

# A Match Made in Heaven? Strategic Convergence between China and Russia

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## ABSTRACT

This article examines the strategic convergence between Russia and China. Strategic convergence is understood as material compatibility and overlap of key interests with regard to long-term developments in world politics, providing the basis for extensive tactical co-operation between two or more states. The article focuses on the compatibility of Russia and China in terms of complementary economies, location and political outlook. The match between Russian natural resources and Chinese markets is examined in particular. The article concludes that a closer relationship between the two countries in many ways would be of mutual advantage, but that it is far from certain that an alliance will develop.

*Keywords* • China-Russia Relations • Strategic Convergence • Arms • Economy

## Introduction

Russia is the world's second largest oil producer, after Saudi Arabia,<sup>1</sup> and China the world's second largest oil consumer, after the United States.<sup>2</sup> While bilateral trade-flows are still small, there is great potential inherent in the relationship. Old hostilities have been put aside after the final settlement in 2004 of a series of disputes along the 3645-km border which had plagued Sino-Russo relations for centuries and caused war in

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<sup>1</sup> Russia had an output of 9.5 million barrels per day in 2005, the most recent year for which figures are available, compared to Saudi Arabia's output of 11.1 million barrels per day. Energy Information Administration, *Top World Oil Producers 2005*, <[http://www.eia.doe.gov/emeu/cabs/topworldtables1\\_2.html](http://www.eia.doe.gov/emeu/cabs/topworldtables1_2.html)> (March 15 2007).

<sup>2</sup> China passed Japan as the second largest consumer of petroleum in 2003, and is currently the world's third largest net importer of oil behind the US and Japan. Energy Information Administration, *China Energy Data, Statistics, and Analysis: Oil Gas, Electricity and Coal* (Washington DC: Energy Information Administration, 2006), p.2. Throughout this paper, data for China refer to mainland China, excluding Hong Kong and Taiwan, unless otherwise noted.

1969.<sup>3</sup> Moreover, Beijing and Moscow have compatible views on separatism, Islamism, terrorism, democratization and stability. American commentators such as Peter Brookes of the Heritage Foundation have argued that the Sino–Russian relationship undercuts U.S. global interests “on an unprecedented scale.”<sup>4</sup> This article explores whether the strategic convergence is sufficiently strong for the two states to set aside their differences, and build a sustainable partnership. The article aims for as neutral a stance as possible, neither cheering on nor condemning cooperation between China and Russia. Instead it aims to provide a simple assessment of the scope for closer cooperation between the two countries on the basis of strategic convergence.

“Strategic convergence” is here defined as the overlap of key objectives and interests with regard to long-term developments in world politics, which provides the basis for extensive tactical co-operation between two or more states.<sup>5</sup> To examine strategic convergence between China and Russia we analyze material as well as ideational factors. By “material factors” we mean physical and economic aspects, with the emphasis on complementary economies, natural resources, geography and technology. At the level of specific resources, the focus is on oil and gas, but other non-renewable extractables like wood and food are also included. By “ideational factors” we refer to ideology and values with focus on views of separatism, independent politicized Islam, terrorism, democracy and U.S. hegemony.

## Complementary Economies

### *China's Dependence on Russian Oil and Gas*

The new Sino–Russian relationship is driven by trade and mutual economic interest. China's economy is the fourth largest in the world, with a Gross Domestic Product (GDP) of US\$2.8 trillion;<sup>6</sup> in terms of purchasing power parity it is the second largest, with an output of US\$8.6

<sup>3</sup> Most of the border had been agreed upon when Jiang Zemin visited Moscow in 1991. Vladimir Paramonov and Aleksey Stokov, *Otnosheniya mezhdru Rossiey i Kitaem: Istorija, sovremennost i budushchee*, (Relations between Russia and China: History, Contemporaneity and Future), CSRC Occasional Paper, 2006, p.5

<sup>4</sup> Peter Brookes, “Sino–Russian Strategic Romance,” *Military.com*, March 27 2006.

<sup>5</sup> Gary Hamel, *Leading the Revolution* (Cambridge, MA: Harvard Business School Press, 2000) employed the term “strategic convergence” to refer to the limited scope of strategies used by rivals in different circumstances. He argued that strategies converged more than they ought to because strategies which are successful in certain contexts get imitated in other contexts by agents that do not understand the need to design custom strategies for different situations. This is not the sense in which the term is employed here.

<sup>6</sup> Total GDP 2005, *World Development Indicators* (Washington: World Bank, 2006), p.1. China is likely to overtake Germany as the world's third largest economy by the end of the decade.

trillion.<sup>7</sup> China has pursued a dual transition process, moving simultaneously from a planned economy to a market economy and from a rural, agrarian economy to a more urban, industrial one. In this process it has emerged as the world's second largest consumer of oil products at 7.4 million barrels per day,<sup>8</sup> a figure projected to at least double to 13.4 million barrels per day by 2025.<sup>9</sup> Around 40 percent of growth in world oil demand between 2001 and 2005 came from China.<sup>10</sup>

Russia provided 10.1 percent of China's total oil imports in 2005. This amounted to 257,000 barrels per day, and was up from 29,700 barrels in 2000.<sup>11</sup> However, this figure is set to increase steeply, in particular if Russia's oil can provide China with a more secure foundation for its economic transformation than supplies from volatile Middle Eastern and African states. Energy reserves in western Siberia are estimated at up to 200 billion barrels, and those in eastern Siberia 50bn barrels. In the Sakhalin region there could be 28 billion barrels. For comparative purposes, Iraq is thought to hold 112.5 billion barrels.<sup>12</sup> Rising global temperatures will in the future make it easier for Russia to access these resources.<sup>13</sup>

Geography in the form of the shared Sino-Russian border has a crucial impact on the potential for trade between the two countries. For China, the strategic importance of access to Russian raw materials is great, because other assets are largely dependent on open waterways, in particular the straights of Hormuz and Malacca. These could be cut off in the event of a crisis over Taiwan or other major confrontation with the U.S.. Moreover, conflicts not directly related to China and beyond its control could result in supply disruption, for example a confrontation

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<sup>7</sup> PPP GDP 2005, *World Development Indicators* (Washington: World Bank, 2006), p.1. This is only USD 3.8 billion behind the United States.

