12: China's Coal Production and Consumption



In September 2010, Moscow and Beijing signed a \$6 billion 'coal for loans' agreement to aid Russian infrastructure and equipment investments in Eastern Siberia and the Russian Far East. The terms of this agreement are that in return, every year Russia will supply China 15 million tonnes of coal until 2015 and then 20 million until 2035.⁹¹ A joint venture will be established to survey for coal resources in the Amur River (Heilongjiang) region. Meanwhile, China's biggest coal producer, Shenhua Corporation, is studying a Russian proposal to participate in a coal-to-oil conversion project at Russia's Beringovsky coal mine.⁹²

Figure 13: China's Installed Electricity Capacity by Fuel, end 2012

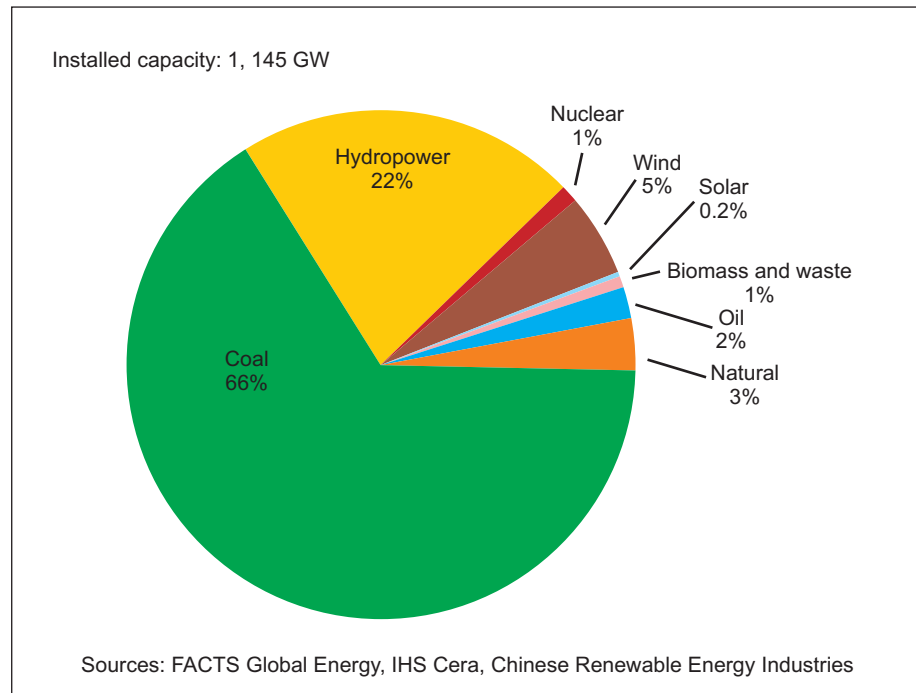


Figure 14: China's Installed Electricity Capacity by Fuel in 2040

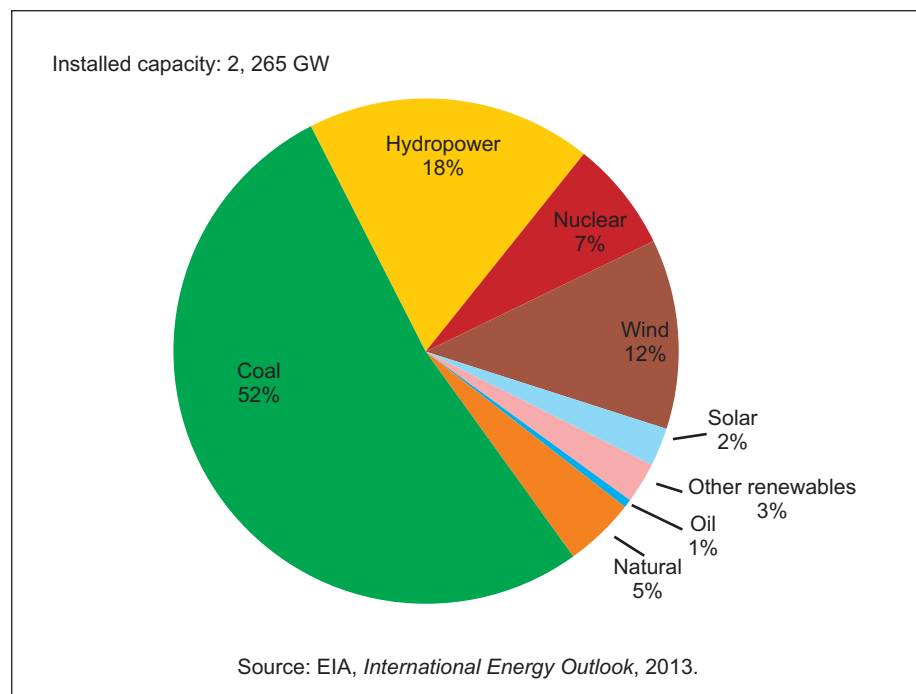


Figure 15: China's Net Electricity Generation by Fuel, 2000-2011

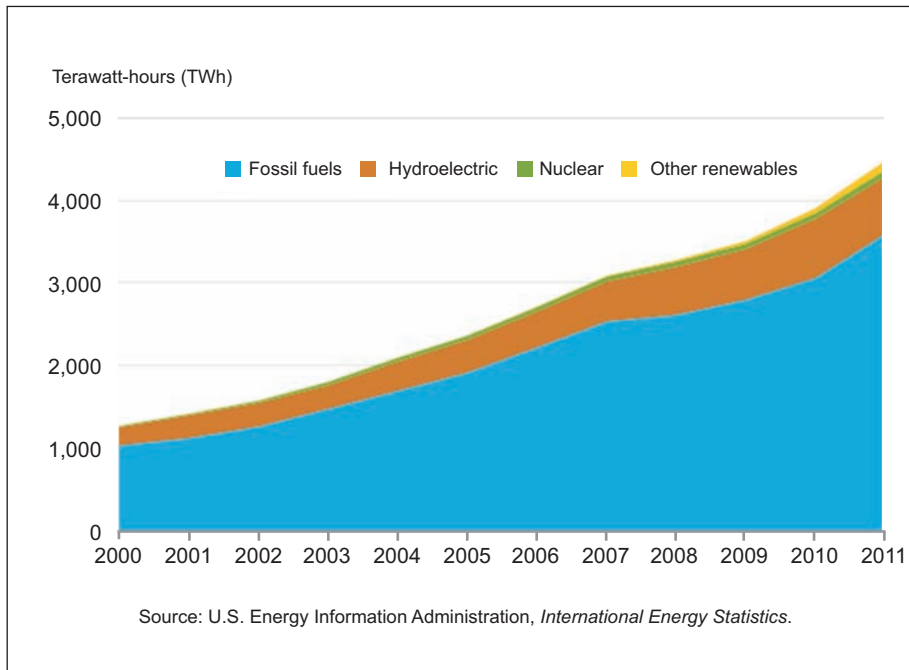
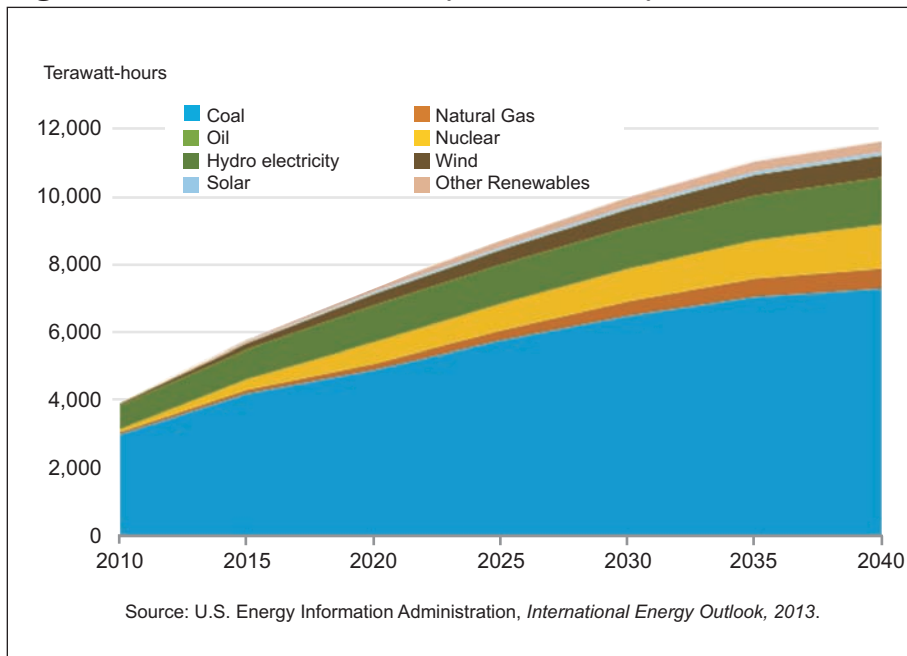


Figure 16: China's Net Electricity Generation by Fuel, 2010-2040



Cooperation in this field has worked well so far as Russia consumes very little coal domestically and the stagnation of demand from other countries has forced it to look towards China. Russian coal is also cheaper than coal from other countries like Australia and Indonesia, adding to its attractiveness for China. During President Xi Jinping's visit to Russia in 2013, China's Shenhua Group and Russia's EN+Group reached a deal to develop coal resources and allied infrastructure in East Siberia and the Russian Far East so as to expand coal exports from Russia to China.

However, cooperation in this field might stagnate in the future because of Russia's inability to transport large quantities of coal to China due to the underdeveloped transportation networks in East Siberia. Also, converting coal to oil might not be commercially viable.⁹³

While China is currently not a large consumer or producer of nuclear energy, it is likely to increase its consumption and production. There are 17 nuclear plants currently operating in the country; more than 25 plants are under construction and many more are being planned.⁹⁴ China-Russia nuclear power cooperation centres around two Russian-designed reactors for the Tianwan nuclear power plant in Jiangsu province, which became operational in 2007, following an agreement in 1997 between Jiangsu Nuclear Power Corporation and Russia's Atomstroyexport.⁹⁵ The cost for the project came to about \$3.2 billion, of which China contributed \$1.8 billion. Since 2009, the Russian company Energoatom has been responsible for maintenance.

In October 2009, an agreement between CIAE and CNEIC (a CNNC subsidiary responsible for technology imports) and Atomstroyexport was signed to start pre-project and design works for a commercial nuclear power plant with two BN-800 fast neutron reactors (referred to as Chinese Demonstration Fast Reactors) at Sanming city in Fujian province.⁹⁶ Construction is expected to start at the end of 2013. Though the first of these reactors was expected to be operational from 2019, the project has been delayed due to price negotiations. Later, in 2010, China and Russia signed an agreement to build two more reactors, as Phase II of the Tianwan project. According to the agreement, Atomstroyexport will not be the principal contractor, but will retain intellectual property rights and the Jiangsu Nuclear Power Corporation will be responsible for about 70 percent of the project, namely, the civil work, turbine island with equipment and related infrastructure on the site.⁹⁷

Cooperation in this segment also has been impeded by Russia's concerns about technology transfer. It fears that if it transfers technology to China, the situation in military cooperation might get duplicated and China will become a competitor in the nuclear energy market just like in the arms market. This worry is exacerbated by the fact that China has already begun to develop its own nuclear power technology.

Russia has been exporting electricity as well to China. These exports have grown very fast—from 0.3 billion kWh in 2004 to 1.3 billion kwh in 2012.⁹⁸ Russian Unified Energy Systems, Inc. and China State Grid Corporation signed a framework agreement on Russian electricity exports to China in the summer of 2005. In February 2011, EuroSibEnergo PLC (Russia's largest independent power company) and China Yangtze International (China's largest listed hydropower producer) announced an official joint venture—YES Energo Ltd—to develop hydro and thermal power projects in Russian Siberia.

China is emerging as an important investor in Russia's energy sector. For instance, in November 2006, Rosneft acquired a 51 percent equity share in Taihu Ltd and formed a joint venture with the China Petrochemical Corporation (Sinopec), which has a 49 percent share. According to the agreement, neither party has preferential voting rights and all decisions are to be taken unanimously. In December 2006, Taihu Ltd acquired a 96.86 percent equity interest in OJSC Udmurtneft, a group of 17 companies located in the Volga-Ural region of the Russian Federation which holds the licences for the development of 24 productive oil and gas condensate deposits.⁹⁹ In 2009, the Chinese Investment Corporation (CIC) invested \$300 million, acquiring a 45 percent stake in the Russian Oil Company Nobel Holdings; in 2010, the Chinese company Hudian invested \$650 million in the Russian gas company Sintez, picking up a 51 percent stake in the company. In 2010, China's largest hydropower corporation, Three Gorges, invested \$2290 million, and later \$170 million, in December in the Russian power generation company EuroSibEnergo, thus getting a 50 percent stake in the company.¹⁰⁰ In 2011, EuroSibEnergo signed a deal with the Chinese company, Yangtze Power, to create the joint venture 'YESEnergo' to build additional 10 GWt at yet unknown locations in Siberia and the Far East and then transmit the electricity to China.¹⁰¹ However, there are some concerns about the environmental impact of the project and worry that as YesEnergo matures, the Chinese partners might insist on building more

dams in places near the Sino-Russian border in the Far East. Recently, Russia has given Chinese companies permission to buy oil and gas fields.

The most important hurdles to greater energy cooperation in the 2000s were Russia's fear of becoming an energy appendage for China's growth, its apprehensions about demand security and price disputes. So Russia was reluctant to sell oil and gas directly to China. But it supported Central Asian states selling oil and gas to China as it did not want Central Asian and Iranian energy to flow towards Europe, Russia's main energy market. But now with the demand for Russian energy declining in Europe because of the financial crisis and economic sanctions and with the US likely to become a net exporter of shale gas and oil to Europe, the strategic reluctance on Russia's part to sell energy to China has disappeared. If Beijing and Moscow can come to an agreement on prices, oil and gas are likely to flow in much larger volumes to China.

In fact, Russia and the Central Asian countries might become competitors for China's market. Recent reports suggest that negotiations over gas and oil prices have become more intense and Moscow and Beijing have reached a deal according to which Russia will supply China 38 billion cubic meters of natural gas annually. They are reportedly studying the idea of Russia providing China with LNG through the East pipeline and natural gas through the West pipeline.¹⁰²

Though Russia has been trying to diversify the market for its energy resources due to shrinking demand from Europe, its options remain limited to China, Japan, South Korea and other East Asian countries. If Russia is unable to diversify the consumer market for its hydrocarbons, this could lead to it becoming dependent on China as a market. China, on the other hand, has been trying to diversify its energy sources from Central Asia, West Asia and Africa. Thus while it is likely that Russia will become dependent on China as a market, it seems highly unlikely that China will become dependent on Russia for energy. Beijing and Moscow are, however, clearly committed to expanding energy cooperation and set up an energy negotiation mechanism in 2008.

In December 2012, the two countries signed MoUs on energy—on energy market assessment, a roadmap on cooperation in the coal sector an agreement on electricity supply. They also agreed to commence oil and natural gas cooperation based on the principle of upstream and downstream integration, expand coal and power trade,

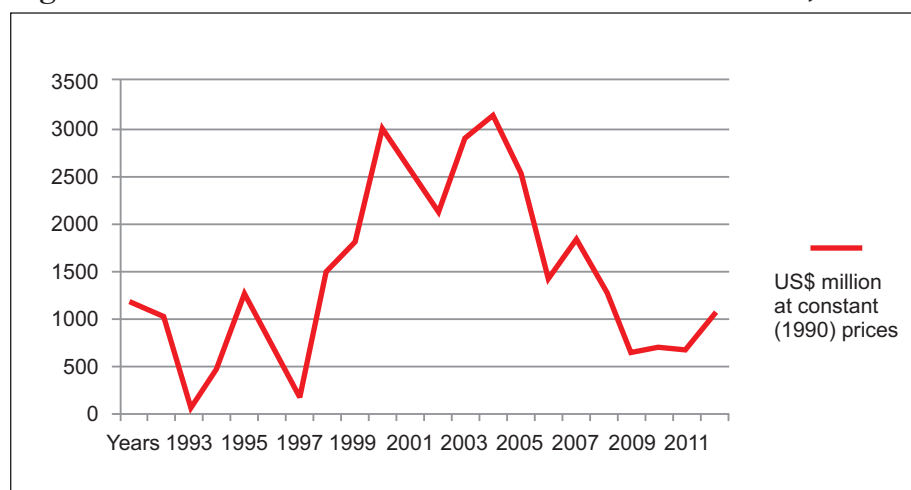
undertake research on energy reservation and promote renewable energy.¹⁰³ They have reportedly agreed to sign an official inter-governmental protocol on the second phase of the Tianwan Nuclear Power Plant, promote renewable energy and cooperate in space nuclear power. Several other agreements on energy were signed during President Xi Jinping's visit to Russia in March 2013, including one on China getting access to Russia's energy reserves in the Arctic.

VII. Military Cooperation

Following the 1989 Tiananmen Square incident, the West imposed an arms embargo on China; Russia then emerged as China's main arms supplier. During the 1990s, China had begun modernising its naval and air force capabilities and its arms industry was not capable of producing the kind of weapons that its rivals in the region, including Taiwan, were procuring from the West. So it needed Russian arms to fulfill its modernisation drive. For the Russian arms industry, the 1990s was a period when domestic orders and orders from the former Soviet Union's clients had dried up. The arms industry was in the doldrums and dependent on foreign orders for survival. So orders from China and India were literally a blessing for the Russian arms industry. Thus, mutually-beneficial arms trade became a vital part of Sino-Russian relations. Between 1991 and 2010, more than 90 percent of China's imported major conventional weapons were supplied by Russia, and China accounted for nearly 40 percent of Russian exports.¹⁰⁴

Over the last two decades, China has acquired arms and technology from Russia through a variety of measures, including: (a) import of complete weapon systems; (b) licensed production of complete weapon systems; (c) import of components for Chinese-produced weapon systems; (d) acquisition of technologies and know-how by bringing Russian experts to China and sending Chinese technicians to Russia for training; and (e) industrial espionage.¹⁰⁵ Acquisition of weapons and technology from Russia through these means has contributed, in no small measure, to the modernisation of the Chinese military.

Figure 17: Volume of Arms Transfers from Russia to China, 1992–2013



Source: Generated from the SIPRI Arms Transfer Database, <http://www.sipri.org/databases/armstransfers/background>. Accessed on 19 July 2012.

Table 5: Volume of Arms Transfers from Russia to China, 1992–2013

Years	US\$ m. at constant (1990) prices
1992	1150
1993	1027
1994	80
1995	498
1996	1241
1997	740
1998	173
1999	1514
2000	1795
2001	3006
2002	2581
2003	2112
2004	2924
2005	3132
2006	2517
2007	1434
2008	1839
2009	1302
2010	636
2011	692
2012	677
2013	1040

Source: Generated from the SIPRI Arms Transfer Database, <http://www.sipri.org/databases/armstransfers/background>. Accessed on 22 January 2014

As can be seen from Figure 7 and Table 5, from 2007 to 2012, there was a notable decline in Chinese arms imports. In 2010, China was third behind India and Algeria in arms imports from Russia. This dramatic decrease in the flow of arms and military equipment can be attributed to a variety of factors.

The first is that the Chinese defence industry has developed the capability to meet the needs of the People's Liberation Army (PLA). Second, there have also been disputes over the prices of weapons and the timely delivery of arms and military equipment: while China bargains hard, Russia has sometimes asked for full payment up front on major deals, fearing that Beijing may terminate them midway.¹⁰⁶ China is also frustrated with poor quality controls on the Russian side.