<sup>8</sup> 2006 Estimate. Energy Information Administration, *China Energy Data, Statistics, and Analysis: Oil Gas, Electricity and Coal* (Washington DC: EIA, August 2006, p.2.

<sup>9</sup> Wayne Morrison, *China's Economic Conditions*, CRS Brief for Congress, May 15 2006, p.16. The International Energy Agency projects that China's oil imports will surge from around 2 mb/d in 2003 to more than 10 mb/d in 2030, equal to over 74 percent of expected domestic demand. See Faith Birol, "China Presentation," *World Energy Outlook 2004* (Paris: International Energy Agency, 2004), p.23. China's reliance on imported oil was slightly down in 2005, but this trend is unlikely to continue. See *People's Daily*, "China's Dependence on Imported Oil Down 2.2 Percentage Points in 2005," January 13 2006.

<sup>10</sup> *Ibid.*, p.16

<sup>11</sup> Tian Chunrong, "2005 nian zhongguo shiyou jinchukou zhuangkuang fenxi" (Analysis of China's Oil Import and Export in 2005), *Guoji Shiyou Jingji (International Petroleum Economics)* 14, 3 (2006), p. 4.

<sup>12</sup> See Lyle Goldstein and Vitaly Kozyrev, "China, Japan and the Scramble for Siberia," *Survival*, 48, 1 (2006), p. 176.

<sup>13</sup> "Comrade Climate Change: Rising Global Temperatures is Good for Russia," *Economist.com*.

<[http://www.economist.com/daily/columns/greenview/displaystory.cfm?story\\_id=8443195&fsrc=nwl](http://www.economist.com/daily/columns/greenview/displaystory.cfm?story_id=8443195&fsrc=nwl)> (March 29 2006).

between Iran and the U.S.. Iran currently supplies 11.2 percent of China's total imports and the Middle East as a whole supplies 47.2 percent of total oil imports.<sup>14</sup> China sources 30.3 percent of its total petroleum imports from Africa.<sup>15</sup> A crisis in these regions would have severe consequences for Beijing. By contrast, Russian supplies can arrive in China through their shared border or the Pacific, and therefore carry a different risk profile.

*Russian Raw Materials to Avoid Confrontation with the West*

Chinese imports of raw materials from conflict-ridden countries in Africa, the Middle East, Latin America and Asia led to accusations from Washington and NGOs that China is propping up unsavory regimes and failing to act as responsible member of the international community. This argument carries some weight, given that approximately 60 percent of Sudan's oil output is sold to China,<sup>16</sup> and 5.2 percent of China's imported oil comes from Sudan.<sup>17</sup> Until 2007 China consistently refused to support the presence of UN peacekeepers in Sudan, but after coming under heavy criticism it has changed its position. When President Hu Jintao visited Khartoum in February 2007 he appears to have leaned on Sudanese president Omar al-Bashir, and soon after China's Assistant Foreign Minister explicitly called on Sudan to accept UN forces, something which Khartoum subsequently decided to do.<sup>18</sup> While China now has worked out a position on Sudan which makes it less likely that Beijing is singled out for criticism, the situation illustrates the difficulties China faces in terms of balancing its hunger for resources with its commitment to non-intervention and the demands of the international community. China also has established a strong presence in Myanmar and in Robert Mugabe's Zimbabwe, and future tension with the West could emanate from there. Considerable concern arose in Washington after Venezuela, the world's fifth largest oil exporter, led by left-wing president Hugo Chavez, offered Chinese firms operating rights to mature oil fields.<sup>19</sup>

<sup>14</sup> Chunrong, "2005 nian zhongguo shiyou jinchukou zhuangkuang fenxi" (Analysis of China's Oil Import and Export in 2005), p. 4.

<sup>15</sup> The leading suppliers are Angola (13.7 percent), Sudan (5.2 percent), Congo (4.4 percent) and Equatorial Guinea (3.0 percent). *Ibid.*

<sup>16</sup> Drew Thompson, "Disaccord on Sudan Could Poison China-US Ties," *International Herald Tribune*, November 18 2004.

<sup>17</sup> Chunrong, "2005 nian zhongguo shiyou jinchukou zhuangkuang fenxi" (Analysis of China's Oil Import and Export in 2005), p. 4.

<sup>18</sup> Edith M. Lederer, "Sudan Allows UN Forces in Darfur", *Associated Press*, April 17 2007; Helene Cooper, "Diplomatic Memo; Darfur Collides with the Olympics, and China Yields," *New York Times*, April 13, 2007.

<sup>19</sup> Mary Hennock, "China's Global Hunt for Oil," *BBC News*, March 9, 2005. <http://news.bbc.co.uk/2/hi/business/4191683.stm> (March 29 2007).