Third, Russia also faces competition from other suppliers, mainly the former Soviet republics. Ukraine is Russia's main competitor and during 2010-2012, China was planning to buy Ukrainian arms and military equipment worth approximately \$1.2 billion, as compared to \$1.5 billion between 2002 and 2009.¹⁰⁷

Fourth, China's ability to manufacture arms is increasing and it wants to accelerate the momentum by shifting from merely buying arms from Russia towards deals which would enable joint production or licensed manufacture of the best of Russian arms in China (an understanding that already exists for Su-27).¹⁰⁸ Russia fears that this would not only decrease its income, but also reduce Beijing's dependence on Russia in a vital area and ultimately help China to emerge as an independent centre of military power that could pose a threat to Russia.¹⁰⁹

Fifth, China holds a grudge against Russia because it feels that Moscow has been more forthcoming towards India on the sale of such arms as well as licensing agreements that permit the production of advanced Russian weapons.¹¹⁰ For instance, in 2008 New Delhi and Moscow agreed to jointly develop a fifth-generation fighter aircraft (variously named the Pak-FA, the T-50 and the fifth generation fighter aircraft [FGFA]) and a multi-role transport aircraft (MTA), something that Russia has been unwilling to do with China. Likewise, Russia has sold India 180 of its most advanced fighter, the Su-30 MK1, and also is ready to sell it the new MiG-35. But it has not offered either of these aircrafts to China. Defence relations with India being at a higher plane than with China can be attributed to the fact that Russia does not perceive a

threat from India. Also, in the Indian market, Russia has to offer better technology to compete with other arms suppliers like the US, France and Israel, unlike the Chinese market where it faces much less competition. Russia fears that if it indulges in such joint production and sells China top-notch technology, it could be used against it in the future.

Finally, on the Russian side, there are fears that China has been using reverse technology to copy Russian arms. For instance, China is trying to sell SU 27 as J-11 in Africa. Russia feels that the proverbial glass ceiling has been reached and is therefore reluctant to transfer high-end arms and technology to China. Some Russians feel that this will further reduce the market for Russian arms in China—and that Russia will have to compete with China in the international arms markets of Latin America, Asia and Africa. China is already emerging as a competitor to Russia in terms of arms supplies in Sudan, Venezuela, and Ecuador. China is also looking at Egypt and Turkey as potential markets. This is evident from figures which show that while Russian arms sales increased by 17.6 percent between 2005 and 2010, Chinese arms sales rose by a whopping 370 percent in the same period.¹¹¹ Thus, serious questions are being raised in Russia about China's commitment to Intellectual Property Rights though they signed an agreement in 2008 to identify measures to protect Russian copyright. However, some scholars feel that Russia can still be the primary supplier of arms to China as the latter has not yet been able to diversify its arms and technology suppliers.¹¹² The question is whether Russia in the years ahead wants to fill the role of meeting China's demands for transfers of technology and components rather than finished weapons systems.

If one goes by SIPRI figures, arms sales have declined. Russian sources, however, tell a different story: They say that since 2011, this trend seems to have turned around. They seem to suggest that Russia and China are re-invigorating their military cooperation in the commercial sense though the nature of Russian exports has changed—it has now become mainly a supplier of certain high-tech components or systems, rather than complete weapons systems. Russian officials have been quoted as saying that their country's military exports to China totalled some \$2 billion in 2011.¹¹³ In 2012, China purchased MI-171 helicopters and AL-31F engines, with deals totalling \$2.1 billion according to the head of Rosoboronexport.¹¹⁴ Moscow and Beijing are also working together to design a heavy helicopter on the Mi-26 platform.¹¹⁵ China is also reportedly

likely to buy S-400 air defence systems. A framework agreement was also signed at the end of 2012 for the sale of four Amur-1650 diesel submarines to China, which are more advanced than India's kilo-class submarines. In January 2013, the two governments signed an agreement for the sale of the SU-35 long range fighter aircraft, an aircraft that is incidentally far superior to the Su-30MKIs sold to India. In 2014, Russia agreed to sell the S-400 Surface-to-Air missile to China. Russian analyst Vladimir Radyuhin points out that it is the first time that Russia is selling China offensive weapons systems and more powerful weapons systems than it has sold to India.¹¹⁶ He cautions though that this might also be driven by the profit motive as Russia seeks to compensate for the loss of its market in India, which is diversifying its basket of arms imports to the US, Europe and Israel. These figures point to the fact that China and Russia are getting closer and defence cooperation is on the rise. Interestingly, Russia has not sold China long-range ballistic missiles, strategic bombers, or air and missile defence systems. Moreover, it has not sold China advanced land warfare weapons or tactical air support aircraft which could help China in ground warfare against Russia.¹¹⁷ Instead, it has sold China weapons for air defence and naval warfare. This indicates a latent fear of the Chinese among the Russians, fear that Russian weapons could be used against Russia itself.

Besides all this, Russia and China hold regular joint military exercises. In 1996, Beijing and Moscow signed a Memorandum of Military-Technical Cooperation, on the basis of which the armed forces of the two countries have undertaken joint military exercises. The two countries have held four 'peace missions'—in 2005, 2007, 2009, and 2010—under the auspices of the SCO. In each 'peace mission', there have been high-level consultations on defence cooperation and global and regional security issues between chiefs of general staff and defence ministers before the start of combat exercises and live fire drills.¹¹⁸ The objectives of the exercises include: to build up joint operational capabilities; to exchange experience; to aid collaboration in the fight against terrorism, separatism, and extremism; to increase mutual combat readiness against emerging threats; and to build strategic trust.

For China, the exercises help highlight its ties with Russia and the Central Asian republics, demonstrate its new equipment and capabilities to friends and potential foes, test and improve capabilities and observe the tactics, decision-making and use of equipment by other militaries.¹¹⁹ Since these exercises are focused on counter-terrorism, they are important for China which is facing growing problems from the

Uighurs in Central Asia and lacks as much experience as the Russians in counter-terrorism and urban warfare. For Russia, they help build interoperability with other militaries, understand and learn their tactics and judge their capabilities versus its own capabilities.

Even at the bilateral level, China and Russia have been holding joint exercises. In April 2012, the Chinese and Russian naval forces held six days of joint exercises in the Yellow Sea. Subsequently, Beijing and Moscow held their largest-ever joint naval exercises code-named 'Joint Sea 2013' in July 2013 in the Sea of Japan. This deployed around 20 warships from the Russian Pacific and the Chinese North Sea Fleets, which carried out air and sea drills. These exercises were the Chinese Navy's "single biggest deployment of military force in any joint foreign exercise", according to the Chinese defence ministry¹²⁰ and were much more sophisticated than the exercises held in 2012. The two countries held a joint anti-terrorism exercise, namely, the "Peace Mission 2013", in Chelyabinsk in Russia's Ural mountain region from the end of July to mid-August 2013.¹²¹ This is being seen as preparations for a local military conflict or destabilisation in Central Asia.¹²²

Some analysts feel that China benefits more than Russia from joint exercises given its relative lack of operational experience.¹²³ But these exercises are also meant to promote Russian arms sales to China, and the Russians have used these exercises to showcase their weapons systems to the Chinese.¹²⁴ Both countries claim that such exercises, whether done bilaterally or under the auspices of the SCO, are not directed against any third party. However, they indicate the willingness and ability of the two countries to cooperate for pursuing joint security interests. It will also help them to harmonise tactics and enhance inter-operability.

China and Russia also regularly conduct exchanges of military personnel for training and military education. One more aspect of the Sino-Russian military cooperation is in the form of regular high-level meetings between military chiefs of staff and defence ministers. These joint exercises, trainings, and meetings, have helped increase trust between Moscow and Beijing.

However, not too much should be read into these exercises because both countries are expanding their list of partners for joint exercises. As far as military cooperation is

concerned, China is expanding its range of partners and activities with other Asian states such as Indonesia, Pakistan and Thailand. Russia will therefore remain just one of several militaries with which the PLA cooperates. Russia was involved in only five out of the 44 joint exercises and training courses in which the Chinese military participated between 2002 and 2010.¹²⁵ Similarly, on its part, for the first time, in July-August 2012, the Russian navy participated in the RIMPAC (Rim of the Pacific) exercises with the American, Indian and other navies, which notably left out China. In 2014, the navies of both countries participated in these exercises.

Another form of cooperation is the exchange of experts between the two countries. In 1993, an agreement was signed which permitted China to recruit Russian weapons specialists to work in China, and Russian aerospace institutes, meanwhile, have employed Chinese ordnance experts.¹²⁶ Large numbers of Russian scientists work even today in Chinese defence industries. Chinese military and scientific personnel are trained in Russian military academies while Russian military advisors work in China.¹²⁷

There are two possibilities for a qualitative change in the current levels of military cooperation between Russia and China. If the West continues to solidify its rejection of Russia, it may push Russia into a closer embrace with China. Second, if China offers to significantly reduce the financial burden on Russia for the economic development of the Russian Far East, it will result in a qualitative enhancement of Sino-Russian ties. Given the current economic situation in Russia, this is a temptation Russia will find hard to resist.

VIII. Cultural Ties

Russia and China do not have very strong cultural ties today. Cultural relations during the Cold War were strong before the Sino-Soviet split. The Soviet Union sent experts to China and Chinese students studied at Soviet universities. But cultural stereotypes about each other persist in both nations.

Since the Sino-Russian rapprochement, both governments have been trying to promote cultural relations. While 2006 was celebrated as the year of Russia in China, 2007 was the year of China in Russia. This was followed by more years of such cultural exchanges. Though the emphasis was on culture, these initiatives provided a framework for many joint activities for stimulating economic cooperation between provincial administrations in both countries as well as business cooperation between companies and establishment of a broader base for future cooperation.¹²⁸ The year 2012–2013 was touted as China-Russia tourism year; since then, tourism between the two countries has increased. As President Xi Jinping said during his visit to Russia, the number of Chinese visitors to Russia increased by 46 percent in 2012 and the number of two-way visitors has reached 3.3 million.¹²⁹ He added that China is the second largest tourist destination of Russians, while Russia is third largest destination for Chinese tourists. Several institutes in both countries teach the Chinese and Russian languages. In fact, Russia along with Korea has the second largest numbers of Confucius institutes in the world at 17 (the US has around 70 such institutes). These are concentrated primarily in Siberia and the Western part of Russia.¹³⁰ China has the second largest number of Russian centres (established by the Russkiy Mir Foundation to promote Russian language and culture) at seven, behind Ukraine, which has nine.

These efforts seem to be paying off gradually. China is viewed positively by many Russians. In fact, annual surveys carried out by the Levada Center show that China has been viewed more favourably than India since 2005. Many Russians admire the progress China has made and see it as a model to be emulated. However, 48 percent see the European countries as the ones with which Russia should seek to develop

cooperation, whilst only 23 percent think it should be with China and India, one percent more than those who prioritised cooperation with the US.¹³¹ However, the Chinese as well as the Russian elite still prefer to send their children to the West for higher studies than to either Russia or China. Thus, people-to-people ties are much below the potential.

Table 6: Russian Responses to Survey Question: 'Name Five Countries That You Regard as the Closest Allies or Friends of Russia

	2005	2006	2007	2009	2010	2011
Belarus	46	47	38	50	49	35
Kazakhstan	20	33	39	38	32	33
Ukraine	17	10	11	3	20	21
Germany	23	22	24	17	24	20
China	12	24	19	18	16	18
India	16	15	14	12	14	16
Cuba	-	-	-	8	10	13
Armenia	9	14	15	15	15	11

Source: Russian Public Opinion 2010–2011, Moscow: Levada Center, 2012, p.275.

IX. Afghanistan

In the light of the US drawdown from Afghanistan in 2014, it would be interesting to examine the dynamics of Sino-Russian relations in the country. Moscow and Beijing share similar concerns over the situation in Afghanistan after 2014. Neither wants Afghanistan to become a hotbed of terrorism that could be targeted at them. They do not want the spread of Islamic extremism from Afghanistan and want a stable regime in the country. Thus, they are both reaching out to Afghanistan in order to protect themselves from terrorism and regional upheavals (like regime change) as well as to improve economic relations. China has good relations with Pakistan, which is a key player in Afghanistan, and wants to use this to protect its interests after the US withdrawal. Russia, too, is improving its relations with Pakistan and wants to exploit this for leverage in Afghanistan, post-2014.

Of late, China has become more interested in the country and seems to want to play a larger role. It has strengthened bilateral relations with Afghanistan and has signed strategic and economic agreements with Afghanistan. In 2012, the two countries signed an agreement for China to provide training to some 300 Afghan police officers. China has already secured some copper mines and oil concessions in the country. By the end of 2011, China had already invested around \$200 million, with \$600 million more in the pipeline.¹³²

Moreover, China is also engaged in bilateral talks with Pakistan and Russia separately on Afghanistan. In addition to all this, it is part of two trilateral dialogues on Afghanistan: China-Pakistan-Russia, and China-India-Russia. Russia, which has had centuries-old relations with Afghanistan, is no less interested. Beijing and Moscow both have similar aims in Afghanistan: to secure their Southern borders against Islamic extremism from Afghanistan and to improve economic relations. They feel that the regional countries must play a greater role in stabilising the country. Both, in fact, have been pushing for a role for the Shanghai Cooperation Organization (SCO) to play a more active role in Afghanistan. In fact, the future of Afghanistan was one of the

major agendas during the SCO meeting in June 2012, in which Afghanistan was granted observer status. President Hu Jintao was quoted as saying in an interview that the SCO would “play a bigger role in Afghanistan's peaceful reconstruction” and the final declaration of the heads of state also reflected this commitment: “The member states will help the Afghan people in their national reconstruction”.

Russia and China have also been encouraging closer ties between Afghanistan and Pakistan and believe that Pakistan has to be part of the solution in stabilising the situation in Afghanistan. Both have expressed support for an inclusive Afghan-owned and Afghan-led reconciliation process.

Given current trends, Afghanistan appears to be one region where there is likely to be greater cooperation between Beijing and Moscow.

X. Central Asia

Central Asia is a region where one sees both competition and cooperation between Russia and China. Both countries have similar interests and priorities in Central Asia, at least for the time being. Both have lengthy borders with the Central Asian Republics and want stability in the region. They both have concerns about terrorism in the region; China is particularly worried about the impact of extremism in the region on its Uyghur-dominated Xinjiang province which borders Kazakhstan, Kyrgyzstan, Tajikistan as well as Russia. So it wants to build economic ties with the Central Asian Republics and aid their economic growth and stability so as to turn its Xinjiang region from a poverty-stricken backwater into a prosperous regional trading hub, thereby starving Uyghur separatists of new recruits.¹³³ For instance, Xinjiang is responsible for 80 percent of all China's trade with Kazakhstan, and this is a direct result of China's border trade policy: “The idea is that this will help to create prosperity and stability in the border regions, while also reducing the disparities that currently exist between different areas of China”.¹³⁴

Another common interest is to reduce American influence in the region. Russia and China also want to develop the oil and gas fields in the region. But the Central Asian elites, in theory, do not want the region to be dominated by any one power, including the US, Russia, or China, and therefore have welcomed new players like Japan and India into the region.

However, despite sharing these interests and priorities, there are also elements of competition. Russia considers the Central Asian countries, which were once part of the Soviet Union, as its backyard or “near abroad” (*blizhneye zarubezhye*). Therefore, China's increasing presence in the region makes Russia uncomfortable. However, it prefers Chinese engagement in Central Asia to Western engagement as China, unlike the West, does not threaten the regimes friendly to Russia. It also does not interfere in the internal politics of Central Asia, strictly following its policy of non-interference in the internal affairs of other countries. China, in fact, supports these secular regimes

partly because it fears that if they are toppled, they might be replaced by Islamist governments.¹³⁵ Also, both do not want calls for democracy or more democracy in Central Asia to spill over into their territories.

Russia and China have different opinions about the role of the SCO in Central Asia. China sees the SCO as a vehicle for regional integration. While China has always been more inclined towards boosting the economic side of the SCO, Russia has been uncomfortable about the idea because of China's superior economic clout. It fears that China's economic clout will slowly pave the way for political influence at the cost of its own influence in the region.

In fact, the SCO's refusal to endorse Russia's war on Georgia, due to Chinese inhibitions, even while supporting China during the violence between the Uighur Muslims and Han Chinese in Urumqi in July 2009 was seen by some commentators as a reflection of China's increased influence in the SCO as compared to Russia's. So, Russia has been promoting economic and security integration with the Central Asian republics on its own by possibly expanding the EurAsEC (Eurasian Economic Community) which includes Kazakhstan, Kyrgyzstan, Tajikistan, Belarus and Russia and creating a Customs Union between Belarus, Kazakhstan and Russia, keeping China out of both. This is probably why Putin has been emphasising on the concept of Eurasianism since his re-election. In the security realm, Russia plans to make the Collective Security Treaty Organization (CSTO), another organisation which leaves out China, as the primary multilateral security institution in Central Asia.¹³⁶

Moreover, there could be competition between Moscow and Beijing with regard to access to and development of Central Asia's energy resources. While Russia wants to retain its “monopoly” over the energy pipelines in the region¹³⁷ (an important source of revenues for Russian companies selling Central Asian fuel to European countries), China is independently building pipelines from Central Asia to its own provinces. In fact, it has already built a gas pipeline from Turkmenistan to Xingjiang, an oil pipeline from Kazakhstan to Xinjiang, and more such projects are on the anvil. China has bought shares in Kaz Munai Gas and in 2009 the China National Petroleum Corporation (CNPC) and Kaz Munai Gas together acquired 100 percent shares in Kazakhstan's Mangistau Munai Gas, a major oil producer. China imports about 50 percent of its gas from Central Asia. Thus, China's clout appears to be increasing every

day. China's main concern is energy from Central Asia—especially since it can be accessed over land—thus minimising the Malacca dilemma. China has acquired oil and gas fields in Uzbekistan too. China Guangdong Nuclear Power Company and KazAtomProm are developing uranium mines to produce 250 tons of uranium per year.

China's promotion of Central Asia as a transport hub between itself and Europe via Kyrgyzstan and Uzbekistan has also not gone down well in Russia. One of China's key transport projects is building the China-Kyrgyzstan-Uzbekistan railway, which will give China access to the Persian Gulf and the Middle East via Turkmenistan and Iran. These projects would integrate Central Asia into China's economy, thereby increasing China's influence in the region.

Another trend which worries Russia is that the Central Asian Republics, especially Tajikistan and Kyrgyzstan, are gradually becoming dependent on China's economy. Kyrgyzstan, after joining the WTO, has become a regional hub for selling Chinese goods, which has become a source of livelihood for a substantial part of the Kyrgyz population.¹³⁸ As much as 40 percent of Tajikistan's \$2.1 billion foreign debt is owed to the Chinese Export-Import Bank; if recent agreements are taken into account, this could reach 70 percent.¹³⁹ Trade with China is more important for the Central Asian economies than it is for China: China's trade with Central Asia is only a little more than 1 percent of its total foreign trade.¹⁴⁰

Dmitri Trenin argues that Russia's idea of a Eurasian Union involving Russia, Kazakhstan and Belarus (they formed a Customs Union in 2009) is also a message to China that “Russia will not sit and watch its former borderlands gravitate to the two great poles of new Eurasia, the EU and China”, and that Moscow plans to compete, taking advantage of the EU's internal difficulties and China's deteriorating relations with several of its neighbours and the US.¹⁴¹

Despite all these differences China and Russia have managed to co-exist in the region, if not cordially, at least without being antagonistic. This is primarily because China has so far been careful about acknowledging Russia's interests in the region and not hurting Russia's sentiments.¹⁴² Nonetheless, as China's power increases and its influence in the region grows, tensions between China and Russia cannot be ruled out:

while Russia will seek to maintain its dominant position in the region, China will need to counter Russia's influence to advance its interests.

XI. The Arctic

Figure 18: The Arctic



Source: 'Cosy amid the Thaw', *The Economist*, 24 March 2012.

A potential area of tension between Beijing and Russia in the future could be the Arctic. It is believed that one-fourth of the world's undiscovered and recoverable oil and gas reserves lies in the Arctic circle. Moreover, new commercial trans-Arctic shipping routes will cut the distance between Europe and Asia and so trading nations like China have applied to be permanent observers of the Arctic Council.¹⁴³ But the Arctic Council members do not want to give membership to countries like China, which are not Arctic littoral states.

The Northern Sea Route (NSR) cuts maritime delivery times between Europe and East Asia by nearly 40 percent. Russia wants to develop the Northern Sea Route and preserve exclusive jurisdiction over it. If the NSR develops into a major sea route because of climate change and melting of ice, and with the Suez and Panama Canals reaching their carrying capacity, this position of Russia's will bring it into conflict with countries like the US and China which want to define it as being part of international

waters.¹⁴⁴ Russia sees the NSR as a bridge linking its offshore fields to energy markets in Asia. It has already delivered its first consignment of LNG to Japan using the NSR.

China, on the other hand, believes that the Arctic belongs to the whole world and cannot be the exclusive property of the Arctic Council members. China was recently inducted as an observer state in the Arctic Council. China wants to use the NSR to transport its goods to Europe as this would greatly reduce shipping time. China's increasing interest in the Arctic has not gone down well in Russia. For instance, in 2010, senior Russian Admiral Vladimir Vyotsky said that Russia is “observing the penetration of a host of states which ... are advancing their interests very intensively, in every possible way, in particular China”. He further avowed that Russia “would not give up a single inch” in the Arctic.¹⁴⁵ China's growing collaboration with Norway and warm ties with Iceland have also aroused suspicion that it is all part of a strategy by China to promote its interests in the Arctic. China's signing of a ten-year lease in 2010 on the North Korean port of Rajin, (which gives it access to the Sea of Japan) has not helped. China is investing \$10 billion in new infrastructure, including for strengthening the infrastructure along the corridor connecting Rajin port with the city of Hunchun, which could potentially provide China with an access point to the Arctic through the La Perouse Strait.¹⁴⁶ Intensifying these suspicions are comments made by some Chinese experts like Li Zhenfu of Dalian Maritime University, who said, “Whoever has control over the Arctic route will control the new passage of world economics and international strategies” and therefore China should consider making an open declaration of sovereignty over the Arctic sea routes, as well as territorial claims.¹⁴⁷

Despite all these suspicions, Beijing and Moscow have also begun collaborating with each other in the Arctic. For instance, in November 2010, CNPC signed an agreement with Sovcomflot to synchronize their efforts in using the NSR and to work together for shipping hydrocarbons from Russia's offshore fields.¹⁴⁸ Moreover, Chinese mariners will be trained in Arctic navigation by Sovcomflot. This, again, serves to show that Moscow and Beijing share a relationship in which they are willing to work together even on issues on which they have differences.

XII. Climate Change

Russia and China have differences of opinion on climate change. While China has coordinated positions with the BASIC (Brazil, South Africa, India and China), Russia has walked out of the Kyoto Protocol saying it does not prevent climate change or benefit its economy. Russia's emission levels are at less than its 1990s levels. Therefore, it does not have to cut its emissions for many years.

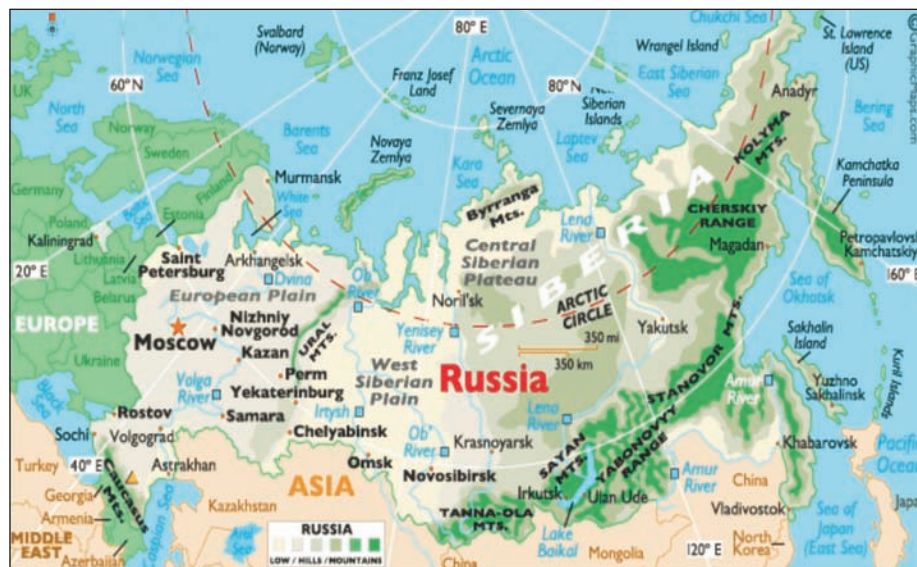
Since China is a 'developing country', it does not have to cut emissions under the Kyoto protocol though it is the largest emitter of greenhouse gases. This is obviously something which works to its advantage as it has to keep industrialising in order to sustain its growth rates and raise the standard of living of its people. But according to a report from its National Development and Reform Commission (NDRC), it will be a developed country by 2020 and will have to cut emissions by as much as 40-45 percent by then. China has been trying to develop renewable sources of energy, not so much because they are less polluting but from the point of view of energy security. It does not want to be dependent on imports of fossil fuels. It wants non-fossil fuels to account for 15 percent of its energy sources by 2020. Under a law passed in 2005, Chinese power grid companies are required to purchase a certain percentage of their total power supply from renewable energy sources.¹⁴⁹ Moreover, it gives widespread subsidies to its clean energy sector. China wants to be an exporter of new-age technology for the green economy.

Russia, on the other hand, does not want to invest in renewable energy as it feels it will compete with its fossil fuel industry, bringing down its revenues from exports of fossil fuels. Russia, in fact, now believes that it can benefit from climate change. It feels that with ice melting in the Arctic, it can exploit the NSR further to open up new oil and gas routes to Europe and also exploit the route for commercial shipping. In fact, in 2012, the year when the greatest shrinkage of ice in the Arctic was observed, there were 47 crossings by ships in the NSR moving cargo between Asia and Europe— almost 12 times the number in 2010.¹⁵⁰

XIII. The Russian Far East and China

Cooperation in the Russian Far East could become a potential game changer in Sino-Russian relations if Russia and China are able to move towards joint development of the region. This would contribute to making it a true strategic partnership. But there are several issues to be resolved before this can happen.

Figure 19: Map of Russia



Source: <http://www.worldatlas.com/webimage/countrys/asia/ru.htm>

Figure 20: The Russian Far East and the Chinese Border



Source: <http://www.karelianbeardog.us/photos/kbd/maps/AmurRiver.png>

The Russian Far East borders the three Chinese Northeast provinces of Heilongjiang, Liaoning, and Jilin. The Far East, which comprises 40 percent of Russia's total territory, is an area that is rich in natural resources, particularly diamond, gold, oil, natural gas, coal, timber, silver, platinum, tin, lead and zinc; it is also home to some rich fishing grounds. Thus, it is strategically and economically important for Russia. However, the density of population is very low in this region and the total population stands at between six and seven million, which is about 4 percent of Russia's total population and contributes just 5.6 percent to the country's GDP.¹⁵¹ The region is also economically undeveloped and lacks good infrastructure and communication facilities.

During the days of the Soviet Union, the region was important due to its vast energy resources and natural resources and on the eve of the disintegration of the Soviet Union, around 20 percent of Russia's military forces, including the substantial Pacific Fleet, were in the Russian Far East.¹⁵² In Soviet times, the Far East was a centre of

defence industries and those specialising in resource extraction. The Far East economy was “closely tied to the rest of the Soviet Union and was shielded from the external world in order to maximise its utilisation to Moscow's benefit.”¹⁵³ After the collapse of the Soviet Union, these factories were shut down and there was a great decline in population due to large numbers of Russians migrating out of the area because of a lack of economic opportunities. While between 1990 and 2009, total population fell by four percent in the Russian Federation, the decline was a much bigger—20 percent—in the Far East.¹⁵⁴ Today, however, the decline is also due to the decrease in the number of women of reproductive age, low birth rates and high death rates. Even life expectancy at birth in the Far East is much below other regions: 56 years for men and 69–70 years for women (in 2005), and infant mortality rate was almost twice that of Moscow's.¹⁵⁵

This is in sharp contrast to the burgeoning population in the three provinces on the Chinese side of the border, standing at around 111 million. If Inner Mongolia's population were to be added to this, the total population would stand at about 130 million, close to Russia's total population of 143 million.¹⁵⁶ Moreover, the provinces in China's North East are thriving industrial and agricultural centres. So, there is clearly a demographic imbalance as well as economic imbalance between the border regions, which is only likely to grow. Medvedev has described the depopulation of the Far East as “the most alarming, most dangerous tendency which we have to deal with”.¹⁵⁷ There is fear in some circles in Russia that more and more Chinese will migrate to Russia due to the pressure on land and resources in China's border provinces. Interestingly, some scholars we met also talked about an increasing number of Russians, particularly pensioners, settling down in China because of the lower cost of living. The main reason for more Russians crossing the border is that they do not need visas to do so and they can buy and rent housing as well as register businesses in the Free Economic Zone in Heihe.¹⁵⁸ Businessmen are even given tax breaks in the Free Economic Zone. Many Russians also travel as tourists. Some Russians, particularly skilled labourers, and small businessmen are also migrating to China because of better opportunities. (We could not get figures for this, however.)

In addition to the declining population, the Far East poses a challenge to Russia as it is undeveloped and is one of the most backward regions in the country. There is only one railway line linking the Far East to Western Russia. Since 1991, the population in the region has decreased by about a quarter¹⁵⁹ and in seven out of nine regions in the Far

East, unemployment was much higher than the national average. As Medvedev has said, one in five people in the Far Eastern Federal District has incomes below the subsistence minimum and many of the district's regions rely on federal subsidies.¹⁶⁰ Electricity costs twice as much or sometimes more in the Far East compared to other parts of Russia.¹⁶¹ Due to lack of transport and communications with the European heartland and sparse population, the Russian Far East remains isolated and underdeveloped.

The border regions of China and Russia, particularly Blagoveshensk and Heihe, have developed a translocal and informal symbiotic economic relationship—the economies are so interlinked that they would not be able to survive without the other.¹⁶² These economic interactions developed under conditions of economic reform, economic depression of the northeastern provinces of China and the Russian Far East and the absence of developed market institutions have, therefore, led to the creation of informal market institutions. Trade is conducted through the criminal, illegal, and semi-legal activities of people living on the borders. Thus, everyday interactions of the two border towns have given rise to a form of translocality, the rules of which are very different from the “mainstream” laws of the two nation-states.¹⁶³ The Valdai club report points out that the population is growing in the cities which are on China's borders and the quality of life is much better because of trade with China.¹⁶⁴

Chinese investment is not regarded very favourably in Russia, especially in the Far East, due to territorial and demographics reasons.¹⁶⁵ Official figures of Chinese investments in the region are negligible, at about 1 percent. This is because a large share of Chinese investments is made through proxies.¹⁶⁶ In fact, the fish reserves of the Far East are controlled by the Chinese companies. What the Chinese do is to buy the fish stocks and then transport them to China. The fish is processed there, creating jobs for Chinese. This is a sore point with the Russians.

Arable land is often leased to Chinese peasants. In fact, Chinese firms lease or control at least 600,000 hectares of land in the Far East.¹⁶⁷ Ever since a formal agreement between Russia and China was signed, some Chinese companies have also begun investing in wood processing mills in the Russian Far East. But illegal logging and exports to China continues to be a problem. Timber industry experts estimate the

value of illegal exports at about 25 billion Rubles, or \$1 billion annually, and despite the proliferation of documentation and formal monitoring, industry observers estimate that 50 to 70 percent of timber exported from Primorye and southern Khabarovsk has been felled illegally.¹⁶⁸

The Far East is highly dependent on trade with China. In 2010, the largest purchasers of timber from the region were China (37 percent of round wood), Finland (32 percent), and Japan (14 percent).¹⁶⁹ In 2010, the share of imports from China was: Khabarovsk (51 percent), Primorye (62 percent), Amur (90 percent) and Jewish Autonomous Okrug (96 percent).¹⁷⁰ Heilongjiang province, which shares a 3,000-kilometre border with the Far East, reported deliveries to Russia across its borders of approximately \$8 billion in 2008 and in 2009; the Vladivostok Customs District alone reported imports from China of \$3 billion. China is the largest trading partner for the border provinces of the Far East and the second largest partner (after South Korea) for the Far East as a whole and a vital market for the Far East's metals, coal, and timber, and a principal supplier of foodstuffs, clothing, and consumer electronics to regional residents.¹⁷¹

The four border provinces of China are much more prosperous than the Far East. In 2010, the regional domestic product of Russia's three eastern federal districts was around \$372 billion as opposed to \$538 billion of the four Chinese provinces.¹⁷² Therefore, some of Russia's elite believe that if these areas are not integrated with the rest of the country economically and socially, they might gravitate towards China. For instance, Putin in 2006 had described the socio-economic isolation of the Far East and its failure to exploit its natural resources as a threat to “national security” and a “serious threat to our [Russia's] political and economic positions in the Asia-Pacific”.¹⁷³ Dmitri Trenin suggests that if Russia were to lose its eastern territories, it would not be because of Chinese aggression but because of Russia's inability to develop the region. If this were to happen, Russia and China's historical roles would be reversed and a “strong and dynamic China” might begin using a “weak and stagnant Russia” and Khabarovsk would become an “outpost of foreign economic expansion”, backed with some amount of political influence [and] ... “economically, Pacific Russia and Siberia would become a resource base to China and its sphere of influence.”¹⁷⁴ What compounds these fears is the fact that some experts believe that Russia's military presence in the Far East is not sufficient to defend Russia's border or control

immigration from China.¹⁷⁵ They argue that the Russian Pacific Fleet has only 18 ocean-going ships, nearly all of which are obsolete and that the Russian air presence in the Far East is also inadequate.

Developing the region is thus a major priority and challenge for Russia. The first steps towards this were taken in 2009 when the Russian government published 'A Strategy of Social-Economic Development of the Far East and Baikal Region to the Year 2025', which committed the federal government to provide infrastructure investment from the federal budget and from the planned investment of national energy companies like Gazprom, Rosneft, and UES Electric Power. The Russian government has announced the construction of the Vostochny Cosmodrome in Amur territory beginning in 2011 for which 24.7 billion rubles (\$800 million) was allocated for the first three years of construction at the facility, which was expected to employ 20,000-25,000 personnel.¹⁷⁶ The government organised the APEC summit in Vladivostok in September 2012 for which approximately 200 billion roubles¹⁷⁷ was spent by the federal government for developing the infrastructure. Moreover, a new Ministry for the development of the Far East has been set up, mirroring Russia's anxieties about the situation in the Far East. Moscow wants investments in industries which would add value to products, instead of just exporting raw materials.

The other strategy to modernise the region is to integrate it with the Asia Pacific region as the fast growing economies of these regions have the resources to invest in the Far East. Moreover, Vladivostok is only two hours by air from all the capitals in Northeast Asia. As Viktor Ishayev, the newly-appointed Minister for the Far East has explained:¹⁷⁸

Russia historically has oriented itself mainly to the Western vector of development, and that once made sense...Today the European Union is the least dynamically-growing region in the world, with growth rates of just 1-2 percent. Russia wants to vault into the ranks of the 20 most advanced nations, and to do this it must associate itself with actively developing states—that means China, India, the BRIC, and the APR.

President Putin has also announced Russia's pivot to Asia. In an article in the *Wall Street Journal* in September 2012 just before the APEC summit in Vladivostok, the President wrote: "Russia has long been an intrinsic part of the Asian-Pacific region... We view this dynamic region as the most important factor for the successful future of the whole

country, as well as the development of Siberia and the (Russian) Far East.”¹⁷⁹ Earlier, the influential Valdai club came out with a report lamenting Russia's inability to join the Asian “economic locomotive” despite the fact that two-thirds of Russia's territory is in Asia.¹⁸⁰ It attributed this to the backwardness of Russia's infrastructure, its underdeveloped economy, demographic situation, and its “obsolete Euro-centric foreign trade and economic mentality”.¹⁸¹ The report suggested that Russia's historic “territorial curse” could now become a source of its competitiveness. The authors of the report felt that the West had entered an era of socio-political turbulence and would therefore be a difficult partner. Focussing on the Asia Pacific is important for Russia's “internal stability and international competitiveness”. The report recommends developing Russia's Eastern vector by developing Siberia and the Far East. At the same time, it cautions that such a strategy would be impossible without improving political, economic and trade ties with the Asia Pacific countries, including the US, China, Japan, and South Korea. It even suggests creating a capital on the Pacific Coast which could take over some government functions.

But, these policies—which extend to inviting significant foreign participation in development schemes—have been criticised as they are also seen as distorting Russia's path of economic growth and diminishing Russia's overall authority over the region in the long term.¹⁸² However, Russia's trade with the Asia Pacific region remains insignificant and most of the foreign investments in the region are being made by European and Russian domestic investors; much of this investment is directed towards the rich and resource-rich provinces like Sakhalin and Sakha Republic and not to the poorer border provinces. Russia's trade with APEC is less than 23 percent of Russia's total trade.¹⁸³ Investments from APEC countries only accounted for 16 percent of total investments in Russia. Some Russian officials argue that the Russian Far East could become a 'breadbasket', exporting grain to the world through Pacific ports. Moreover, with the Arctic trade routes opening up and with the modernisation of its railways, Russia could become a transportation corridor between Europe and Asia.¹⁸⁴

But APEC countries now seem to be more interested in investing in Russia, particularly in the Far East. A new survey of APEC business leaders shows that Russia is among the top five investment destinations over the next five years. While Mazda has built a plant in Vladivostok, Toyota is planning to build a plant and assemble cars, with

the collaboration of local firms. Also, a Japanese consortium that includes Itochu has signed a memorandum with Gazprom to develop a LNG project in Vladivostok.¹⁸⁵ Some Japanese companies have together established a Far East gas company, with a total investment of about \$7 billion. Japan has also shown interest in developing the Elginskoye coalfield and gas fields in Yakutia, in Irkutsk. Japan is the top investor in the Russian Far East, particularly in the energy sector. Viktor Ishayev, head of the Ministry for the Development of the Russian Far East, has claimed that Japan is the most reliable partner in Russia's Far East, especially in the field of oil and natural gas.¹⁸⁶ Energy trade with Japan is likely to increase given the fact that Japan is giving up on nuclear power and will therefore require more oil and gas. Moreover, the second leg of the ESPO pipeline is nearing completion. In fact, even prior to the Fukushima disaster, oil imports from Russia rose from 0.7 per cent of Japan's total in 2006 to 6.4 per cent in 2010.¹⁸⁷

Statistics from Russia's Far East Customs Department show that the trade volume between the Far East and South Korea reached 4.6 billion US dollars in the first half of 2012; South Korea was in first place, followed by China and Japan.¹⁸⁸ The total amount of South Korean investment in Russia is about \$2.5 billion.¹⁸⁹ Some reports suggest that South Korea's Incheon International Airport Corporation may soon invest in airports in the Far East. Apparently, Seoul airport already holds a 10 percent stake in Khabarovsk airport. There are also plans for a pipeline to South Korea via North Korea. But Russia's ability to increase trade with Japan and South Korea would not depend only on it being able to modernise its infrastructure; it also depends as much on its relations with Japan and South Korea. While Russia-Japan relations continue to be less than cordial because of the dispute over the Kuril Islands, Moscow's relations with South Korea are strained due to its relations with North Korea. Other obstacles to greater trade are Russia's difficult visa procedures for businessmen, difficult investment climate and now the economic sanctions imposed by the West.

Table 7: Russia's Trade with Major Countries in 2010

Value of Exports and Imports 2010 \$ million	Russia to Partner	Partner to Russia
	Export	Import
Russian Federation Total	427,800	260,000
Russian Federation Comtrade	373, 056	217,415
China	19,781	39,033
Including Crude oil	7,303	
Natural gas liquefied	65	
Japan	12,501	10,300
Including Crude oil	5,338	
Natural gas liquefied	2,203	
Republic of Korea	10,404	7,267
Including Natural gas liquified	629	
Mongolia	937	79
DPR Korea	46	16
Germany	15,860	26,616
USA	12,033	9,840

Source: Judith Thornton, 'Institutional Change and Economic Development in Siberia and the Russian Far East', July 2011, http://www.econ.washington.edu/user/thornj/37_economic_development_siberia_11.pdf, p.40.