While such developments are often interpreted as part of a strategy to support what Washington considers “rogue states,” they are not so much an ideologically motivated challenge to the United States as a reflection of China’s rising demand for imported raw materials, and a series of pragmatic decisions to channel Chinese investment to states where there is little competition from American and European corporations. China seeks to expand control over supplies of petroleum, minerals and other raw materials through equity investments primarily for reasons of state and economic security.

This strategy has in a sense been encouraged by Washington, because it has sought to block Chinese bids for less controversial assets, such as CNOOC’s US\$18.5 billion attempted takeover of Unocal,<sup>20</sup> on the grounds that China should not be allowed to take over “American” resources. In fact, Unocal’s assets are not, strictly speaking, American: most of them are located in Asia, an important reason why Unocal was attractive to China. In a context where Beijing is criticized for collaborating with African and Middle Eastern states with little Western presence, while it struggles to gain access to raw materials in more stable areas, China has strong incentives to increase imports from Russia, even though the current political climate in Russia makes it unlikely that China will be allowed to make large equity investments. On the other hand, in June 2006 Sinopec was able to acquire a 97 percent stake in Udmurtneft, a medium-sized unit of BP’s Russia vehicle TNK-BP, for US\$3.5 billion.<sup>21</sup>

*Chinese-Russian-Japanese Energy Cooperation: Three’s a Crowd*

Whether Moscow favors Beijing or Tokyo in the construction of energy transport infrastructure in Siberia will have important implications for the balance of power in East Asia. If China wins, this will both support China’s claim to regional pre-eminence and promote the Russia–China axis; if Japan were to succeed, a more multi-polar structure would emerge in East Asia. The main issue is the route of a new pipeline to carry oil eastwards from Siberia. If the pipeline is laid directly from Siberia to China and does not reach the Pacific Ocean, the supply will be preeminently for China. If a pipeline is laid all the way to the Pacific Coast, for example to the port of Nakhodka, the oil could become available to any countries on the Pacific Ocean, including Japan and the U.S.. This option is more expensive, but gives Russia greater flexibility and less dependency on relations with China and the Chinese market.

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<sup>20</sup> Paul Blustein, “Many Oil Experts Unconcerned Over China Unocal Bid,” *Washington Post*, July 1 2005, p. D01.

<sup>21</sup> Energy Information Administration, *China Energy Data, Statistics, and Analysis: Oil Gas*, p.5

The Kremlin's hesitation on the matter is one indication of the geopolitical implications of the choice.

In 2004 Japan seemed to emerge as the core partner for Russia in the construction of Siberian energy infrastructure, after Beijing had earlier appeared to be Moscow's favorite. Tokyo was willing to guarantee financing for the project, possibly in the range of US\$15 billion. The pipeline to Nakhodka would be the longest in the world: at around 4,180km, it would be three times the length of the Trans-Alaska Pipeline.<sup>22</sup> The pipeline terminus would be just one day away by tanker from Japan.

Putin had reasons to favor the Nakhodka pipeline, because Japan's deal promised greater net investment in Russia and because a pipeline to the Pacific would make Russia less dependent on China as a customer for its sales. Russia is concerned about monopsony, a situation in which there is only one buyer but many potential sellers – a concern further reinforced after the construction of a pipeline from Kazakhstan to Xinjiang in western China was finished in 2006.

However, the core reason why China fell out of favor in 2004 was the role that Yukos had played in exporting oil to China. Putin was displeased by Mikhail Khodorkovsky's political ambitions and his plans for privately controlled export routes for Russian petroleum products. Both in the Murmansk and the Far East, Yukos seemed poised to play an influential role. The Yukos affair is an indication that internal dynamics in Russia can be extremely important to foreign policy outcomes. While the episode was unfortunate from Beijing's point of view, China has been careful not to criticize what it regards as an internal affair of Moscow.<sup>23</sup>

The pipeline to Nakhodka is yet to be built, and at present there is no final decision as to whether it will be. However, Russia appears to have decided to build a pipeline to Skovorodino only 70km from the Chinese border, scheduled for completion in the second half of 2008.<sup>24</sup> This is set

<sup>22</sup> Goldstein and Kozyrev, "China, Japan and the Scramble for Siberia", p. 170.

<sup>23</sup> As central tenet of China's foreign policy is that it shall not intervene in the domestic affairs of other states, it is hardly imaginable that Chinese politicians would comment openly on the Yukos affair. However, Chinese scholars have expressed opinions – see for example You Fang, "Youkesi: liushui luohua chun quye" (Yukos: Swept Away), *Zhongguo shiyou shihua banyuekan (China Oil and Petrochemical Fortnightly)*, 16 (2006), p. 24–25; Feng Yujun, "Laolao zhangwo zhanlue ziyuan kongzhiquan: Eluosi "Youkesi shijian' pouxi" (Firm Strategy for Right of Control of Natural Resources: Analysis of Russia's "Yukos Incident"), *Guoji maoyi (International Trade)*, 9 (2004), p. 32–33; Qu Wenyi, "Cong Youkesi shijian kan Pujing zhengfu dui guatou jingji de zhili" (What the Yukos Incident Says About the Putin's Government Economic Policies Towards Oligarchs), *Shijie jingji (World Economics)*, 3 (2004), p. 34–37.