Overall, while Russia's trade with South Korea tripled between 2005-2010 to \$18 billion, during the same period, its trade with Japan doubled to \$23 billion.

Russia has given China a special place in its Far Eastern economic strategy through an agreement in September 2009 known as the “Program of Cooperation between the Regions of the Far East and Eastern Siberia and the Northeast of the People's Republic of China, 2009-2018”. The agreement spelled out 284 areas of cooperation, 201 “key cooperative projects” (90 in Russia and 111 in China), in addition to 65 target areas for upgrading border crossings and transportation infrastructure on both sides.¹⁹⁰ The idea is to revitalise the industrial base in China's northeast provinces by facilitating the flow of Russian resources to them. Thus, “China, for the Far East, plays a key (*klyuchevuyu*) role. Like it or not, that is the reality,” says Victor Ishayev.¹⁹¹ In 2013, as presidential candidate, Putin had written that Russia should judiciously tap China's potential to develop the economy of the Far East and Siberia.¹⁹² Moreover, Putin came to power in 2013 promising many social security programmes. The money for this can come only through exploiting the natural resources in the Far East. So, there is this imperative also in the mind of the ruling regime. China, by virtue of its ability to finance big projects, its abundant supply of cheap labour and easy accessibility to the Far East will, therefore, play a big role in the region's development. It seems that for the near future, decisions on many of the important industrial and infrastructure projects in the RFE-Baikal regions are likely to be made jointly with China, with unpredictable consequences for the region's economic and political ties to Moscow.¹⁹³

The 2009 agreement has come under fire from several experts who feel that it will only turn Russia into China's resource appendage and is based on the principle of “our raw materials, your technologies”.¹⁹⁴ Sergei Karaganov of the Council on Foreign and Defense Policy in Moscow fears that Russia's eastern regions—and perhaps even the entire country—could “turn into an appendage of China”: first as a warehouse of resources and then economically and politically. This could happen without any aggressive or unfriendly efforts on China's part, but by default. He warns that Russia's “semi-dependency” on China could add “a great deal of international weight” to China, which should concern other countries of the Asia-Pacific.¹⁹⁵ They would not want China to be the sole player in the region and with Russia joining the WTO, their concerns over lack of transparency could get addressed. So they might invest more in the region though in the near term, China's economic preponderance in the region

might continue. However, if the US and Russia reach an agreement on containing China's influence in the Pacific and the US is willing to invest and provide technology to Russia for modernising its economy, the tables might turn. This is not unlikely, given that the US and Russia do not have any conflict of interests in the Pacific and in fact, Russia's attitude to US military presence in Asia is quite different from its attitude to US military presence in Europe. Many Russian experts see US presence in the Asia-Pacific as being imperative for balancing China.

Thus, while Moscow realises the need to develop the Far East and integrate it with the region, it faces a bigger dilemma: who should its partner/s be in developing the Far East? Should it be Japan and South Korea or China? The answer to this question would point towards whom Russia would lean in the coming years.

The Threat of Chinese Immigration: Hype versus Reality

Until the mid-18th century, China was not seen as any kind of practical military or political threat to Russia; Russia was too strong, China was too distant, and so the occasional clashes between Russian and Chinese forces in the Far East were not seen in Russia as a major problem.¹⁹⁶ By the end of the 19th century, China became not just a theoretical, but a political problem for Russia because of fears of Chinese ethnic expansion and Sinification of Russian territories, especially the Far East.¹⁹⁷ Several explorers and authors wrote about the increasing numbers of Chinese migrants in the Far East. I. Levitov, for instance in 1901, wrote that the “wave of the yellow race would soon flood Russia.” Levitov claimed:

*“Look at the Amur, the Ussuriysk kray and the Maritime oblast and generally at the territory between the Baikal and the border with Manchuria, we can easily observe that there is very little Russian there. The Russian element in that territory is an insignificant handful of people among the dominant mass of the yellow-skinned”.*¹⁹⁸

The government of Peter Stolypin was clearly worried as can be seen from his statement on the Far East to the State Duma in 1908:

“Nature does not tolerate emptiness.... Our distant and stern border territory is at the same time rich, rich with gold, wood, fur, and vast spaces good for agriculture. And under these circumstances, gentlemen, having a densely populated country as our neighbor, this border

*territory will not stay deserted. The foreigner will penetrate into it unless the Russian comes there before him, and this penetration has already begun. If we are lethargic, the area will become saturated with alien saps and when we awake it may already be Russian in name only”.*¹⁹⁹

The Russian government reacted by giving incentives to Russian peasants to migrate into the Far East, adopting measures against immigration, and imposing a ban on foreigners from working in public works. However, the number of Chinese immigrants continued to grow.

In modern times, after the Sino-Soviet split the China threat was played up by several writers like Solzhenitsyn, who predicted that a war with China was likely because of the population pressure on land in Siberia and also for ideological reasons. He further suggested:

*“...for the next half-century our only genuine military need will be to defend ourselves against China, and it would be better not to go to war with her at all. No one else on earth threatens us, and no one is going to attack us”.*²⁰⁰

After the Sino-Soviet split, the Soviet Union swiftly increased its forces in the Pacific. Ground force and air force bases expanded along Russia's borders with China, and flourished in Primorye, Khabarovsk, Chukotka, Sakhalin, and, under the Soviet navy, on Kamchatka.²⁰¹ Soviet military strength in the region included advanced weaponry, nuclear forces, diesel submarines with ballistic missiles and nuclear submarines.

During the 1980s, when attempts were made at normalising relations, interaction between the border regions grew as visa requirements for business trips were dispensed with and the borders which had been closed for many decades were re-opened.

In 1992, a bilateral agreement was signed based on which companies in the Far East began to employ Chinese workers. However, once Chinese goods and workers began flowing into the Far East, fears and complaints against the Chinese increased because of three reasons:

- 1) Once goods from other countries began flowing into the Far East, the locals began to appreciate the superior quality of Japanese, South Korean and American products and the professionalism of businessmen from these and other countries.
- 2) The uncontrolled flow of Chinese traders and labourers, some of whom stayed in Russia for a long time or even settled there, revived the old fears in the under-populated Far Eastern regions of the possibility of Sinification of these territories.
- 3) Local administrations, for domestic political reasons, began a vicious campaign against the Russian-Chinese border agreement.²⁰²

Local media was filled with news and commentaries devoted to these problems and the media began writing stories on issues such as the mafia links of Chinese traders, Chinese poachers and smugglers, Russian traders taken hostage in China, and the arrests of Chinese citizens who illegally crossed the border.

Local newspapers and even academic journals began publishing articles which exaggerated the numbers of Chinese immigrants in the region and argued that China, under the guise of economic cooperation, was pursuing a calculated policy of resettling its surplus population from its North-Eastern provinces to the Far East and Siberia so as to solve its own problems of unemployment and overpopulation and building conditions for re-claiming these territories sometime in the future.²⁰³ Local politicians also began speaking out against Chinese immigration and some of them even opposed the border agreement with China, which transferred some land to China, arguing that it gave China strategic advantages and would give them access to the sea and a chance to build a port and a railroad from the port through Kazakhstan to Europe, thus destroying the local Far East economy.

The issue of Chinese immigration has been taken up several times by politicians recently. In August 2012, Prime Minister Medvedev said that the Far East must be protected from the “excessive expansion of people from neighbouring countries” and the government should work to prevent the “negative consequences of migration” like “foreign workers enclaves”.²⁰⁴ In the same speech, he claimed that 8 million people had migrated to Russia in the first six months of 2012, out of a total of 10 million migrants in Russia and therefore there is a need to “manage” migration. The fact that

this speech came within days of the deputy defence minister saying that two new nuclear submarines would be sent to the Pacific Fleet was seen by experts as Russia's concern about Chinese designs on Russian territory and resources. Added to this are reports suggesting that Russia is bolstering its military presence in the Far East. This does reflect a certain sense of anxiety in Russia about immigration. There are some sections who still believe in what is called the “yellow peril”. They fear China's “creeping expansion” or “peaceful invasion” of the Russian Far East.²⁰⁵ Reports that some Chinese textbooks describe the treaties of Aigun and Peking as “unequal” treaties have exacerbated these fears. However, others dismiss these claims saying these fears are subsiding and are a legacy of the past and have to do with the lack of a strong, coherent and positive Russian strategy in Asia.²⁰⁶ Local attitudes towards the Chinese are also changing thanks to increased interaction. A recent poll shows that while 67 percent of Muscovites describe the Chinese as unfriendly or hostile, 41 percent of the residents of the Far East see them as friendly.²⁰⁷

These fears were largely dismissed by most of the experts we met.²⁰⁸ They argued that China's expansion has historically been towards the South. The Chinese see their main threat as being from the North and this is why they built the Great Wall. Therefore, these experts believe that there is no official Chinese policy of expansion into Russian territory because it will strain relations between China and Russia. These experts put the number of Chinese immigrants in all of Russia at around 200,000. One of them even said that all migration, particularly to the Far East, must increase and not only from China because a territory without population is doomed to end economically.²⁰⁹ Some argue that Chinese migration contributes to the stability and prosperity of the Far East and that without this, population decline in the Far East would have been much greater.²¹⁰ Another well-known expert claimed that there are less Chinese in the Russian Far East today than there were a century ago. The Valdai club report says that there are more Russians in China than Chinese in Russia.²¹¹ Official census figures seem too miniscule to be taken for granted. For example, the Russian census puts Chinese immigration at 7,063 people in 2011;²¹² the figure is quite difficult to believe. This is perhaps because census figures only count legal immigration. Even in the media, in recent times, reports about the so-called “China threat” have come down substantially since the beginning of the decade and regional governments now seem more reluctant to criticise China.²¹³

Most experts now believe that most of Chinese immigration is seasonal and Chinese workers are mostly engaged in trade, agriculture, catering and construction sectors, which require low manual skills.²¹⁴ Other experts feel that Russia is unlikely to become a favoured country for migration from China because China's own economic growth and rising living standards in the country would not make Russia attractive to Chinese migrants; moreover, the “one family one child” policy, will result in a faster ageing of China's population than is the average for the world at large.²¹⁵ The inhospitable weather in Russia and fear for their safety²¹⁶ also makes Russia a less favoured destination for the Chinese. Studies show that Chinese immigrants would rather go to the US, Europe or other Asian countries like Singapore, Japan and South Korea and even within Russia, the Far East is not their most favoured destination and they prefer to go to Moscow or St. Petersburg which offer them better opportunities.²¹⁷ Moreover, despite geographical proximity, the cultures on either side of the border are very different. Added to this is the issue of language. Chinese immigrants therefore find the Far East less welcoming.

Maria Repnikova and Harley Balzer identify four factors which could increase immigration: more regional integration; a change in Russian attitudes towards foreign labour resulting in a more conducive atmosphere; economic upheavals in China, especially in the North-eastern provinces, while the Russian Far East prospers; and ecological problems like lack of water in the North-eastern provinces, which could result in environmental refugees moving to the Far East.²¹⁸

The Russian fear of Chinese immigration is based on the belief that demographic imbalance prompts immigration, though migration theory suggests that immigration is mostly driven by wage differentials and household strategies.²¹⁹ One need only see the examples of Canada and the US, Bangladesh and Myanmar, and others, where there are borders with large populations on one side and sparsely-populated land on the other to prove that demographic imbalance does not necessarily lead to immigration.²²⁰ Some experts like Natasha Kuhrt attribute the perception that the Russian Far East is being inundated with Chinese migrants to two factors: 1) the dramatic outflow of Russians might make a Chinese presence more visible; and 2) governments around the world are known to blame foreign groups for internal problems and Russia is no exception to this.²²¹

Some Russian experts we met believe that though given the current cordiality in Sino-Russian relations, the Far East might not be much of an issue, as the balance of power between Russia and China changes fundamentally towards China, the border issue could resurface. In this context, it is interesting that in 2010, for the first time in many years, Russia held an “East 2010” military exercise, which dispatched two divisions by train across Siberia and simulated tactical nuclear strikes against unnamed foreign aggression. This was seen in many quarters as a message directed at China. A more assertive China with more influence could raise the issue of the “unequal treaties” of Aigun (1858) and Peking (1860) which gave Russia control over Primorye and Transbaikalia.²²² As Dmitri Trenin puts it:

*“The slow but steady march of China, which reabsorbed Hong Kong in 1997 and Macau in 1999, and is focusing more and more on the Taiwan issue — all under the rubric of doing away with the vestiges of European imperialist domination — raises for some Russians the question of when, not whether, the Russian Far East will have its turn”.*²²³

Some scholars we met at the Russian Diplomatic Academy echoed these sentiments and seemed to be uncomfortable with China's recent irredentist claims in its neighbourhood. They worry that as the balance of power between Russia and China shifts towards China, it might make irredentist claims about Russian territories as well. Although it is difficult to envisage such events happening, the possibility cannot be ruled out entirely.

There are two other possibilities of tensions over this region. The first can happen if economic migration from China to Russia increases in the years ahead. This is not improbable given the pressure on land in China and the scarcity of population in the Far East. The second is the possibility of maritime disputes over fishing rights. In recent years, there have been some incidents of the Russian Coast Guard firing at Chinese fishing vessels and capturing Chinese fishermen.

Hence, the Far East presents a peculiar dilemma for Russia. On the one hand, it feels that integrating the region with China and the larger Asia Pacific is necessary for the Far East's economic development and thus maintain control over the region. But the fact that China will be involved closely in the region through trade and investment means that Russia runs the risk of the region falling prey to Chinese political and

economic influence, to counter which is why Russia wanted to develop the region in the first place. Moscow does not want the region to become China's backwater, instead of being its window to the Asia Pacific.²²⁴ However, some recent steps taken by Russia—like giving China an equity stake in an oil field in Eastern Siberia in 2013—seem to indicate that it is gradually overcoming its fear of Chinese encroachment into the Far East.²²⁵ This is perhaps inevitable and a sign of things to come. China also seems to be welcoming Russia into the Asia Pacific. In September 2010, Moscow and Beijing signed a joint statement, saying both sides were “committed to an open, transparent and equal framework for security and cooperation in the region, which shall be based on international laws and non-alliance principles, taking into account all sides' legitimate rights and interests” and called for a security order “based on mutual trust, mutual benefit, equality and cooperation”.²²⁶ In October 2013, in his fifth meeting of the year with President Putin on the sidelines of the APEC Summit, Chinese President Xi said Moscow and Beijing should work together “to guarantee the security and stability in the Asia-Pacific region” since they have common interests in the region.²²⁷

However, if the other Asia Pacific countries and the US come forward to invest in the region and help it integrate with the larger Asia-Pacific region, Russia will not only be able to develop the region, but will also be able to contain Chinese influence and avoid being a mere resource appendage to China. But this again depends on how the West deals with Russia in the future. If it continues to spurn Russia, Russia might see China as the best option for its economic development.

XIV. Russian and Chinese Military Posturings

In 2008, a prominent Russian think tank conducted a study on Russia's role in the changing international situation. The unpublished study considers scenarios regarding the possibility of Russia being drawn into an international conflict.

One of the scenarios seriously considered is the possibility of hostilities breaking out between Russia and China, China occupying territories in the Russian Far East, and Russia considering the possibility of using nuclear weapons. The study reflected the concerns the Russians had about the place of the Russian Federation in world affairs, its relationship with the major powers and its uncertainties about China's rapid rise. The study appears prescient in the sense that it forecasts the global financial crisis, amidst a declining US and the emergence of a multipolar world.

The study shows that Russia is not entirely ruling out the possibility of a conflict with China. It realises that although it might currently have the upper hand in nuclear weapons, in conventional terms it is at a disadvantage vis-à-vis the Chinese. While China has the second largest defence budget in the world (behind the US), Russia is placed third and its conventional defence forces and troops of other security departments, officially 1.5 million, are less than half of China's 3.7 million.²²⁸ This disadvantage clearly weighs heavily in policymaking circles in the Russian army as is evident from Russia's military doctrine of 2010 where it sanctions the use of nuclear weapons for:²²⁹

“... preventing the outbreak of nuclear military conflicts and military conflicts involving the use of conventional means of attack (a large-scale war or regional war). In the event of the outbreak of a military conflict involving the utilization of conventional means of attack (a large-scale war or regional war) and imperilling the very existence of the state, the possession of nuclear weapons may lead to such a military conflict developing into a nuclear military conflict”.

The reference to a regional war could be towards China. Again, the doctrine refers to “a show of military force with provocative objectives in the course of exercises on the territories of *states contiguous* with the Russian Federation or its allies” (emphasis ours), as a military threat, which is widely seen as a reference to China.

As Kashin argues,²³⁰

“Russia's only non-nuclear trump card in a hypothetical military confrontation with China is the Pacific Fleet. The technical superiority of Russian nuclear-powered submarines and China's growing dependence on maritime trade give Russia a theoretical chance to inflict unacceptable economic damage upon China. Obviously, this factor would not stop a potential Chinese advance in the Far East, it can raise costs for China if it considers starting a conflict with Russia. Interestingly, Russia has since 2004 been actively renovating and developing the nuclear submarine base in Vilyuchinsk (Kamchatka)”.

Russia military commanders have also begun to using the China's military potential to justify the need for more warships and retain tactical nuclear weapons.²³¹

Russia is also actively developing its Eastern Military District (which is responsible for defending the Sino-Russian border) through the supply of new weapons and troops and in 2010 it established the Unified Strategic Command “Vostok” (Eastern Military District) on the basis of the Pacific Fleet and the Far Eastern and Siberian Military Districts, making it the largest force in the Russian Armed Forces.²³² The Eastern Military District consists of eleven brigades and one division with about 80,000 troops and has a naval infantry brigade with an amphibious capability.²³³ In fact, more than 50 percent of military equipment at the District's air force and air defence units was renovated (either replaced with new equipment or upgraded) in 2011-2012.²³⁴ Around ten Tu-22Ms Backfire medium-range bombers and (under)sea-and air-launched cruise missiles are deployed in the area across from Sakhalin in the Eastern Military District.²³⁵ Russia's Pacific fleet has about 240 ships with a total displacement in the region of about 550,000 tons, which includes twenty major surface ships and twenty submarines (about fifteen of which are nuclear powered submarines) with a total displacement of approximately 280,000 tons.²³⁶

Strategic nuclear forces are also maintained in the region. For instance, ICBMs, like the SS-25s and approximately 30 Tu-95MS Bear long-range bombers, are deployed mainly along the Trans-Siberian Railway in addition to the Delta III-class SSBNs carrying SLBMs deployed in and around the Sea of Okhotsk.²³⁷

Moreover, a Russian defence expert who wished to remain anonymous told us that the deployment of S-400 (SAM) anti aircraft air defence weapons systems in the Russian Far East is meant to protect against attacks by China. Russia also deploys around 330 combat aircraft from its Air Force and Navy combined in its Eastern Military District.²³⁸ Though the number of aircraft is shrinking, the models are being modified and SU-30s are being deployed.

Also, Russia holds military exercises every year to practise the redeployment of troops to the Russian Far East from the European part of Russia. At the same time, in July 2013, almost immediately after holding joint naval drills with China, Russia conducted its biggest war exercise since Soviet times involving 160,000 troops and about 5,000 tanks across Siberia and the Far Eastern region as well as dozens of Russia's Pacific Fleet ships and 130 combat aircraft.²³⁹ Though Russia has said the exercises were not aimed at any country, some experts believe otherwise. According to Alexander Khramchikhin, an independent Moscow-based military analyst, the massive exercise held in the areas along the border with China was clearly aimed at Beijing to discourage China from harbouring expansionist designs on Russia. "It's quite obvious that the land part of the exercise is directed at China, while the sea and island part of it is aimed at Japan," he said.²⁴⁰

Some scholars argue that Russia's refusal to discuss any cuts in strategic nuclear arsenals with the United States without the participation of other nuclear powers and its former defence minister Sergei Ivanov's suggestion that Russia should withdraw from the Intermediate-Range Nuclear Forces Treaty, can be attributed to the China factor.²⁴¹ In 2010, Russia conducted the Vostok-2010 military exercises in the Russian Far East which involved tens of thousands of troops, warplanes, warships, as well as the use of fighter aircraft, artillery strikes by unmanned aerial vehicles (UAVs) and use of nuclear capable missiles. This appears to be a warning to China because they prove that in case of an impending defeat at the conventional level, Russia might be tempted

to use its nuclear weapons²⁴² and also because only China has the ability to strike deep enough into Siberia and Russian Far East to threaten Russia's territorial integrity.

In 2010, Russia also deployed two brigades close to the Chinese border of Chita and strengthened coastguard capabilities in Vladivostok.²⁴³ The FGB has also reinforced its capacities in the Russian Far East to counter the presence of five combined armies across the border. Moscow has also shifted the focus of its navy to the Asia Pacific and is building up its Pacific Fleet. Another view in Russia is that while Russia is closely watching China's military modernisation, much of the thrust of China's military modernisation has so far been on augmenting its sea power. This, according to Russian analysts, is because China feels its land borders are secure and tensions on the land borders are unlikely.²⁴⁴ Therefore, they feel Russia does not have to be unduly worried about China's military modernisation.

China, for its part, is also not resting easy. In 2006, China conducted a military exercise named 'Stride 2006', where its troops marched for some 1,000 kms, simulating a scenario where China was invading Russia. In another exercise, 'Stride-2009', China conducted a march of thousands of troops over thousands of kilometres in order to test its army's long-distance mobility and long-range projection capacity.²⁴⁵ All this raised concerns in Russia, with its chief of General Staff General Nikolai Makarov stating that China and NATO were Russia's most dangerous geopolitical rivals.²⁴⁶

XV. The Role of External Players

The one external player which could significantly alter the course of China-Russia relations is the US. In a sense, the US has perhaps inadvertently played a major role in bringing China and Russia closer. Both Russia and China are against the expansion of NATO. They are wary of the US posturing on issues like democracy promotion and its strident criticisms of the human rights records of both Russia and China. Russia is wary of pro-US regimes in the Baltics, Georgia, and Ukraine. Just as China lives with US bases in Japan and South Korea, the thought of a sustained US presence in its neighbourhood is disconcerting for Russia.

Thus, any change in US policy towards either China or Russia will have an impact on Sino-Russian relations. The US has always been the 'significant other' in Sino-Russian ties: one need to only go back to Cold War history where the Soviet Union and China first allied against the US and then China allied with the US against the Soviet Union. In fact, from the 1950s onwards, relations among the three countries have seen several geopolitical reconfigurations as a consequence of power shifts within a tripolar system, or the so-called “strategic triangle”.²⁴⁷ Each one of these countries pursued realpolitik policies against each other, trying to contain the power and influence of the other through triangular politics, i.e., by manipulating relations with one country to gain leverage over the other.²⁴⁸ This can be clearly seen in the various phases in their relations: the Sino-Soviet alliance in the 1950s, the Sino-Soviet split in the 1960s, the Sino-US rapprochement in the 1970s, the Sino-Soviet rapprochement and partnership which has become stronger since the 1980s. As Kenneth Waltz argues: “Feeling American antagonism and fearing American power, China drew close to Russia after World War II and remained so until the United States less, and the Soviet Union seemed more, of a threat to China”.²⁴⁹ In the 1980s, the balance of power within this triangle changed in favour of the US due to the Soviet Union's “structural decay” and China's failure to contain American power in Asia.²⁵⁰ US power vis-à-vis the Soviet Union could not be balanced by China, leading to a power shift among the three.²⁵¹

Consequently, by the end of the 1980s, China and the Soviet Union worked together to counterbalance American power. Subsequently, after years of American hegemony and the US's "unipolar moment", the Sino-Russian partnership worked at countering US influence by promoting multipolarity. After the Cold War, US military strikes against Iraq and increasing American presence in the Central Asia; plans for creation of US-Japanese Theater Missile Defense (TMD) and National Missile Defense (NMD); NATO expansion into the Baltics; and, ultimately, bombing of Yugoslavia, during which the Chinese embassy in Belgrade was destroyed caused concern in Moscow and Beijing about aggressive US foreign policy, bringing them closer.²⁵² Therefore, many analysts feel that the current China-Russia cooperation is essentially an attempt at balancing the US.

However, even today for both countries, their most important bilateral relationship is the one with the US. This is evident from Putin's 2012 decree on foreign policy: while it devotes a whole paragraph to relations with the US, only one sentence of it refers to China. Thus, a lot will depend on how each country's ties with the US develop. If China fears that a US-Russia condominium might lead to its geo-strategic encirclement from the North, Russia fears a diarchy of China and the US controlling the world.

The US pivot to Asia could also have a bearing on how the Russia-China partnership evolves. The US pivot is aimed at managing China's rise and China's rise is not something that is viewed benignly by all Russians. In the years ahead, Russia might start seeing the US pivot and force projection in Asia as being good and in its interests.

If the US comes to an agreement with Russia and is more accommodating on Russia's concerns about missile defence in Europe and NATO's eastward expansion, Russia might once again see itself as being part of the West and align with the West. But this is unlikely to happen in the short term given the Ukraine crisis and the subsequent stand-off between the US and Russia. Alarm bells are already being raised in some circles about the implications of a China-Russia alliance for US policy, particularly the re-balance to Asia. There is concern that if Beijing bolsters its military presence in East and Southeast Asia while Moscow does so in the Arctic and near the Baltic states, the US will have to respond to both. This will distract the US and strain the US's military resources.²⁵³ Commentators suggest that Russia is becoming the new battleground between the US and China and if the US is able to bring Russia on its side by exploiting

the differences between China and Russia, it will be able to thwart China's ability to project power in the Western Pacific.²⁵⁴

On the other hand, if the West continues to spurn Russia, Russia might have no option but to align with China more closely because of the obvious financial gains and also to get even with the West. This is something that is likely to happen in the medium-to long-term if the West continues its rejection of Russia. If the US changes its policy towards Russia and embraces it, Russia might be tempted into risking its relations with China for a partnership with the US. China fears a rapprochement between the West and Russia could be directed against it, endangering its attempts to diversify its energy sources as well as its investments in the CIS countries. This appears unlikely, though. Another possibility is if the US and China move into a closer relationship. But if this happens, Russia will move closer into a strategic embrace, although uncomfortable, with China because of its fear of a G-2.

Another important player is Europe. Europe as a whole is Russia's biggest trade partner and it continues to get priority in Russia's foreign policy. After assuming presidency in 2012, Putin's first visits were to Belarus, France and Germany and not to China, clearly showing that Moscow continues to prioritise its relations with Europe. But with relations with Europe becoming cold due to the Ukraine crisis, China has likely displaced Europe in Russia's foreign policy. On the other hand, Chinese President Xi Jinping's first foreign visit was to Russia, showing the importance being paid by China to its relations with Russia.

Thus, to a large extent, the closeness of Russia's relations with China will depend on the outcome of the internal debate which has been going on for centuries in Russia between the “Europeanists” and the “Eurasianists”.

Russia has also shown that it is not averse to strengthening ties with Japan and was part of the G-8 till its membership was suspended after the Ukrainian crisis. Japan even supported Russia's membership of the APEC. If Russia and Japan can resolve their differences, it will give Russia more options not only as another market for its energy resources and developing the Far East, but also strategically vis-à-vis China. Japan sees Russia as a source of energy and of rare earth materials. There are some signs of a rapprochement between Moscow and Tokyo with the two countries attempting to resolve their territorial dispute. This is evident from Japanese Prime Minister Abe's

visit to Russia and the 2+2 meetings of the defence and foreign ministers held in November 2013. Both nations see their partnership as being useful to contain China's rising profile in the region. The Ukrainian crisis—in which Japan has chosen to support its treaty ally, the US, against Russia—might only be a temporary setback in the larger Russo-Japanese relationship.

Even while deepening ties with China, Russia is building ties with Vietnam and India, two countries regarded by China with wariness. Russia and Vietnam have agreed to build a repair and maintenance facility for Russian ships at the Cam Ranh Bay, from which Russia had withdrawn in 2002. Vietnam has also been one of the major buyers of military equipment, including aircraft and ships from Russia and has signed a contract to buy submarines as well. Gazprom has signed agreements to explore two oil blocks in Vietnam's continental shelf in the South China Sea despite China's unhappiness. Moscow has also openly spoken about its intentions to acquire bases in the Seychelles and Singapore. These moves are reflective of Russia's hedging strategy against China in its neighbourhood.

Another factor which could change the whole dynamics of the relationship is the unification of the Korean peninsula. China would not be comfortable with a unified Korea, as it would bring another big power next to it. If the reunification happens and the US troops continue their presence on Korean territory, the geopolitical situation would turn against China. But Russia would be happy with reunification as it would act as a constraint on China's power.

XVI. Conclusion

At this stage, Sino-Russian relations cannot be called a 'genuinely strategic partnership'; it is, however, rapidly evolving towards becoming one. China's invitation to Russia to collaborate with it in the Asia Pacific shows that China is beginning to see Russia as its “global partner”, considering that it has never asked other countries to cooperate on its grand designs.²⁵⁵

However, as Dmitri Trenin cautions, their relations are not “problem-free or on autopilot. This is a relationship of unequals turned upside down. The two big unequals are also culturally and mentally farther apart than most nations.”²⁵⁶ There are, in fact, very little people-to-people ties between the two countries despite years of promoting cultural exchanges.

There are several problems in Sino-Russian relations. For one, for both countries, their primary strategic interlocutor is the US. As has been pointed out, this is a hurdle in their relations.

Second, while trade and economic relations are becoming deeper, Russia does not want to become a resource base for China. However, as China is the manufacturing hub of the world, its relations with most countries is following the same path: it imports natural resources from them and then exports manufactured goods to them. Therefore, Russia is not exactly in a unique position and will have to accept this situation as long as it does not modernise and continues to be dependent on exports of hydrocarbons. In this case, it will have no option but to allow China to invest in upstream activities. China will become its natural partner for developing the Russian Far East if other Asia-Pacific powers do not pitch in.

There is also a history of distrust between Russia and China, going back to the last three centuries. There are those in China who still harbour bitter memories of Russia's imperialism in the early 20th century; they feel that the border agreement between

Russia and China favoured Russia. In fact, as recently as in 2011, when the Russian embassy in China opened an account on the social-media platform, Weibo, Chinese netizens inundated it with comments suggesting that Russia “give back the territories you have taken from us”.²⁵⁷ Before and during President Xi Jinping's visit to Russia, hundreds of Chinese netizens repeated the demand on the embassy's Weibo account. One scholar from the University of Agriculture wrote in a post to his 85,000 followers on Weibo that Russia was “the country that occupies the largest territory of China.”²⁵⁸ Nationalism in China, which many scholars have noted as being on the upswing, could negatively affect the Sino-Russian partnership. On the other hand, many experts also feel that Russians have not forgotten the role that China played in the containment of the Soviet Union. What gives credence to this view is Russia's foreign policy concept released in February 2013 which identifies “comprehensive, equal and trustful partnership and strategic collaboration with China” as a priority for Russia.²⁵⁹ Added to this is Putin's foreign policy decree of 2012 which talks about building an “equal, trust-based” partnership and “strategic cooperation” with China, while talking of a “strategic partnership” with India and Vietnam.²⁶⁰ This has led observers to wonder if this implies that the present relationship is neither equal nor trust-based and whether “strategic cooperation” is at a lower/different level than “strategic partnership”.

There remains some amount of wariness in how China and Russia view each other. Moscow and Beijing realise that the political systems in both countries are transitional in nature although similar in terms of systems governed by self-perpetuating elites. There is always the possibility that both countries may change, thus transforming the currently hypothetical China/Russia threat to a real one, with terrible consequences for both countries.

There are signs of Russian uneasiness with China's increasing power and influence. Though Russia retains superiority in its nuclear arsenals, China undoubtedly has superior conventional forces. Russia has never been a junior partner to China but this seems to increasingly be the situation today. Added to all this is the historical fact that when great powers or emerging powers are neighbours, they rarely share cordial relations. However, Russia seems to be gradually accepting the fact that it is the junior partner in the relationship and that this reversal of roles is unlikely to change. Further, the Ukraine crisis has only served to push Russia closer into embracing China.

Another issue in the bilateral relations is China's reluctance to join arms control agreements or reduce immediate range missiles. As China continues to rise, and as the gap between the national power of the two countries increases, both countries might feel the need to re-assess their relationship.

None of these differences, however, are insurmountable given the geo-strategic closeness between the two countries. Post-Cold War Sino-Russian relations are a reflection of tactical pragmatism in both countries. As long as Russia and China are bound together by their shared interest in countering the US, we feel that for the next five to seven years, China and Russia will remain close partners, creating all the necessary preconditions for transforming this tactical proximity into a genuine strategic partnership.

XVII. Implications for India

The relations between Russia, China and India have widespread implications not only for bilateral relations among them, but also for the wider Indo-Pacific region. In fact, the Russo-China split in the 1960s can be partly attributed to the Soviet Union's refusal to support China during the war between India (“a friend”) and China (“a brother”).²⁶¹ China interpreted this as a betrayal of international communist solidarity. Later, New Delhi and Moscow saw the rapprochement between Washington and Beijing as a threat to their security. So, if Russia and China become true strategic partners, it could pose several challenges for India and constrain its strategic choices.

Russia and China getting closer could cast a shadow on relations between Russia and India if disputes between India and China remain unresolved. If China and Russia become a bloc on their own, India's strategic options will become limited. It will either have to bandwagon with the Sino-Russian bloc or align with the US to counter the bloc. Given the current balance of forces in the world, balancing against China will only worsen ties between Russia and India, pushing Russia further towards China.

If Russia and China become true strategic partners, the possibility that Russia will get closer to Pakistan under China's influence and the possibility of transfer of Russian technology to Pakistan via China cannot be ruled out. Russia has allowed China to export aircraft, for instance the 50 JF-17 “Thunder fighter” planes that use Russian engines—something which it would not have allowed earlier. Russia is already showing signs of being ready to improve relations with Pakistan. Though it has assured India that it will not sell arms to Pakistan, this cannot be ruled out entirely as Russia diversifies the markets to which it supplies arms.

The growing defence ties between Moscow and Beijing are also a cause for concern. If Russia starts exporting high-end military technology to China, India's defence preparedness could be compromised. China is aiming at getting more advanced

technology from Russia as it cannot get it from either the EU or the US. However, all the Indian experts we talked to about reported agreements on the sale of Amur-1650 diesel submarines and Su-35 to China were of the opinion that this is not something India needs to worry about. This is because India is getting Scorpene submarines which are better than the Amur and if the Russians are selling China the Su-35, they are developing the fifth-generation stealth fighter with India—the PAK-FA—which is much superior to the Su-35.

Any meaningful Indian strategy towards Afghanistan after the US drawdown will require an understanding of Chinese and Russian positions and possible coordination with both. India's engagement with Central Asia—economic and strategic—also requires an understanding of the Russian and Chinese strategies for the region. Moreover, India's energy options from Central Asia and Russia are getting increasingly limited as China is getting entrenched as the Eastern destination and Europe as the Western one. India thus needs to engage with both countries bilaterally, trilaterally and multilaterally.

India, Russia and China are members of several multilateral fora like the RIC and BRICS. If Russia and China begin to closely coordinate their positions within these fora, the balance within these fora will shift towards them and Russia and China will be able to get the upper hand in decisions, again constraining India's options. On the question of UN reforms and India's candidature for a UNSC seat, if Russia and China oppose it together, there would be a deadlock and India's chances of a permanent seat on the UNSC will be hampered.

Both Russia and India are beginning to worry about their trade relations with China; Russia because its trade is beginning to appear neo-colonial and India because of its large trade deficit with China. Both India and Russia abhor any talk of a bipolar world or a G-2 led by the US and China since this will marginalise their roles in world affairs.

Given the above implications for India, India needs to draw up strategies to protect its interests.

At the general level, it needs to broaden and strengthen its relations with Russia as it is an important balancer vis-à-vis China. This can be done by expanding cooperation at

the political, strategic, and economic levels. There are several areas where the two countries can cooperate: Afghanistan is one such area. The situation in Afghanistan post-2014 is fraught with danger for India and Russia. Neither wants Afghanistan to again become a hotbed of terrorism and destabilise the region. As the major regional powers, India and Russia should discuss Afghanistan, and probably evolve a joint strategy. This could start with economic engagement by first trying to coordinate their aid efforts in the country. Both countries have concerns about drug trafficking from Afghanistan and Central Asia and should coordinate their activities against this.

Another region where they can work together is West Asia. India and Russia could provide a non-Western alternative in geopolitical hotspots like West Asia. They could work together on coordinating their positions and promote their own interests in these regions, perhaps through multilateral organisations like BRICS and RIC. Given that terrorism is a menace which challenges the national security of both countries, Russia and India need to work more closely together on counter-terrorism.

A further area of cooperation is the Russian Far East. This region requires development of its infrastructure. It also needs to create jobs for its population so as to stop out-migration. Indian business and labour could get involved in projects in the region to build infrastructure. But India should make sure that Russian labour is also employed so that the population in the region is retained. Russia and India could jointly participate in infrastructure projects in each other's countries as well as in third countries, after clearly delineating responsibilities and spoils. Agriculture is another area for cooperation between Russia and India. India can invest in Russia's agro-industrial sector.

Since Russia has vast tracts of fertile land (around 10 percent of the world's arable land), India should explore the possibility of leasing out these lands to its farmers. The two countries could also work together to provide food security given that climate change is probably making growing food more feasible in these lands. India could provide skills, expertise, technology and finance in some areas that are required by Russia, including pharmaceuticals and biotechnology. Russia would benefit from cheap drugs made by Indian companies. Russia's expertise in chemicals and agro-chemicals could also be beneficial for India and is another area worth exploring. Another opportunity is in exploiting Russia's diamond reserves. India has the biggest

diamond polishing industry in the world and Russia has substantial quantities of diamonds. Joint companies could also be formed. Russia is a storehouse of technology waiting to be commercialised. Given Russia's scientific advancement in some fields, India and Russia should cooperate more in Research and Development. This is a viable option given India's strength in engineering. Russia and India can have joint programmes in areas like aeronautics, highspeed transport, IT and microelectronics, nanotechnologies, biotechnology, mineral exploration, water resources, mitigating the effects of climate change, research and medicine. Cyber security, space research and high technology are some other areas of cooperation.

There needs to be greater interaction between Indian and Russian academic institutes. A Russia-India Knowledge Initiative on the lines of the 21st Century India-US Knowledge Initiative could be a good step towards this. Cultural exchanges, particularly learning of each other's languages, need to be promoted. Through the Indian Council for Cultural Relations (ICCR), more scholarships should be given to Russian students to study in India. India is going to be one of the largest markets for civilian aircrafts in the coming decades. Given the capacities of India and Russia, it would make sense for them to join and explore the possibility of a joint project on civilian aircrafts. While Russia has the technology, India, in addition to being a major market, could also provide the finances required for such a project. India should endeavour to make the defence relationship more symbiotic by carrying out joint R&D and joint production of weapons systems. One of the main obstacles to better trade and economic ties is the existing visa regime. This should be relaxed and India and Russia should move towards a reciprocal visa-free regime.

The North-South transport corridor needs to be given a boost so that transport routes between India and Russia are unblocked. Unification of industrial standards would go a long way in facilitating greater trade. India and Russia should explore the potential of a Preferential Trade Agreement, and later, a FTA. Energy is one area where the two economies are complementary. New Delhi and Moscow could cooperate on innovations to increase energy efficiency and in joint research in exploiting renewable energy. India should encourage Indian companies to get involved in projects which provide value addition instead of just exploiting natural resources. This would create jobs in Russia, thus contributing to retention of the population in the region. This would have the added advantage of projecting a favourable image of India in Russia.