<sup>24</sup> "CNPC are satisfied with starting of ESPO pipeline construction from Skovorodino," *Transneft*, May 30 2006, <<http://www.transneft.ru/press/Default.asp?LANG=EN&ATYPE=8&PG=7&ID=11039>> (June 30 2006).

to include a spur to Daqing, and carry as much as 600,000 barrels a day.<sup>25</sup> The construction of the pipeline to Skovorodino strengthens China–Russia relations, while simultaneously giving the Kremlin the option of extending the pipeline to Nakhodka. This allows Russia to maintain leverage over China and Japan.

The territorial dispute over the Kurile Islands north of Hokkaido continues to plague relations between Japan and Russia, which have yet to sign a peace treaty to end the Second World War. If there is no agreement on the issue, the pipeline to Nakhodka may not move beyond the planning board. The shooting dead of a Japanese crab fisherman in Russian-controlled waters near Japan's northern island of Hokkaido in August 2006 is one example of the scope for worsening of this conflict.<sup>26</sup> If Tokyo is unable to settle its territorial dispute with Russia, and Beijing–Moscow relations remain good, Moscow may conclude that it has more to gain by constructing an additional pipeline to China. China, after all, is a market enjoying strong growth, and is unlikely to jeopardize future energy security by demanding renegotiation of price agreements once the pipeline has been built.

Natural gas co-operation in the massive Kovykta field, and perhaps Sakhalin, are likely elements in future Chinese–Russian energy co-operation. In April 2006 President Putin and Hu Jintao reportedly agreed on the construction of a pipeline from Kovykta to China and possibly South Korea, at an estimated cost of US\$12 billion.<sup>27</sup> However, no formal decision on the project has been announced. Meanwhile there have been significant increases in rail shipments of oil to China and a commitment to increase these further. Heilongjiang has been importing electricity from Russian hydroelectric power stations since 2004, and plans to import 18 billion kilowatt hours by 2010.<sup>28</sup> Sales to China decrease Russia's dependence on the European market and partially strengthen the Russian argument that it can turn to others if Brussels does not accept Moscow's conditions. China's energy consumption is predicted to surge from 1,675 TWh in 2002 to 5,573 TWh in 2030.<sup>29</sup>

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<sup>25</sup> Energy Information Administration, *China Energy Data, Statistics, and Analysis: Oil Gas, Electricity and Coal*, p.5.

<sup>26</sup> David Pilling. "Japan–Russia Territorial Dispute Escalates," *Financial Times*, August 16 2006.

<sup>27</sup> Energy Information Administration, *China Energy Data, Statistics, and Analysis: Oil Gas, Electricity and Coal*, p.9–10.

<sup>28</sup> "China Imports Electricity from Russia," *People's Daily*, May 5 2004; Yang Li, "Electricity Trade Flourishes," *Xinhua*, March 23 2006.

<sup>29</sup> Birol, "China Presentation," p.24.

### *Other Extractable Commodities*

The natural resources that Russia has and that China needs, extend far beyond the energy sector. China is already the world's largest consumer of steel, cement and copper;<sup>30</sup> and while Russia and Central Asia currently account for only about 6 percent of China's total supply of raw material imports, this is likely to change.<sup>31</sup> As Factbox 1 shows, Russia has a strong position in the global supply of many strategic non-ferrous metals necessary for the type of industrial production at the core of China's strategy for continued economic growth. This gives the relationship between the two countries a material, constant aspect and potentially a firm basis over time as ideology and outlook change. Whatever happens in domestic politics in the two countries, in the diplomatic relations between them and in world politics, resource-rich Russia will have many of the commodities that the Chinese need, and the Chinese will be able to provide vast non-Western markets for Russia.

### *Food*

Another area where China and Russia may come to work together more closely is agriculture. Arable land covers approximately 13 percent or 122 million hectares of China's territory, which amounts to only 0.27 hectares per capita. This is less than 40 percent of the world average, and half the level in India.<sup>32</sup> As China industrializes and urbanizes, while also seeking to convert lower-quality arable lands into grasslands or forest to prevent desertification, arable land is becoming increasingly scarce. Between 1996 and 2005, China lost approximately 8 million hectares or 6.6 percent of its arable land.<sup>33</sup> Between 1999 and 2003 grain production dropped continuously; although the situation has since improved somewhat, China faces a shortfall of nearly 20 million tons by 2010.<sup>34</sup> Adding to the difficult situation, one-sixth of China's total arable lands are polluted by heavy metals.<sup>35</sup>

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<sup>30</sup> Wayne Morrison, *China's Economic Conditions*, CRS Brief for Congress, May 15 2006, p.16.

<sup>31</sup> Goldstein and Kozyrev, "China, Japan and the Scramble for Siberia," p. 167.

<sup>32</sup> Yingling Liu, "Shrinking Arable Lands Jeopardizing China's Food Security," *Worldwatch Institute*, April 18 2006 <<http://www.worldwatch.org/node/3912>> (March 29 2007).

<sup>33</sup> Xingjingbao (Beijing News), "Guotu ziyuanbu baogao xianshi, zhongguo shi nian gengdi jianshao 1.2 yi mu" (Ministry of Land and Resources Reports China Lost 122 Million Hectares of Arable Land Over the Last Ten Years), *Xinhuanet*, March 16 2006 <[http://news.xinhuanet.com/house/2006-03/16/content\\_4308627.htm](http://news.xinhuanet.com/house/2006-03/16/content_4308627.htm)> (March 16 2006).