One idea could be to convert Russian oil and gas into petrochemicals. Gazprom has already signed a deal with GAIL to supply LNG according to which India will receive 2.5 million tons annually for the next 20 years, starting from 2019. Rosneft has invited ONGC to take part in joint development of two offshore areas in the Sea of Okhotsk, giving India access to new oil fields in the Far East. India has already proposed an oil pipeline from Russia via Afghanistan and Pakistan and has suggested extending a gas pipeline from Russia to China to India. An additional area of cooperation is for India to get Russia to help build fast neutron reactors for its energy needs. India and Russia could even collaborate on building nuclear power stations in third countries, perhaps by establishing a joint consortium.

At another level, India needs to build mutually-beneficial trilateral cooperation among Russia, China and India so as to dispel mistrust and suspicion between India and China.

Within the framework of the excellent military relationship with Russia, India needs to impress upon Russia that it should not transfer technology to China that could prove to be detrimental to India's security in the long run.

India should also put into action policies that will increase China's dependency on India.

Finally, India need to develop closer ties with the US. It should promote a new trilateral involving the US, Russia and India in order to counter moves towards a strategic partnership between China and Russia. At the bilateral level, India should communicate to the US the perils of its continued disregard of and insensitivity to Russian concerns.

In other words, India needs to follow a policy which neither simply joins the bandwagon with the Sino-Russian partnership nor balances against China. Rather it should strive to have multilayered and diversified relationships with both. It needs to follow a policy of multiple alignments and multiple partnerships, engaging Russia and China both bilaterally and multilaterally, but also engaging the West, ASEAN and other countries equally.

If the Indian foreign policy establishment can follow some of these recommendations, it will help India to survive on its own terms in what appears to be an increasingly turbulent world order.

Endnotes:

- [illegible]

- Jiechi, Minister of Foreign Affairs of China. Beijing, 10 May 2012. *International Affairs*, <http://en.interaffairs.ru/read.php?item=329>.
17. Charles Grant, *Russia, China and Global Governance* (London: Centre for European Reform, 2012), pp.i–ii.
 18. Timothy Farnsworth, “China and Russia Submit Cyber Proposal”, *Arms Control Today*, November 2011.
 19. Gao Fei, “Sino- Russian Economic Relations: Dynamics and Perspective”, Paper presented at the ORF conference on 'Russia-China Relations: Perspectives from India, Russia and China', New Delhi, 14 December 2012.
 20. Charles Grant, op.cit., p.ii.
 21. Richard Weitz, “Superpower Symbiosis: The Russia-China Axis”, *World Affairs Journal*, November-December 2012.
 22. James Bellacqua, *The Future of China-Russia Relations* (Lexington, KY: University of Kentucky Press, 2010), p.5.
 23. See, for instance, Ibid., p.5.
 24. Much of the research for this section was done by Anushya Ramaswamy, Research Intern, Observer Research Foundation.
 25. Amiel Ungar, “India Endorses Sino-Russian Stance At Trilateral Moscow Meeting,” *Arutz Sheva*. N.p., 16 April 2012, <http://www.israelnationalnews.com/News/News.aspx/154767#.UI0mf2faTCM>.
 26. Gilbert Rozman, “Chinese Strategic Thinking on Multilateral Regional Security in Northeast Asia”, Foreign Policy Research Institute, 2011, <http://www.fpri.org/orbis/5502/rozman.china.pdf> , p. 302.
 27. Ibid.
 28. Jim Rolfe, *Welcome in Asia: China's Multilateral Presence*. Honolulu: Asia-Pacific Center for Security Studies, December, 2003, [http://www.apcss.org/Publications/SAS/China Debate/ChinaDebate_Rolfe.pdf](http://www.apcss.org/Publications/SAS/China%20Debate/ChinaDebate_Rolfe.pdf), p. ii.
 29. Quoted in Natasha Kuhrt, *Russian Policy towards China and Japan: The El'tsin and Putin Periods* (New York: Routledge, 2007), p.58.
 30. For instance, a joint statement issued by the two countries on 23 May 2008 describes the role of the UN as “irreplaceable ... in maintaining world peace and promoting cooperation and common development of all countries”; The joint statement can be viewed at <http://www.fmprc.gov.cn/eng/zxxx/t465821.htm>.
 31. Peter Ferdinand, “The Positions of Russia and China at the UN Security Council in the Light of Recent Crises”, Briefing Paper, Policy Department, Directorate-General for External Policies of the European Union, March 2013, http://bookshop.europa.eu/en/the-positions-of-russia-and-china-at-the-un-security-council-in-the-light-of-recent-crises-pbBB3213114/downloads/BB-32-13-114-EN-N/BB3213114ENN_002.pdf, p.10.
 32. Dmitri Trenin, *True Partners? How Russia and China See Each Other* (London: Centre for European Reform), February 2012, p. 28.
 33. Quoted in Thomas Grove, “Russia Turns East to Embrace Looming China”, *Reuters*, 4 June 2012, <http://www.reuters.com/article/2012/06/05/us-russia-china-east-idUSBRE85314M20120605>.

34. Peter Ferdinand, op.cit., p.12.
35. Ibid., pp.12-13.
36. Joel Wuthnow, *Beyond the Veto: Chinese Diplomacy in the United Nations Security Council*, Ph.D Thesis, Columbia University, 2011, Wuthnow_columbia_0054D_10150.pdf, p. 70.
37. Peter Ferdinand, op.cit., p. 13.
38. Ibid., p. 15.
39. Ibid., p. 17.
40. Ibid., p. 26.
41. Ibid., p. 17.
42. Bartłomiej Znojek, "From BRIC to BRICS: Developments in the Cooperation of Emerging Economies", 27 May 2011, Polish Institute of International Affairs Bulletin.
43. Jaibal Naduvath and Samir Saran, "Thinking the Russian Choice: BRICS v/s OECD", 24 January 2013, *Global Policy Journal*, <http://www.globalpolicyjournal.com/blog/24/01/2013/thinking-russian-choice-brics-vs-oecd>.
44. Yu Bin, "China-Russia Relations: Mounting Challenges and Multilateralism", *Comparative Connections* (2011), Vol.13, no.1, May 2011.
45. Julian Cooper, "Of BRICs and Brains: Comparing Russia with China, India, and other Populous Emerging Economies", *Eurasian Geography and Economics*, 2006, 47, No. 3, p. 257.
46. Brendan O'Reilly, "China and Russia Flex Muscle at the West", *Asia Times Online*, 7 June 2012, <http://gonzaloraffoinfonews.blogspot.in/2012/06/china-and-russia-flex-muscle-at-west.html>.
47. Richard Weitz, "Superpower Symbiosis: The Russia-China Axis", *World Affairs Journal*, November-December 2012.
48. Personal interview, 30 September 2012.
49. Vladimir Putin, "Russia and the Changing World", *Moskovskie Novosti*, 27 February 2013, translated by RIA Novosti and published at <http://russiaprofile.org/politics/54998.html>.
50. Dmitri Trenin, "Challenges and Opportunities: Russia and the Rise of China and India", *Strategic Asia*, 2011–12, p.237.
51. Quoted in Natasha Kuhrt, *Russian Policy towards China and Japan: The El'tsin and Putin Periods*. (New York: Routledge, 2007), p.14.
52. Jouko Rautava, "Russia's Economic Policy and Russia-China Economic Relations", in Arkady Moshes & Matti Nojonen (eds.) *Russia-China Relations: Current State, Alternative Futures, and Implications for the West* (Tampere: Finnish Institute of International Affairs), Report no. 30, 2011, p.39.
53. Ministry of Commerce, China, "2010 Statistical Bulletin of China's Outward Foreign Direct Investment", <http://hzs.mofcom.gov.cn/accessory/201109/1316069658609.pdf>.
54. Dejun Lee and Wen Zhao, "Impact on Sino-Russia Economic and Trade Cooperation from Russia's WTO Accession", International Conference on Business and Economics Research IPEDR Vol.16 (2011), Singapore, <http://www.ipedr.com/vol16/13-ICBER2011-A10015.pdf>, p.69.
55. "Russia Balance of Trade", <http://www.tradingeconomics.com/russia/balance-of-trade>.

56. "Toward the Great Ocean, or the New Globalization of Russia", *Valdai Discussion Club Analytical Report*, Moscow, July 2012, p.29.
57. *Valdai Discussion Club Analytical Report*, op.cit., p.33.
58. All investment figures from Derek Scissors, *China Global Investment Tracker: 2012* (Washington DC: The Heritage Foundation), 9 July 2012, <http://www.heritage.org/research/reports/2012/01/china-global-investment-tracker-2012>.
59. Marcin Kaczmarek, "The Bear Watches the Dragon: The Russian Debate on China", *Point of View*, no.31, Centre for Eastern Studies, Warsaw, p.22.
60. Based on figures collected during field trip to China.
61. Minister Elvira Nabiullina and Commerce Minister Chen Deming held the 13th meeting of the Russian-Chinese Sub-Commission on Trade and Economic Cooperation of the Russian-Chinese Commission for the preparation of regular meetings of heads of governments of Russia and China", *Ministry of Economic Development of the Russian Federation*, 10 August 2010, http://www.economy.gov.ru/wps/wcm/connect/economylib4/en/home/press/news/doc20100820_09.
62. Dejun Lee and Wen Zhao, "Impact on Sino-Russia Economic and Trade Cooperation from Russia's WTO Accession", International Conference on Business and Economics Research IPEDR Vol.16 (2011), Singapore, <http://www.ipedr.com/vol16/13-ICBER2011-A10015.pdf>, p.71.
63. Ibid.
64. Dejun Lee and Wen Zhao say this is 5.5% while Eurostat says it is 5.5%. This discrepancy is probably due to the use of different data sets. But it would be safe to conclude that the actual figure stands between 5.3% to 5.5 %.
65. Statistics from EUROSTAT, "Russia: EU Bilateral Trade and Trade with the World", http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf.
66. A large part of China's trade, particularly energy inflows from West Asia, passes through the Malacca Straits. This is vulnerable to sea-based disruptions, which could affect China's economic growth and socio-political stability. Therefore, China sees reliance on the Malacca Straits as a strategic weakness and a dilemma.
67. Dmitri Trenin, *True Partners? How Russia and China See Each Other* (London: Centre for European Reform), February 2012, p. 37.
68. Linda Jakobson, Paul Holtom, Dean Knox and Jingchao Peng, "China's Energy and Security Relations with Russia: Hopes, Frustrations and Uncertainties", *SIPRI Policy Paper*, No. 29, p.25.
69. Ibid., p.28.
70. Ibid.
71. Ibid., p.29.
72. Ibid.
73. "Crude Oil Exports", http://www.rosneft.com/Downstream/crude_oil_sales/gas_condensate_exports/
74. John Helmer, "Russia Feuds with China over Oil Price: "They Are Trying to Force Their Socialism upon Us", 22 April 2011, http://articles.businessinsider.com/2011-04-22/news/29990814_1_transneft-russian-crude-crude-oil#ixzz21WoMK5Bn.
75. <http://www.iea.org/papers/2011/mtogm2010.pdf>, p.103.

76. Igor Zarembo, “China gets Oil Discount”, 16 April, 2012, *RIA Novosti*, <http://rt.com/business/news/rosneft-china-deal-discount-147/>.
77. Linda Jakobson, Paul Holtom, Dean Knox and Jingchao Peng, op. cit., p.31.
78. Ibid., p.32.
79. *Russia and Newly Independent States: Mining and Mineral Industry Handbook, Volume 1, Russia's Mining Industry: Strategic Information, Regulations, Contacts* (Washington DC: International Business Publications, 2011), p.75.
80. Ibid.
81. “Altai project”, <http://www.gazprom.com/about/production/projects/pipelines/altai/>.
82. Ibid.
83. Zachary Keck, “Ties that Bind: Can China-Russia Relations Endure?”, 23 March 2013, *The Diplomat*, <http://thediplomat.com/china-power/ties-that-bind-can-china-russia-relations-endure/?all=true>.
84. “Altai project”, <http://www.gazprom.com/about/production/projects/pipelines/altai/>.
85. Ibid.
86. <https://www.altaiproject.org/2013/05/ukok-pipeline-update-one-step-forward-for-ukok-one-step-back-for-sacred-sites/>
87. Xu Nan and Wang Haotong, “Will China Exploit its Shale Gas?”, 26 July 2012, <http://www.chinadialogue.net/article/show/single/en/5064>.
88. Leslie Hook, “Chinese Groups Flock to Shale Gas Projects”, 25 October 2012, *Financial Times*, <http://www.ft.com/intl/cms/s/0/23ff8d52-1e8c-11e2-bebc-00144feabdc0.html>.
89. “World Shale Gas Resources: An Initial Assessment of 14 Regions outside the United States”, US Energy Information Administration, 5 April 2011, <http://www.eia.gov/analysis/studies/worldshalegas/>.
90. Nam D. Pham, “China's Quest for Energy”, Institute for 21st Century Energy, U.S. Chamber of Commerce, 2011, http://www.energyxxi.org/sites/default/files/EnergyChina_Final%2011-22-11.pdf, p.5.
91. Linda Jakobson, Paul Holtom, Dean Knox and Jingchao Peng, op.cit., p.38.
92. Ibid.
93. Ibid.
94. World Nuclear Association, <http://www.world-nuclear.org/info/inf63.html>
95. Linda Jakobson, Paul Holtom, Dean Knox and Jingchao Peng, op.cit., p.39.
96. <http://www.world-nuclear.org/info/Country-Profiles/Countries-A-F/China--Nuclear-Power/>
97. <http://www.world-nuclear.org/info/inf63.html>.
98. Gao Fei, “Sino- Russian Economic Relations: Dynamics and Perspective”, Paper presented at the ORF conference on 'Russia-China Relations: Perspectives from India, Russia and China', New Delhi, 14 December 2012.
99. Rosneft Annual Report 2011: *Glimpsing the Future*, http://www.rosneft.com/attach/0/58/80/rosneft_go_2011_eng_gaap_web.pdf, p.129.
100. Nargiza Salidjanova, “Going Out: An Overview of China's Outward Foreign Direct

- Investment”, U.S.-China Economic & Security Review Commission, 30 March 2011, <http://www.uscc.gov/researchpapers/2011/GoingOut.pdf>, pp.28–31.
101. “Yangtze Power to Invest US\$168 mln in EuroSibEnergo”, <http://www.eurosib.ru/en/press/smi/313/>.
 102. Ding Qingfen and Du Juan, “China, Russia Ink Major Energy Deal”, *China Daily*, 26 February 2013, http://europe.chinadaily.com.cn/business/2013-02/26/content_16255968.htm.
 103. “China, Russia Ink 4 Energy Deals”, 6 December 2012, http://www.china.org.cn/business/2012-12/06/content_27328560.htm.
 104. Linda Jakobson, Paul Holtom, Dean Knox and Jingchao Peng, op. cit., p.14.
 105. T. M. Cheung, “Dragon on the horizon: China's defense industrial renaissance”, *Journal of Strategic Studies*, vol. 32, no. 1 (2009), pp. 29–66, quoted in Linda Jakobson, Paul Holtom, Dean Knox and Jingchao Peng, “China's Energy and Security Relations with Russia: Hopes, Frustrations and Uncertainties”, *SIPRI Policy Paper*, No. 29, p.16.
 106. Rajan Menon, *The China-Russia Relationship: What It Involves, Where It Is Headed, and How It Matters for the United States* (New York: The Century Foundation, 2009), p.24.
 107. Linda Jakobson, Paul Holtom, Dean Knox and Jingchao Peng, op. cit., p.18.
 108. Rajan Menon, op. cit., p.24.
 109. Ibid.
 110. Ibid., pp.23–24.
 111. In constant (1990) dollars, Russian arms sales, as calculated by SIPRI, increased from \$5.1 billion to \$6 billion, while China's sales grew from \$303 million to \$1.4 billion. Quoted in Joel Wuthnow, *Beyond the Veto: Chinese Diplomacy in the United Nations Security Council*, Ph.D Thesis, Columbia University, 2011, [Wuthnow_columbia_0054D_10150.pdf](http://www.columbia.edu/~jw2150/pdf/p16.pdf), p.16.
 112. Linda Jakobson, Paul Holtom, Dean Knox and Jingchao Peng, op. cit., p.17.
 113. Valeriy Kashin, “Russian-Chinese Military and Technical Cooperation Takes off Anew”, 17 October 2012, *Russia & India Report*, http://indrus.in/articles/2012/10/17/russian-chinese-military-and-technical-cooperation-takes-off-anew_18433.html?utm_source=newsletter_2012-43&utm_medium=email&utm_campaign=RBTH, accessed 25 October 2012.
 114. Quoted in Vladimir Radyuhin, “The Dragon gets a Bear Hug”, *The Hindu*, 8 March 2012.
 115. Russian Ambassador to China, Andrei Denisov, quoted in “Russia, China to improve copyright protection in their military-technical cooperation”, *Russia Beyond the Headlines*, 10 June 2013.
 116. Radyuhin, op. cit.
 117. Richard Weitz, “China-Russia relations and the United States: At a turning point?”, 14 April 2011, http://en.ria.ru/valdai_op/20110414/163523421.html.
 118. Linda Jakobson, Paul Holtom, Dean Knox and Jingchao Peng, op. cit., p.24.
 119. Ibid., pp.24–25.
 120. Quoted in Vladimir Radyuhin, “Love in the Water, Fear on Land”, *The Hindu*, 31 July 2013.
 121. Richard Weitz, “Russia-China Naval Drill Sends Mixed Signals”, 23 July 2013, *World Politics Review*, p.3.
 122. Vladimir Radyuhin, “Russia-China Conduct Military Drill”, *The Hindu*, 4 August 2013.
 123. See, for instance, Linda Jakobson, Paul Holtom, Dean Knox and Jingchao Peng, op.cit., p.25.

124. Richard Weitz, 2013, op.cit., p.2.
125. Linda Jakobson, Paul Holtom, Dean Knox and Jingchao Peng, op. cit., p.23.
126. Richard Weitz, “Why Russia and China have not Formed an Anti-American Alliance”, *Naval War College Review*, Autumn 2003, 56(4), p.44.
127. Thomas S.Wilkins, “Russo-Chinese Strategic Partnership: A New Form of Security Cooperation?”, *Contemporary Security Policy*, Vol. 29, No.2, August 2008, p. 372.
128. Peter Ferdinand, op. cit., p.18.
129. James Kim, “Year of China Tourism begins in Russia”, 23 March 2013, <http://english.cntv.cn/program/asiatoday/20130323/104985.shtml>.
130. “China's and Russia's Domestic Development and Foreign Roles”, 27 March 2013, <http://carnegietsinghua.org/2013/03/27/china-s-and-russia-s-domestic-development-and-foreign-roles/g0uu>.
131. Peter Ferdinand, op. cit., p.18.
132. Ananth Krishnan, “China, Russia, Pak. Discuss Afghanistan Situation”, 3 April 2013, *The Hindu*.
133. Kathrin Hamm et al., “Turkmenistan Natural Gas Outlook 2020: The Chinese Connection”, Columbia School of International and Public Affairs Workshop Report, 2011, pp.67–68.
134. Natasha Kuhrt, *Russian Policy towards China and Japan: The El'tsin and Putin Periods* (New York:Routledge, 2007), p.133.
135. Axel Berkofsky, “China's Strategic Involvement in Central Asia-Strategies: Results and Obstacles”, ISPI Analysis No. 128, July 2012, http://www.ispionline.it/it/documents/Analysis_128_2012.pdf, p.3. Accessed on 18 September 2012.
136. Richard Weitz, “Superpower Symbiosis: The Russia-China Axis”, *World Affairs Journal*, November-December 2012.
137. James Bellacqua, *The Future of China-Russia Relations* (Lexington, KY: University of Kentucky Press, 2010), p.6.
138. Alexander Shustov, “China strengthens Position in Central Asia”, 16 July, 2012, http://rbth.asia/articles/2012/06/28/china_strengthens_position_in_central_asia_15652.html.
139. Ibid.
140. Interview with Mr. Zhao Huasheng, “The Silk Road Project and Strategic Interests of Russia and China”, 20 December 2013, http://russiancouncil.ru/en/inner/?id_4=2884#top.
141. Dmitri Trenin, *True Partners? How Russia and China See Each Other* (London: Centre for European Reform, February 2012), p.31. This was also a view put forward by several experts at a roundtable held in ORF on 21 May 2012.
142. Based on interaction with scholars at the Russian Diplomatic Academy, 12 July 2012.
143. “Cosy amid the Thaw”, *The Economist*, 24 March 2012.
144. Margaret Blunden, “Geopolitics and the Northern Sea Route”, *International Affairs*, 88 (1), 2012, p.129.
145. Margaret Blunden, “Geopolitics and the Northern Sea Route”, *International Affairs*, 88 (1), 2012, p.128.
146. Ibid., p. 127.
147. Ibid.

148. Ibid., p. 119.
149. "What Countries Are Doing To Tackle Climate Change", 9 December 2011, <http://www.npr.org/2011/12/07/143302823/what-countries-are-doing-to-tackle-climate-change>.
150. James Brooke, "Russia Hopes Climate Change Maximizes Arctic Shipping", 28 November 2012, http://www.voanews.com/content/russia_hopes_climate_change_maximizes_arctic_shipping/1554675.html.
151. Rens Lee, "The Far East between Russia, China, and America", July 2012, <http://www.fpri.org/enotes/2012/201207.lee.fareast.pdf>.
152. Judith Thornton, "Institutional Change and Economic Development in Siberia and the Russian Far East", July 2011, http://www.econ.washington.edu/user/thornj/37_economic_development_siberia_11.pdf, p.8.
153. Felix K Chang, "The Russian Far East's Endless Winter", *Orbis*, Spring 1999.
154. Judith Thornton, "Institutional Change and Economic Development in Siberia and the Russian Far East", July 2011, http://www.econ.washington.edu/user/thornj/37_economic_development_siberia_11.pdf, p.15.
155. Ibid., p.18.
156. 2012 figures from Rosstat (Federal State Statistics Service), available at http://www.gks.ru/bgd/regl/b12_12/IssWWW.exe/stg/d01/05-01.htm.
157. Quoted in Natasha Kuhrt, op. cit., p. 479.
158. Sergei Prosvirnov, "Migration between the Amur Region and China at the Turn of the 21st Century", *Far Eastern Affairs*, no.2, 2009, available at http://www.eastviewpress.com/Files/FEA_FROM%20THE%20ARCHIVES_No.%202_2012.pdf, p.66.
159. Excerpts from Transcript of Meeting on the Far East's Socioeconomic Development and Cooperation with Asia-Pacific Region Countries, 2 July, 2010, Khabarovsk, <http://eng.kremlin.ru/transcripts/547>.
160. Ibid.
161. Andrei Kalachinsky, "Putin Is Turning Vladivostok into Russia's Pacific Capital", *Russian Analytical Digest*, 12 July 2010, p.5.
162. Natalia Ryzhova, "Informal Economy of Translocations: The Case of the Twin City of Blagoveshensk-Heihe", *Inner Asia*, Volume 10, Number 2, 2008, pp. 323-351.
163. Ibid.
164. *Valdai Discussion Club Analytical Report*, op. cit., p.39.
165. Findings from field trip to Russia.
166. Natalia Ryzhova, Email interview.
167. David Stanway, "Far East Russia being Farmed by Chinese", 26 December 2013, <http://www.agprofessional.com/news/Far-East-Russia-being-farmed-by-Chinese-37410141.html?view=all>.
168. Judith Thornton, op. cit., p.25.
169. Judith Thornton, op. cit., p.18.
170. Ibid.

171. Rens Lee, op. cit.
172. Simon Saradzhyan, "Russia needs to develop eastern provinces as China rises", *RLA Novosti*, 5 March 2013, <http://www.rianovosti.com/columnists/20130305/179832498/View-From-the-Global-Tank-Russia-Needs-to-Develop-Eastern-Provinces-as-China-Rises.html>.
173. "Isolation of Russian Far East Threat to National Security—Putin", *RLA Novosti*, 20 December 2006, <http://en.rian.ru/russia/20061220/57396954.html>
174. Dmitri Trenin, *Post-Imperium: A Eurasian Story* (Washington: Carnegie Endowment for International Peace, 2011), pp.189-90.
175. See for instance, Robert S. Ross, "The Rise of Russia, Sino-Russian Relations, and U.S. Security Policy", *Brief*, Copenhagen, Institute for Strategy, Royal Danish Defence College, June 2009, http://forsvaret.dk/FAK/Publikationer/Briefs/Documents/The_Rise_of_Russia_Sino-Russian_Relations_and_US_Security_Policy.pdf, p.5.
176. Judith Thornton, op. cit., p.29.
177. Artem Zagorodnov, "APEC Summit: Will Vladivostok be Russia's San Francisco?", *The Telegraph*, 1 May 2012, <http://www.telegraph.co.uk/sponsored/russianow/features/9238219/Vladivostok-preparation-Apec-Summit-2012.html>.
178. Quoted in Rens Lee, op. cit.
179. Vladimir Putin, "An Asia-Pacific Growth Agenda", *The Wall Street Journal*, 6 September 2012.
180. *Valdai Club Analytical Report*, op. cit., p.6.
181. Ibid.
182. Rens Lee, op. cit.
183. "Mr. Putin's "pivot" toward Asia", Editorial, *Japan Times*, 29 September 2012, <http://www.japantimes.co.jp/text/ed20120929a1.html>.
184. Ibid.
185. Ibid.
186. "Economic influence of Japan & S Korea in Russia's Far East", 6 September, *CCTV*, <http://english.cntv.cn/program/newshour/20120906/104147.shtml>.
187. David Pilling, "Russia begins its slow pivot to Asia", *Financial Times*, 12 September 2012.
188. "Economic influence of Japan & S Korea in Russia's Far East", 6 September, *CCTV*, <http://english.cntv.cn/program/newshour/20120906/104147.shtml>.
189. "Ambassador Vnukov: Russia, South Korea United by Joint Interest", Speech at Asia Society, 15 May 2012, <http://asiasociety.org/policy/strategic-challenges/ambassador-vnukov-russia-south-korea-united-joint-interest>
190. Rens Lee, op. cit.
191. Quoted in Rens Lee, op. cit.
192. Vladimir Putin, "Russia and the Changing World", *Moskovskie Novosti*, 27 February 2013, translated by RIA Novosti and published at <http://russiaprofile.org/politics/54998.html>.
193. Rens Lee, op. cit.
194. Quoted in Marcin Kaczmarek, "The Bear Watches the Dragon: The Russian Debate on China", *Point of View*, no.31, Centre for Eastern Studies, Warsaw, p.24.
195. Quoted in Rens Lee, op. cit.

196. Alexander Lukin, "Perceptions of China Threat in Russia and Russian-Chinese Relations", paper presented at an International Conference on "China: Threat Perceptions from Different Continents," Hong Kong, January 11-12, 2001, <http://www.brookings.edu/fp/cnaps/papers/russiachina.pdf>.
197. Ibid.
198. Quoted in Alexander Lukin, op. cit.
199. Quoted in Alexander Lukin, op. cit.
200. Ibid.
201. Judith Thornton, op. cit., p.12.
202. Alexander Lukin, op. cit.
203. Alexander Lukin, op. cit.
204. "Prime Minister Dmitry Medvedev Chairs a Government Meeting", 9 August 2012, government.ru/eng/docs/20062/.
205. Wang, Xilu. "中俄关系真的良好？那俄罗斯人为何担心中国入侵 ("Is the Russian-Chinese Relationship Really That Good? The Why Are the Russians Worried about a Chinese Invasion?)" (2012), <<http://bank.stockstar.com/SS2012072500003508.shtml>>.
206. *Valdai Discussion Club Analytical Report*, op. cit., p.25.
207. Zhanna Zaionchkovskaya, "Chinese Migration to Russia", in *Migration in Russia 2000–2013* (Moscow: Russian International Affairs Council RIAC, 2013) p. 102.
208. Findings from field trips.
209. Natalia Ryzhova, Email interview.
210. Zhanna Zaionchkovskaya, "Chinese Migration to Russia", in *Migration in Russia 2000–2013* (Moscow: Russian International Affairs Council RIAC, 2013) p. 104.
211. *Discussion Club Analytical Report*, op.cit., p.44.
212. http://www.gks.ru/bgd/regl/b12_12/IssWWW.exe/stg/d01/05-09.htm.
213. Aleksandr Larin, "Chinese migrants through the eyes of Russians", *Demoscope Weekly*, No. 333-334, 2008, <http://demoscope.ru/weekly/2008/0333/tema01.php>.
214. Natalia Ryzhova as well as the experts at the Russian Diplomatic Academy share this view.
215. Sergei Prosvirnov, "Migration between the Amur Region and China at the Turn of the 21st Century", *Far Eastern Affairs*, no.2, 2009, available at http://www.eastviewpress.com/Files/FEA_FROM%20THE%20ARCHIVES_No.%202_2012.pdf, p.70.
216. The skinhead movement and other nationalist movements have frequently targeted immigrants. In 2006, in the city of Chita, six Chinese businessmen were killed.
217. Maria Repnikova and Harley Balzer, "Chinese Migration to Russia: Missed Opportunities", *Eurasian Migration Papers*, No. 3, (Washington, D.C: Woodrow Wilson International Center for Scholars, 2009), available at http://www.wilsoncenter.org/sites/default/files/No3_ChineseMigtoRussia.pdf, p.30.
218. Ibid., p.33.
219. For more details, see Maria Repnikova and Harley Balzer, "Chinese Migration to Russia: Missed Opportunities", *Eurasian Migration Papers*, No. 3, (Washington, D.C: Woodrow Wilson

- International Center for Scholars, 2009), available at http://www.wilsoncenter.org/sites/default/files/No3_ChineseMigtoRussia.pdf, p.10.
220. Ibid.
 221. Natasha Kuhrt, “The Russian Far East in Russia's Asia Policy: Dual Integration or Double Periphery?”, *Europe-Asia Studies*, 64(3), p. 479.
 222. Dmitri Trenin, *The End of Eurasia: Russia on the Border Between Geopolitics and Globalization* (Moscow: Carnegie Endowment for International Peace, 2001), pp. 325–26.
 223. Ibid., p.214.
 224. Natasha Kuhrt, *Russian Policy towards China and Japan: The El'tsin and Putin Periods*, New York: Routledge, 2007, p.166.
 225. Wayne Ma and Lukas Alpert, “Russia Lets Down Guard on China”, 18 October 2013, *The Wall Street Journal*.
 226. “China, Russia call for efforts in Asia-Pacific security”, *China Daily*, 28 September 2010, http://www.chinadaily.com.cn/china/2010-09/28/content_11361116.htm.
 227. “China to join Russia in maintaining security in Asia-Pacific: Xi”, 8 October 2013, http://www.china.org.cn/world/2013-10/08/content_30220452.htm.
 228. Dmitri Trenin (2012), *True Partners? How Russia and China See Each Other*, Centre for European Reform, pp. 7–9.
 229. The Military Doctrine of the Russian Federation approved by Russian Federation presidential edict on 5 February 2010, available at http://merln.ndu.edu/whitepapers/Russia2010_English.pdf.
 230. Vassily Kashin, “The Sum Total of All Fears”, 15 April 2013, *Russia in Global Affairs*, <http://eng.globalaffairs.ru/number/The-Sum-Total-of-All-Fears-15935>.
 231. Richard Weitz, “China-Russia relations and the United States: At a turning point?”, 14 April 2011, http://en.ria.ru/valdai_op/20110414/163523421.html.
 232. Ibid. Richard Weitz also makes the same point about Russia's new weapons flowing to the East in his article “Superpower Symbiosis: The Russia-China Axis”, *World Affairs*, November/December 2012.
 233. Defense of Japan (Annual White Paper 2013), http://www.mod.go.jp/e/publ/w_paper/2013.html, p.72.
 234. Vassily Kashin, op.cit.
 235. Defense of Japan (Annual White Paper 2013), http://www.mod.go.jp/e/publ/w_paper/2013.html, p. 72.
 236. Ibid.
 237. Ibid.
 238. Ibid., 73.
 239. “Russia's Military Conducts Largest Maneuvers since Soviet Times, 160,000 Troops Involved”, 16 July 2013, http://www.washingtonpost.com/world/europe/russias-military-conducts-largest-maneuvers-since-soviet-times-160000-troops-involved/2013/07/16/18501150-ede6-11e2-bb32-725c8351a69e_story_1.html.
 240. Ibid.
 241. See, for instance, Vassily Kashin, op. cit.

242. McDermott, R., "Reflections on Vostok 2010: Selling an Image", *Eurasia Daily Monitor*, Vol. 7, Issue 134, 13 July 2010.
243. Marcel de Haas, *Russian-Chinese Security Relations: Moscow's Threat from the East?*, Netherlands Institute of International Relations, Clingendael, 2013, p. 28.
244. Zachary Keck, "Ties that Bind: Can China-Russia Relations Endure?", 23 March 2013, *The Diplomat*, <http://thediplomat.com/china-power/ties-that-bind-can-china-russia-relations-endure/?all=true>.
245. Marcel de Haas, op.cit. p. 28.
246. Simon Saradzhyan, "Russia's Red Herring," *International Relations and Security Network*, May 25, 2010.
247. Denis Burakov, "The Strategic Triangle in the 21st Century: Implications for Sino-Russian Relations", *Journal of China and International Relations*, Vol.1, No.1, p. 46.
248. Ibid.
249. Kenneth N Waltz, "Structural realism after the Cold War," *International Security*, 25(1), 2000, p.38.
250. Denis Burakov, "The Strategic Triangle in the 21st Century: Implications for Sino-Russian Relations", *Journal of China and International Relations*, Vol.1, No.1, p. 47.
251. Ibid.
252. Ibid., p. 56.
253. J. Michael Cole, "Can a China-Russia Axis Bankrupt the US?", 20 December 2013, *The Diplomat*, <http://thediplomat.com/2013/12/can-a-china-russia-axis-bankrupt-the-us/>.
254. Zachary Keck, "Russia as a U.S.-China Battleground State", 20 November, 2013, *The Diplomat*, <http://thediplomat.com/2013/11/russia-as-a-u-s-china-battleground-state-3/>.
255. Gordon G. Chang, "China and Russia: An Axis of Weak States", *World Affairs*, March/April 2014.
256. Dmitri Trenin, *Post-Imperium: A Eurasian Story* (Washington: Carnegie Endowment for International Peace, 2011), p.135.
257. Michele Penna, "Xi Jinping's Moscow Visit Hints at China-Russia Thaw", 22 March 2013, <http://asiancorrespondent.com/102886/china-xi-jinping-russia-visit/>.
258. Ananth Krishnan, "Rising Nationalism casts Shadow on China's Border Disputes", 21 March 2013, *The Hindu*.
259. Concept of the Foreign Policy of the Russian Federation, 12 February 2013, <http://www.mid.ru/bdomp/ns-osndoc.nsf/1e5f0de28fe77fdcc32575d900298676/869c9d2b87ad8014c32575d9002b1c38!OpenDocument>.
260. Vladimir Putin, "Executive Order on Measures to Implement Foreign Policy", 7 May 2012, available at <http://eng.kremlin.ru/acts/3764>.
261. Gulshan Sachdeva, "India's relations with Russia" in David Scott (ed.) *Handbook of India's International Relations*, Routledge: London, 2011, p.214.

Bibliography

“Altai project”, <http://www.gazprom.com/about/production/projects/pipelines/altai/>.

“Ambassador Vnukov: Russia, South Korea United by Joint Interest”, Speech at Asia Society, 15 May 2012, http://asiasociety.org/policy/strategic_challenges/ambassador-vnukov-russia-south-korea-united-joint-interest.

“China, Russia Ink 4 Energy Deals”, 6 December 2012, http://www.china.org.cn/business/2012-12/06/content_27328560.htm.

“Cosy amid the Thaw”, *The Economist*, 24 March 2012.

“Crude Oil Exports”, http://www.rosneft.com/Downstream/crude_oil_sales/gas_condensate_exports/.

“Defense of Japan” (Annual White Paper 2013), http://www.mod.go.jp/e/publ/w_paper/2013.html.

“Economic influence of Japan & S Korea in Russia's Far East”, 6 September, *CCTV*, <http://english.cntv.cn/program/newshour/20120906/104147.shtml>.

“Isolation of Russian Far East Threat to National Security—Putin”, *RIA Novosti*, 20 December 2006, <http://en.rian.ru/russia/20061220/57396954.html>.

“Minister Elvira Nabiullina and Commerce Minister Chen Deming held the 13th meeting of the Russian-Chinese Sub-Commission on Trade and Economic Cooperation of the Russian-Chinese Commission for the preparation of regular meetings of heads of governments of Russia and China”, *Ministry of Economic Development of the Russian Federation*, 10 August 2010, http://www.economy.gov.ru/wps/wcm/connect/economylib4/en/home/press/news/doc20100820_09.

“Mr. Putin's 'pivot' toward Asia”, Editorial, *Japan Times*, 29 September 2012, <http://www.japantimes.co.jp/text/ed20120929a1.html>.

“Prime Minister Dmitry Medvedev Chairs a Government Meeting”, 9 August 2012, government.ru/eng/docs/20062/.

“The Military Doctrine of the Russian Federation approved by Russian Federation; Presidential Edict, 5 February 2010, available at http://merln.ndu.edu/whitepapers/Russia2010_English.pdf.

“Toward the Great Ocean, or the New Globalization of Russia”, *Valdai Discussion Club Analytical Report*, Moscow, July 2012.

“Treaty of Good-Neighborliness and Friendly Cooperation between the People's Republic of China and the Russian Federation”, 24 July 2001, <http://www.fmprc.gov.cn/eng/wjdt/2649/t15771.shtml>.

“What Countries Are Doing To Tackle Climate Change”, 9 December 2011, <http://www.npr.org/2011/12/07/143302823/what-countries-are-doing-to-tackle-climate-change>.

“World Shale Gas Resources: An Initial Assessment of 14 Regions outside the United States”, US Energy Information Administration, 5 April 2011, <http://www.eia.gov/analysis/studies/worldshalegas/>.

"Yangtze Power to Invest US\$168 mln in EuroSibEnergo', <http://www.eurosib.ru/en/press/smi/313/>.

“? ?????? ?????????, ?????????? ? ?????? ?????????? ?????? ? ?????????? ?????? ?
 ?????????? ????????? ??????????”, 27 September 2010, http://www.kremlin.ru/ref_notes/718.

Aslund, Anders, "The Kremlin's New Policy in its Near Abroad", *The Moscow Times*, 28 July 2010, Available on <http://www.themoscowtimes.com/opinion/article/the-kremlins-new-policy-in-its-near-abroad/411170.html>.

Belacqua, James, *The Future of China-Russia Relations* (Lexington, KY: University of Kentucky Press, 2010).

Belopolsky, Helen, *Russia and the Challengers: Russian Alignment with China, Iran, and Iraq in the Unipolar Era* (Houndmills: Palgrave Macmillan, 2009).

Berkofsky, Axel, "China's Strategic Involvement in Central Asia-Strategies: Results and Obstacles", ISPI Analysis No. 128, July 2012, http://www.ispionline.it/it/documents/Analysis_128_2012.pdf, p.3. Accessed on 18 September 2012.

Bin, Yu, "China-Russia Relations: Mounting Challenges and Multilateralism", *Comparative Connections* (2011), Vol.13, no.1, May 2011.

Blunden, Margaret, "Geopolitics and the Northern Sea Route", *International Affairs*, 88 (1), 2012.

Brooke, James, "Russia Hopes Climate Change Maximizes Arctic Shipping", 28 November 2012, http://www.voanews.com/content/russia_hopes_climate_change_maximizes_arctic_shipping/1554675.html.

Burakov, Denis, “The Strategic Triangle in the 21st Century: Implications for Sino-Russian Relations”, *Journal of China and International Relations*, Vol.1, No.1, p. 46, pp. 46–65.

Chang, Felix K, “The Russian Far East's Endless Winter”, *Orbis*, Spring 1999, pp. 77–110.