<sup>34</sup> *Zhongguo nongye wang* (China Agricultural Net), "Shiyiwu' qijian: ruhe tianbu 1000 yi jin liangshi quekou" (The Eleventh Five Year Plan: How to Fill Grain Shortfall of 20 Million Tons), March 29 2006 <<http://www.zgny.com.cn/ConsHtml/5/9/4/94082.html>> (March 31 2006).

<sup>35</sup> *Ibid.*



**Factbox 1. Russian Natural Resources<sup>36</sup>**

**ALUMINIUM:** Russia's biggest aluminium producer Rusal will buy up its closest rival Sual to create the world's number one aluminium firm, with output of 4 million tonnes per year.

**NICKEL:** Russia's Norilsk Nickel is the world's major producer of nickel, a vital ingredient in the production of stainless steel. Output was 243,000 tonnes in 2005. Compatriot miner Ufaley produced 10,701 tonnes of nickel.

**TITANIUM:** VSMPO-Avisma is the world's biggest supplier of titanium. It supplies 40-45 percent of the titanium products used by Boeing and has won 60-70 percent of titanium supply contracts for Airbus between 2008 and 2013.

**PALLADIUM:** Russia's Norilsk Nickel is the world's number one palladium producer, with 3.1 million ounces in 2005. Palladium is used for aircraft production, electrical contacts, dentistry, surgical equipment, jewellery and sign production.

**PLATINUM:** Russia produced an estimated 27,000 kg of platinum in 2005, putting it in second place behind South Africa.

**VANADIUM:** In 2005, Russia produced an estimated 9,000 tonnes of the hardening alloy vanadium, used in oil pipes, making it number four in the world, after South Africa, the United States and China. The Russian steel producer Evraz has since announced plans to buy a majority stake in the US producer Stratcor, and 24.9 percent of South Africa's Highveld Steel and Vanadium, which would make it world number one.

**MAGNESIUM:** Russia is the world's third largest supplier of magnesium, after China and Canada. VSMPO Avisma produced 19,000 tonnes of magnesium in 2005 and Solikamsk 17,600 tonnes.

**COBALT:** Russia is the world's fifth largest producer of cobalt, widely used in aircraft engines and batteries. Norilsk Nickel accounts for most of this, where cobalt occurs as a by-product of nickel mining. Total mine production was 5,000 tonnes in 2005.

**GOLD:** Russia is the world's fifth largest gold producer. Polyus Gold, a spin-off from Norilsk Nickel, is Russia's biggest gold miner. Its output in 2005 was 1.076 million ounces in 2005.

**COPPER:** Russia is the world's sixth-largest copper producer, with total mine production of 675,000 tonnes in 2005. Both Norilsk Nickel and UMMC, controlled by Makhmudov, produce copper.

**COAL:** Russia has the world's second biggest coal reserves, after the United States. It holds 17.3 percent of the world's proven coal reserves.

<sup>36</sup> Data from Reuters, BP Statistical Review 2006, US Energy Information Administration, Norilsk Nickel company website, United States Geological Survey Mineral Commodity Summaries 2006, <<http://cn.today.reuters.com/stocks/FinanceArticle.aspx?view=CN&symbol=HK1q.L&storyid=155589+30-Aug-2006+RTRS>> (posted 30 Aug. 2006, downloaded Nov 21 2006.)

Self-sufficiency is a strategic priority for Beijing, and the government has tightened control over land conversion for construction purposes. However, there is little that can be done without undermining the economic growth that is the source of political legitimacy for the Communist Party. Beijing, therefore, appears to acknowledge that it will have to import food, and in this context Russia is a natural partner. Guo Binqi, for example, suggests that, “Russia in the near future could become China’s granary.”<sup>37</sup> While Russia’s cultivated land currently comprises only 7.17 percent of its territory,<sup>38</sup> 55 percent of the world’s black earth (*chernozem*) is located in Russia and there is clearly much more which could be put to agricultural use.<sup>39</sup> Thus Russia has the potential for a massive increase in grain production through the application of modern technology and improved organization of its agricultural sector. Unlike most other countries, Russia’s agricultural sector may even stand to benefit from global warming.<sup>40</sup>

#### *China’s Growth Not an Economic Threat to Russia*

China’s growing competitiveness does not represent any great threat to Russia compared with the U.S. and the EU. Manufacturing in the Russian Federation is weak and unlikely to recover, particularly given Russia’s new wealth from natural resources and the lingering risk of Dutch disease. Instead China’s cheap consumer goods present an opportunity to Russian consumers. There has been a notable shift in China’s revealed comparative advantages, a measure used as a proxy of a country’s international competitiveness<sup>41</sup> away from resource and labor-intensive products towards medium-tech, more capital-intensive products, IT and machinery. China produces two-thirds of all photocopiers, microwave ovens, DVD players; over half of all digital

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<sup>37</sup> Guo Bin Qi, “Zhong e nongye hezuo qianjing guangkuo” (The Prospects for China–Russia Agricultural Co-Operation Are Broad), *Xiboliya yanjiu* (*Siberian Studies*), 30, 3 (2003), p. 25.

<sup>38</sup> “Russia,” *CIA World Fact Book 2006* (Washington DC, 2006). <<https://www.cia.gov/cia/publications/factbook/geos/rs.html>> (March 29 2007).

<sup>39</sup> “Rossiya prokormit milliard zelmyan” (Russia Will Feed a Billion People), *Rossiia vybiraet* (Russia Chooses), 105, 23 (2001), p. 2.

<sup>40</sup> Natalia Reznik, “Globalnoye poteplenie v Rossii: Bolshe zasukhi i kartoshki” (Global Warming in Russia: More Droughts and Potatoes), *Izvestiya*, September 11 2004, p.1. As the country with the largest Arctic and sub-Arctic territories in the world and vast unused areas of land (mainly in Siberia) Russian agriculture may benefit from a warmer climate in terms of an extended growing season and more available arable land. This is of course a risky bet since a warmer climate may also result in side effects like droughts.

<sup>41</sup> European Commission, *European Competitiveness Report 2004*, SEC(2004)1397, p. 248–249. Revealed comparative advantage is a measure of relative export performance by country and industry defined as a country’s share of world share of world exports of a good divided by its share of total world exports.

cameras and around two-fifths of personal computers<sup>42</sup>— all of which a rapidly expanding Russian middle class wants. Simultaneously China has retained and even strengthened its competitiveness in labor-intensive products such as textiles, clothing and leather.

Low-quality apparel and footwear play a large role in China's exports to Russia, but China's export of machinery and electronics is growing. In the first 11 months of 2005, export of machinery and electronics to Russia grew 70 percent, and made up 24 percent of China's total exports to Russia.<sup>43</sup> Export of high-tech products to Russia grew 58 percent in the same period and accounted for 7 percent of China's total exports to Russia. Because of income from its exports of raw materials, Russia had a current account surplus of almost US\$85 billion in 2005<sup>44</sup>, set to be even greater in 2006. For this reason Russia worries less about China's exporting power or the undervalued renminbi than do many other states. This means that a point of tension that characterizes Sino-U.S. and Sino-EU relations is not present in the Sino-Russian relationship. China and Russia have acknowledged each other as market economies and China was amongst the first to conclude WTO negotiations with Russia in October 2004, indicating China's emphasis on building close trade relations with Russia.<sup>45</sup>

Russia is the world's fourteenth largest economy, with an output of US\$760 billion, while in terms of purchasing power parity it is the world's tenth largest economy.<sup>46</sup> It is the world's seventh most populous state, with 143 million people.<sup>47</sup> Figures from Chinese customs show that total trade volume between China and Russia in 2005 reached US\$ 29.1 billion, up 37.1 percent year on year, and 14 percentage points higher than the growth rate of China's total foreign trade. China is Russia's fourth largest trade partner, but Russia is only China's ninth largest export market, accounting for 1.5 percent of China's export markets.<sup>48</sup> These figures make it reasonable to project that while Russia will be of growing importance to China as an export market, its significance will remain

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<sup>42</sup> Pam Woodall, "The Dragon and the Eagle," *Economist*, September 30 2004.

<sup>43</sup> "Backgrounder: Current Sino-Russian Economic, Trade Cooperation," *People's Daily*, March 22 2006.

<sup>44</sup> "Russia," *CIA World Fact Book* 2006.

<sup>45</sup> Ministry of Foreign Affairs of the People's Republic of China, China and Russia Sign the Market Access Agreement on Russia's Accession to the World Trade Organization between the People's Republic of China and the Russian Federation, 14 October 2004. <<http://www.fmprc.gov.cn/ce/ceee/eng/dtxw/t166041.htm>> (March 29 2007).

<sup>46</sup> PPP GDP 2005, *World Development Indicators*, p.1. In PPP terms Russia's economy amounts to USD 1.6 trillion.

<sup>47</sup> Population 2005, *World Development Indicators*, p.1.

<sup>48</sup> "Top Ten Export Markets," Ministry of Commerce of the People's Republic of China, August 3 2006.

small. It is a source of raw materials and as a partner in *Machtpolitik* that Russia is important to China.

### Military Convergence

The U.S. is the silent party at the table in all China–Russia meetings, not in terms of pressure, but in terms of mutual interest on the part of China and Russia in constraining American hegemonic behavior. Beijing’s current starting point is “one superpower, many powers”. Russia seems grudgingly to accept U.S. primacy, but Putin has on numerous occasions made clear that Moscow would like to see a multi-polar world.<sup>49</sup> Beijing’s current foreign policy discourse is centered on the “peaceful rise” thesis, now re-baptized the “peaceful development” thesis so as not to frighten anyone, but the underlying perspectives are in many respects similar.

Because both Russia and China are heavily armed, including nuclear arsenals, there is a balance of power. China’s nuclear arsenal is far inferior to that of Russia and even more so that of the U.S., but it is significant enough to decrease the attractiveness of a nuclear conflict for Russia.<sup>50</sup> In terms of conventional forces, China is superior to Russia. The chance that one state could seek to invade the other is low. Although many Russian actors do fear Chinese demographic and/or territorial expansionism in Siberia, occasionally backing up their fears with inflated numbers on Chinese cross-border migration, this aspect of the relationship may recede into the background as China increases in importance for Russia and on the world stage in so many other respects.<sup>51</sup> Moreover, both Russia and China are without significant allies. Moscow

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<sup>49</sup> Aleksandr Shumilin, “Mnogopolyarnyy egoizm” (Multipolar Egoism), *Ekspert*, December 25 2000; Evgeniy Revenko “Rossiya, Kitay, India: Novaya os mnogopolyarnogo mira” (Russia, China, India: New Axis of a Multipolar World, *Vesti Nedeli (Week’s News)*, December 8 2002 <<http://www.vesti7.ru/news?id=1645>> (March 29 2007).