Cheung, T. M. “Dragon on the Horizon: China's Defense Industrial Renaissance”, *Journal of Strategic Studies*, vol. 32, no. 1 (2009), pp. 29–66.

Concept of the Foreign Policy of the Russian Federation, 12 February 2013, <http://www.mid.ru/bdomp/nsosndoc.nsf/1e5f0de28fe77fdcc32575d900298676/869c9d2b87ad8014c32575d9002b1c38!OpenDocument>.

Cole, J. Michael, “Can a China-Russia Axis Bankrupt the US?”, *The Diplomat*, 20 December 2013, <http://thediplomat.com/2013/12/can-a-china-russia-axis-bankrupt-the-us/>.

Cooper, Julian, “Of BRICs and Brains: Comparing Russia with China, India, and other Populous Emerging Economies”, *Eurasian Geography and Economics*, 2006, 47, No. 3.

de Haas, Marcel, *Russian–Chinese Security Relations: Moscow's Threat from the East?* Netherlands Institute of International Relations, Clingendael, 2013.

EuroSibEnerg, “Yangtze Power to Invest US\$168 mln in EuroSibEnerg”, available at <http://www.eurosib.ru/en/press/smi/313/>.

EUROSTAT, “Russia: EU Bilateral Trade and Trade with the World”, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf.

“Excerpts from Transcript of Meeting on the Far East's Socioeconomic Development and Cooperation with Asia-Pacific Region Countries”, 2 July, 2010, Khabarovsk, <http://eng.kremlin.ru/transcripts/547>.

Fei, Gao, “Sino-Russian Economic Relations: Dynamics and Perspective”, Paper presented at the ORF conference on “Russia-China Relations: Perspectives from India, Russia and China”, New Delhi, 14 December 2012.

Ferdinand, Peter, “The Positions of Russia and China at the UN Security Council in the Light of Recent Crises”, Briefing Paper, Policy Department, Directorate-General for External Policies of the European Union, March 2013, http://bookshop.europa.eu/en/the-positions-of-russia-and-china-at-the-un-security-council-in-the-light-of-recent-crises-pbBB3213114/downloads/BB-32-13-114-EN-N/BB3213114ENN_002.pdf.

Gazprom, “Altai project”, www.gazprom.com.

Grant, Charles, *Russia, China and Global Governance* (London: Centre for European Reform, 2012).

Grove, Thomas, "Russia Turns East to Embrace Looming China", *Reuters*, 4 June 2012, <http://www.reuters.com/article/2012/06/05/us-russia-china-east-idUSBRE85314M20120605>.

Hamm, Kathrin, et al., "Turkmenistan Natural Gas Outlook 2020: The Chinese Connection", Columbia School of International and Public Affairs Workshop Report, 2011.

Hamm, Kathrin, Nate Rawlings, Tsuyoshi Shiina, Natalia Vazhenina, Jesse Walter and Jared Williams, "Turkmenistan Natural Gas Outlook 2020: The Chinese Connection", Columbia School of International and Public Affairs workshop report, 2011, available at <http://sipa.columbia.edu/academics/workshops/documents/RANDTheFinalCopyIII.pdf>.

Helmer, John, "Russia Feuds with China over Oil Price: "They Are Trying to Force Their Socialism upon us," 22 April 2011, http://articles.businessinsider.com/2011-04-22/news/29990814_1_transneft-russian-crude-crude-oil#ixzz21WoMK5Bn.

Helmer, John, "Russia, China Clash over Oil Price, Supply", 5 May 2011, http://www.atimes.com/atimes/Central_Asia/ME05Ag01.html.

Hook, Leslie, "Chinese Groups Flock to Shale Gas Projects", 25 October 2012, *Financial Times*, <http://www.ft.com/intl/cms/s/0/23ff8d52-1e8c-11e2-bebc-00144feabdc0.html>.

http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf.

http://www.gks.ru/bgd/regl/b12_12/Isswww.exe/stg/d01/05-09.htm.

<http://www.iea.org/papers/2011/mtogm2010.pdf>.

http://www.rosneft.com/attach/0/58/80/rosneft_go_2011_eng_gaap_web.pdf.

<http://www.world-nuclear.org/info/inf63.html>.

International Energy Association, "Medium-term Oil and Gas Markets", 2010, <http://www.iea.org/papers/2011/mtogm2010.pdf>.

Interview with Mr. Zhao Huasheng, "The Silk Road Project and Strategic Interests of Russia and China", 20 December 2013, http://russiancouncil.ru/en/inner/?id_4=2884#top.

Itoh, Shoichi, "Sino-Russian Energy Relations: True Friendship or Phony Partnership?", *Russian Analytical Digest*, 73(10), pp.9–12.

Jakobson, Linda, Paul Holtom, Dean Knox and Jingchao Peng, "China's Energy and Security Relations with Russia: Hopes, Frustrations and Uncertainties", *SIPRI Policy Paper*, No. 29.

Kaczmarek, Marcin, "The Bear Watches the Dragon: The Russian Debate on China", *Point of View*, no.31, Centre for Eastern Studies, Warsaw.

Kalachinsky, Andrei, "Putin Is Turning Vladivostok into Russia's Pacific Capital", *Russian Analytical Digest*, 12 July 2010.

Kashin, Valeriy, “Russian-Chinese Military and Technical Cooperation Takes off Anew”, *Russia & India Report*, 17 October 2012.

Kashin, Vassily, “The Sum Total of All Fears”, 15 April 2013, *Russia in Global Affairs*, <http://eng.globalaffairs.ru/number/The-Sum-Total-of-All-Fears-15935>.

Keck, Zachary, “Ties that Bind: Can China-Russia Relations Endure?”, 23 March 2013, *The Diplomat*, <http://thediplomat.com/china-power/ties-that-bind-can-china-russia-relations-endure/?all=true>.

Keck, Zachary, “Russia as a U.S.-China Battleground State”, 20 November, 2013, <http://thediplomat.com/2013/11/russia-as-a-u-s-china-battleground-state-3/>.

Kim, James, “Year of China Tourism begins in Russia”, 23 March 2013, <http://english.cntv.cn/program/asiatoday/20130323/104985.shtml>.

Kremlin, “Excerpts from Transcript of Meeting on the Far East's Socioeconomic Development and Cooperation with Asia-Pacific Region Countries”, 2 July 2010, Khabarovsk, <http://eng.kremlin.ru/transcripts/547>.

Krishnan, Ananth, “Rising Nationalism casts Shadow on China's Border Disputes”, 21 March 2013, *The Hindu*.

Krishnan, Ananth, “China, Russia, Pak. Discuss Afghanistan Situation”, 3 April 2013, *The Hindu*.

Kuhrt, Natasha, “The Russian Far East in Russia's Asia Policy: Dual Integration or Double Periphery?”, *Europe-Asia Studies*, 64(3), pp. 471–493.

Kuhrt, Natasha, *Russian Policy towards China and Japan: The El'tsin and Putin Periods* (New York: Routledge, 2007).

Koenig, Thomas, “Russia and China: Aligned after all?”, 23 January 2013, <http://www.opendemocracy.net/od-russia/thomas-koenig/russia-and-china-aligned-after-all>.

“Russia-China rapport can be pillar of international stability”, *Global Times*, 29 November 2012, <http://www.globaltimes.cn/content/747162.shtml>

Larin, Aleksandr, “Chinese migrants through the eyes of Russians”, *Demoscope Weekly*, No. 333-334, 2008, <http://demoscope.ru/weekly/2008/0333/tema01.php>.

Lee, Dejun and Wen Zhao, “Impact on Sino-Russia Economic and Trade Cooperation from Russia's WTO Accession”, International Conference on Business and Economics Research IPEDR Vol.16 (2011), Singapore, <http://www.ipedr.com/vol16/13-ICBER2011-A10015.pdf>. Accessed on 12 June 2012.

Lee, Rens, "The Far East between Russia, China, and America", July 2012, <http://www.fpri.org/enotes/2012/201207.lee.fareast.pdf>.

LeVine, Steve, "China and Russia seem genuinely close to a game-changing natural gas deal", 7 January 2014, <http://qz.com/164163/china-and-russia-seem-genuinely-close-to-a-game-changing-natural-gas-deal/>.

Lo, Bobo, "Ten things Everyone Should know about the Sino-Russian Relationship", Centre for European Reform, *Policy Brief*, 2008.

Lo, Bobo, *Axis of Convenience: Moscow, Beijing and the New Geopolitics*, (London: Royal Institute of International Affairs, 2008).

Lukin, Alexander, "Perceptions of China Threat in Russia and Russian-Chinese Relations", paper presented at an International Conference on "China: Threat Perceptions from Different Continents," Hong Kong, January 11-12, 2001, <http://www.brookings.edu/fp/cnaps/papers/russiachina.pdf>.

McDermott, R., "Reflections on Vostok 2010: Selling an Image", *Eurasia Daily Monitor*, Vol. 7, Issue 134, 13 July 2010.

Medvedev, Dmitry, "Excerpts from Transcript of Meeting on the Far East's Socioeconomic Development and Cooperation with Asia-Pacific Region Countries", 2 July 2010, Khabarovsk, <http://eng.kremlin.ru/transcripts/547>.

Menon, Rajan, *The China-Russia Relationship: What It Involves, Where It Is Headed, and How It Matters for the United States* (New York: The Century Foundation, 2009).

Ministry of Commerce, China, "2010 Statistical Bulletin of China's Outward Foreign Direct Investment", <http://hzs.mofcom.gov.cn/accessory/201109/1316069658609.pdf>.

Naduvath, Jaibal and Samir Saran, "Thinking the Russian Choice: BRICS v/s OECD", 24 January 2013, *Global Policy Journal*, <http://www.globalpolicyjournal.com/blog/24/01/2013/thinking-russian-choice-brics-vs-oecd>.

Nan, Xu and Wang Haotong, "Will China Exploit its Shale Gas?", 26 July 2012, <http://www.chinadialogue.net/article/show/single/en/5064>.

O'Reilly, Brendan, "China and Russia Flex Muscle at the West", *Asia Times Online*, 7 June 2012, <http://gonzalaraffoinfonews.blogspot.in/2012/06/china-and-russia-flex-muscle-at-west.html>.

Penna, Michele, "Xi Jinping's Moscow Visit Hints at China-Russia Thaw", 22 March 2013, <http://asiancorrespondent.com/102886/china-xi-jinping-russia-visit/>.

Pham, Nam D., “China's Quest for Energy”, Institute for 21st Century Energy, U.S. Chamber of Commerce, 2011, http://www.energyxxi.org/sites/default/files/EnergyChina_Final%2011-22-11.pdf.

Pilling, David, “Russia begins its slow pivot to Asia”, *Financial Times*, 12 September 2012.

Prosvirnov, Sergei, “Migration between the Amur Region and China at the Turn of the 21st Century”, *Far Eastern Affairs*, no.2, 2009, available at http://www.eastviewpress.com/Files/FEA_FROM%20THE%20ARCHIVES_No.%202_2012.pdf.

Putin, Vladimir, “An Asia-Pacific Growth Agenda”, *The Wall Street Journal*, 6 September 2012.

Putin, Vladimir, “Executive Order on Measures to Implement Foreign Policy”, 7 May 2012, available at <http://eng.kremlin.ru/acts/3764>.

Putin, Vladimir, “Russia and the Changing World”, *Moskovskie Novosti*, 27 February 2013, translated by RIA Novosti and published at <http://russiaprofile.org/politics/54998.html>.

Qingfen, Ding and Du Juan, “China, Russia Ink Major Energy Deal”, *China Daily*, 26 February 2013, http://europe.chinadaily.com.cn/business/2013-02/26/content_16255968.htm.

Quested, R.K.I. *Sino-Soviet Relations: A Short History* (Oxfordshire: Routledge, 1984, Reprinted 2005).
Radyuhin, Vladimir, “The Dragon gets a Bear Hug”, *The Hindu*, 8 March 2012.

Rashid, Ahmed, “Russia and China Eye Role in Afghanistan and Pakistan”, 6 June 2012. <http://www.bbc.co.uk/news/world-asia-18342888>.

Rautava, Jouko, “Russia's Economic Policy and Russia-China Economic Relations”, in Arkady Moshes & Matti Nojonen (eds.) *Russia-China Relations: Current State, Alternative Futures, and Implications for the West* (Tampere: Finnish Institute of International Affairs), Report no. 30, 2011.

Repnikova, Maria and Harley Balzer, “Chinese Migration to Russia: Missed Opportunities”, *Eurasian Migration Papers*, No. 3, (Washington, D.C: Woodrow Wilson International Center for Scholars, 2009), available at http://www.wilsoncenter.org/sites/default/files/No3_ChineseMigtoRussia.pdf.

Rolfe, Jim, *Welcome in Asia: China's Multilateral Presence*. Honolulu: Asia-Pacific Center for Security Studies, December 2003, http://www.apcss.org/Publications/SAS/ChinaDebate/ChinaDebate_Rolfe.pdf.

Rosneft, Rosneft Annual Report 2011: *Glimpsing the Future*, http://www.rosneft.com/attach/0/58/80/rosneft_go_2011_eng_gaap_web.pdf.

Rosneft, “Crude Oil Exports”, http://www.rosneft.com/Downstream/crude_oil_sales/gas_condensate_exports/

Ross, Robert S., "The Rise of Russia, Sino-Russian Relations, and U.S. Security Policy", *Brief*, Copenhagen, Institute for Strategy, Royal Danish Defence College, June 2009, <http://forsvaret.dk/FAK/Publikationer/Briefs/Documents/TheRiseofRussiaSino-RussianRelationsandUSSecurityPolicy.pdf>.

Rosstat (Federal State Statistics Service), available at http://www.gks.ru/bgd/regl/b12_12/IssWWW.exe/stg/d01/05-01.htm.

Rozman, Gilbert, "Chinese Strategic Thinking on Multilateral Regional Security in Northeast Asia", Foreign Policy Research Institute, 2011, <http://www.fpri.org/orbis/5502/rozman.china.pdf>.

Russia & India Report, http://indrus.in/articles/2012/10/17/russian-chinese_military_and_technical_cooperation_takes_off_anew_18433.html?utm_source=newsletter_2012-43&utm_medium=email&utm_campaign=RBTH, accessed 25 October 2012.

"Russia and Newly Independent States: Mining and Mineral Industry Handbook", Volume 1, *Russia's Mining Industry: Strategic Information, Regulations, Contacts* (Washington DC: International Business Publications, 2011).

Ryzhova, Natalia, "Informal Economy of Translocations: The Case of the Twin City of Blagoveshensk-Heihe", *Inner Asia*, Volume 10, Number 2, 2008, pp. 323-351.

Solidjanova, Nargiza, "Going Out: An Overview of China's Outward Foreign Direct Investment", *U.S.-China Economic & Security Review Commission*, 30 March 2011, <http://www.uscc.gov/researchpapers/2011/GoingOut.pdf>.

Saradzhyan, Simon, "Russia needs to develop eastern provinces as China rises", *RIA Novosti*, 5 March 2013, <http://www.rianovosti.com/columnists/20130305/179832498/View-From-the-Global-Tank-Russia-Needs-to-Develop-Eastern-Provinces-as-China-Rises.html>.

Saradzhyan, Simon, "Russia's Red Herring," *International Relations and Security Network*, May 25, 2010.

Scissors, Dereck, *China Global Investment Tracker: 2012* (Washington DC: The Heritage Foundation), 9 July 2012, <http://www.heritage.org/research/reports/2012/01/china-global-investment-tracker-2012>.

Shustov, Alexander, "China strengthens Position in Central Asia", 16 July, 2012, http://rbth.asia/articles/2012/06/28/china_strengthens_position_in_central_asia_15652.html.

SIPRI Arms Transfer Data.

Speech and Answers of Minister of Foreign Affairs of the Russian Federation S.V. Lavrov to the Questions of Mass Media during Joint Press Conference at the Outcomes of Talks with Yang Jiechi, Minister of Foreign Affairs of China. Beijing, 10 May 2012. *International Affairs*, <http://en.interaffairs.ru/read.php?item=329>.

Stanway, David, “Far East Russia being Farmed by Chinese”, 26 December 2013, <http://www.agprofessional.com/news/Far-East-Russia-being-farmed-by-Chinese-37410141.html?view=all>.

Thornton, Judith, “Institutional Change and Economic Development in Siberia and the Russian Far East”, July 2011, http://www.econ.washington.edu/user/thornj/37_economic_development_siberia_11.pdf.

Trenin, Dmitri *Post-Imperium: A Eurasian Story* (Washington: Carnegie Endowment for International Peace, 2011).

Trenin, Dmitri, “Challenges and Opportunities: Russia and the Rise of China and India”, *Strategic Asia*, 2011–12.

Trenin, Dmitri, *The End of Eurasia: Russia on the Border Between Geopolitics and Globalization* (Moscow: Carnegie Endowment for International Peace, 2001).

Trenin, Dmitri, *True Partners? How Russia and China See Each Other* (London: Centre for European Reform), February 2012.

Ungar, Amiel, “India Endorses Sino-Russian Stance At Trilateral Moscow Meeting,” *Arutz Sheva*. N.p., 16 April 2012, <http://www.israelnationalnews.com/News/News.aspx/154767#.UI0mf2faTCM>.

Waltz, Kenneth N., “Structural Realism after the Cold War,” *International Security*, 25(1), 2000, pp. 5–41.

Wang, Xilu, “中俄关系真的良好？那俄罗斯人为什么担心中国入侵 (Is the Russian-Chinese Relationship Really That Good? The Why Are the Russians Worried about a Chinese Invasion?)” (2012), <<http://bank.stockstar.com/SS2012072500003508.shtml>>.

Weitz, Richard, “Superpower Symbiosis: The Russia-China Axis”, *World Affairs Journal*, November-December 2012.

Weitz, Richard, “Why Russia and China have not Formed an Anti-American Alliance”, *Naval War College Review*, Autumn 2003, 56(4), 39–61.

Weitz, Richard, *China-Russia Security Relations: Strategic Parallelism without Partnership or Passion?* (Pennsylvania: Strategic Studies Institute, U.S. Army War College, 2008).

Wilkins, Thomas S., “Russo-Chinese Strategic Partnership: A New Form of Security Cooperation?”, *Contemporary Security Policy*, Vol. 29, No.2, August 2008.

World Nuclear Organisation, <http://www.world-nuclear.org/info/inf63.html>.

Wuthnow, Joel, *Beyond the Veto: Chinese Diplomacy in the United Nations Security Council*, Ph.D Thesis, Columbia University, 2011, Wuthnow_columbia?0054D_10130.pdf.

Zagorodnov, Artem, “APEC Summit: Will Vladivostok be Russia's San Francisco?”, *The Telegraph*, 1 May 2012, <http://www.telegraph.co.uk/sponsored/russianow/features/9238219/Vladivostok-preparation-Apec-Summit-2012.html>.

Zaionchkovskaya, Zhanna, “Chinese Migration to Russia”, in *Migration in Russia 2000–2013* (Moscow: Russian International Affairs Council RIAC, 2013).

Zarembo, Igor, “China gets Oil Discount”, 16 April, 2012, *RIA Novosti*, <http://rt.com/business/news/rosneft-china-deal-discount-147/>.

Znojek, Bartłomiej, “From BRIC to BRICS: Developments in the Cooperation of Emerging Economies”, 27 May 2011, Polish Institute of International Affairs Bulletin.

Relations with China and Russia are key foreign policy vectors for India. Russia is a strategic partner of long-standing, while the relationship with China has been contentious. India and the Soviet Union earlier shared common perceptions about China. But with the end of the Cold War, the dynamics have changed significantly. Russia has settled its border disputes with China and has significantly enhanced its bilateral cooperation in recent years. The rise of China and its growing clout are reshaping equations in the region. India cannot remain unaffected by these developments.

Given India's close strategic ties with Russia, the upsurge in Sino-Russian ties and their impact on the nature of the Sino-Russian relationship is of enormous importance to India. This monograph examines the trends and patterns of Sino-Russian ties from strategic, political and economic perspectives as well as the Sino-Russian interplay in the Russian Far East.



ISBN 818681811-1