<sup>50</sup> Pentagon, *Military Power of the People’s Republic of China* (Washington DC: Pentagon 2006), p.26; cf. *Economist*, June 10 2006, p. 60; Vyacheslav Baskakov, “Raketno-yadernyy arsenal Pekina” (Beijing’s Arsenal of Nuclear Rockets), *Nezavisimoe voennoye obozrenie (Independent Military Review)*, July 12 2002; I.A. Andryushin et al., *Yadernoye razorozheniye, nerasprostraneniye i natsionalaya bezopasnost*, (Nuclear Disarmament and National Security) Moscow: Institut strategicheskoy stabilnosti, 2002; Yuriy Gavrilov, “Yadernyy arsenal obnovyat polnostyu” (The Nuclear Arsenal will Be Fully Renewed), *Rossiyskaya gazeta (The Russian Newspaper)*, April 14 2006).

<sup>51</sup> The population of the Russian Far East has tumbled even faster than that in the rest of Russia, from 8 million inhabitants in 1991 to about 6.5 million in 2006, or slightly more than one person per square kilometer. The Russian government is considering a range of re-population programs to avoid the forecasted drop to 4.5 million people by 2015. By contrast, the three bordering Chinese provinces contain more than 107 million inhabitants. See “Russia and China: When Dragons Dance with Bears,” *Economist*, November 30 2006; “Russian Far East,” *Columbia Electronic Encyclopedia*, Sixth Edition. (Columbia University Press, 2003); “Russian Far East,” *Wikipedia*, 2005. <[www.en.wikipedia.org/wiki/Russian\\_Far\\_East](http://www.en.wikipedia.org/wiki/Russian_Far_East)> (March 29 2007).

and Beijing might have hoped that the Iraq War would change the Western alliance structures fundamentally, but this has not been the outcome.

China and Russia have expanded military co-operation. They have been collaborating on foreign and military intelligence since the early 1990s, and in 2005 they conducted their first joint war games. The exercise included 10,000 military, intelligence and internal security forces. Given China's reluctance to enter military alliances, it was a significant gesture to allow the games to be staged on Chinese soil.<sup>52</sup> Russia and China have strong incentives to expand their military co-operation in a context where U.S. military spending amounts to 47 percent of world total.<sup>53</sup> However, Moscow recognizes that Russian arm sales to China may represent a long term strategic threat to Russia. Russian worries about this are reflected in Moscow's decision to sell its most advanced military aircraft technology to India rather than to China.<sup>54</sup>

#### *Russian Arms to China*

Russia has been China's main source of arms since the end of the Cold War, and has accounted for 90 percent of the estimated 165 billion renminbi in arms sales to China from the states of the former Soviet Union since 1991, according to a Pentagon report from 2004.<sup>55</sup> Moscow has sold Beijing advanced submarines, fighters, destroyers and missiles as well as strategic aircraft for troop movement and air-to-air refueling. As the EU is unlikely to lift its 1989 arms embargo on China in the near future, and the U.S. is determined not to, Russia seems set to continue as China's main source of arms.

Economic exigencies made Russian weapons sales to China a necessity in the 1990s.<sup>56</sup> With Russia's current record trade and budget surpluses this is less the case today.<sup>57</sup> Nonetheless, the sale of sensitive

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<sup>52</sup> "Russia and China: When Dragons Dance with Bears".

<sup>53</sup> Stockholm International Peace Research Institute, *SIPRI Yearbook 2005: Armaments, Disarmaments and International Security* (Oxford: Oxford University Press, 2005), Chapter 8. China's military expenditure is estimated at \$US 65 billion for 2004; Russia is estimated to have spent \$US 50 billion. The US spent a whopping \$US 466 billion. "World Wide Military Expenditures," *Globalsecurity.org*, October 15 2005, <<http://www.globalsecurity.org/military/world/spending.htm>> (November 1 2005).

<sup>54</sup> China has only been allowed to buy the Sukhoi Su-30 MK2 from KNAAPO, while India has given access to the more advanced Su-30MKI from the Irkut Corporation..

<sup>55</sup> Cited in Guy Dinmore and Demetri Sevastopulo, "Asian Neighbours Look Beyond Symbolism," *Financial Times*, February 9 2005.

<sup>56</sup> Rajan Menon, "The Strategic Convergence Between Russia and China," *Survival*, 39, 2 (1997), p. III.

<sup>57</sup> High energy prices have allowed Russia to build the third largest currency reserves in the world at \$US 263 billion. China has the largest \$US 941 billion as of June 2006. "Foreign Exchange Reserves," *Wikipedia*, <[http://en.wikipedia.org/wiki/Foreign\\_exchange\\_reserves](http://en.wikipedia.org/wiki/Foreign_exchange_reserves)> (Oct. 11 2006).

technology from Russia to China still has considerable potential. Contracts worth billions of euros will be available as China pushes to expand its nuclear energy capacity. China plans to quadruple its nuclear output to 16 billion kilowatt-hours by 2010, and double that figure again by 2015.<sup>58</sup> The Chinese reportedly use Russian spacesuits, and Russia provided technical assistance to China in the development of the Shenzhou spacecraft, thus helping China become the third state to send a human being into space.<sup>59</sup>

The simultaneous demise of the Soviet Union and the rise of China fundamentally changed the dynamics in China–U.S. relations. Washington stopped viewing China as an ally against Moscow, and began to see it as a potential rival. The U.S. is wary of the communist government in Beijing, and many senior actors in the U.S. political landscape, especially among the Democrats, are increasingly skeptical of authoritarian trends in Putin’s Russia. Putin initially built his political image on waging war on the Chechen separatists, has reasserted Moscow’s right to appoint regional governors and effectively re-nationalized much of the petroleum industry. Beijing, on the other hand, is more comfortable with a relatively stable authoritarian Russia than the chaos of the 1990s, and feels vindicated in its decision to put down the rebellion at Tiananmen Square in 1989.<sup>60</sup> The consolidation of what Putin calls the ‘power vertical’, i.e. centralization, has made Moscow a more reliable partner for Beijing.<sup>61</sup>

## Outlook

### *Views of Separatism and Islam*

While Chinese Islamic separatists have not gone as far as some of their Russian counterparts, Beijing and Moscow have a shared fear of restive minorities and independent politicized Islam. Given Beijing’s policy of

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<sup>58</sup> Howard French, “China Promotes another Boom: Nuclear Power,” *New York Times*, January 15 2005.

<sup>59</sup> Marcia S. Smith, *China’s Space Program: An Overview* CRS Report for Congress, October 18 2005.

<sup>60</sup> Given China’s policy of non-interference in the domestic affairs of other states we have been unable to find official comment to this effect. However, discussions with leading academics at Tsinghua University and Peking University strongly suggest that this is the case.

<sup>61</sup> Aleksey Tarasov, “Na vertikali vlasti rastut vetki nefi” (Oil Branches Are Growing on the Power Vertical), *Novaya gazeta (New Newspaper)*, July 3 2006; Elena Borisova, “Vertikal vlasti: Vid snizu” (The Power Vertical: The View from Below), *Ekspert*, March 21 2005; Kseniya Fokina, Andrey Lavrov and Aleksandr Sargin, “Vertikal vlasti opyat ukreplyayut” (They Are Strengthening the Power Vertical Again), *Gazeta (Newspaper)*, September 8 2006; Maksim Shishkin, “Vertikal vlasti izmerili v lyudyakh” (The Power Vertical Was Measured n People), *Kommersant (Merchant)*, April 12 2006.

non-interference in the domestic affairs of other states, it has not at any point criticized Moscow for its war in Chechnya, and the war is highly unlikely to surface as source of bilateral tension. China faces politicized Islam among the Uighurs in Xinjiang and Moscow does not feel uncomfortable with China's harsh treatment of the Uighurs and other minorities, notably the Tibetans. The Taiwan issue is not a factor in China–Russia relations, unlike the case with China–U.S. or China–EU relations. China and Russia will not criticize each other for their records on representative democracy, individual freedom or human rights.

The debate on Kosovo relates to two of the main discourses in both Russian and Chinese foreign policy: skepticism towards intervention in the affairs of other states, and the rejection of separatism.<sup>62</sup> For Russia, negativity towards Kosovar independence is further fuelled by an underlying identification with Orthodox Christian, post-communist Serbia. Although China lacks the Orthodox Christian connection, the anti-interventionist and anti-separatist doctrines are strong enough to place the China solidly on the Russian side of the important debate in contemporary diplomacy and international relations about whether independence is permissible for Kosovo.

The significant internal contradictions in Russia's position on separatism, underlined by its simultaneous crackdown on Chechnyan separatists and support for separatists in Abkhazia, South Ossetia and Trans-Dniestria,<sup>63</sup> need not worry us unduly here. Although it partially undermines Russian credibility on separatism issues in relation to the West, it does not seem to pose a problem for the Chinese, and the leaders of the two countries are happy to talk almost identically about separatism.

#### *Shared Geo-Strategic Interests*

China and Russia have displayed coordinated reluctance to back the West in sanctions towards Iran. This illustrates how Moscow and Beijing can

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<sup>62</sup> Viktor Kaspruk, "Nezavisimost Kosovo ili pretsedentnoye resheniye dlya evropeiskikh natsiy?" (Kosovo's Independence or Precedence for European Nations?), *Zerkalo nedeli* (Weekly Mirror), February 25 2006, <<http://www.zerkalo-nedeli.com/nn/show/586/52712/>> (March 29 2007); Armen Khanbalyan, "Dokazatelstvo ot protivnogo" (The Rule of Contraries), *Moskovskie novosti* (Moscow News), September 22 2006, <<http://www.mn.ru/issue.php?2006-36-12>>; Petr Iskenderov, "Evrope iz-za Kosovo grozit novaya perekroyka granits" (Because of Kosovo Europe is Threatened by a Redrawing of Borders), *Vremya novostey* (Newstime), September 9 2006, <<http://www.vremya.ru/2006/206/5/165170.html>> (March 29 2007); Oleg Ortyukov, "Nezavisimost: Chto mozžno odnim, togo nelzya drugim?" (Independence: What Some Can Have, Others Can't?), *Pravda* (Truth), February 23 2006, <<http://www.pravda.ru/world/former-ussr/23-02-2006/77335-independence-0>> (March 29 2007).

<sup>63</sup> Stockholm International Peace Research Institute, *SIPRI Yearbook 2004: Armaments, Disarmaments and International Security* (Oxford: Oxford University Press, 2004), p.61.

realize their national interests more effectively by co-operating in international forums in a way whereby neither is singled out as an obstacle to Western interests. China has billions invested in Iran's oil and gas fields and Iran is the source of 11.2 percent of China's petroleum imports.<sup>64</sup> Russia also has several billion dollars of invested in the country and wants to make more by reprocessing Iranian reactor fuel. Both sell advanced weapons to Iran. At the same time, China has vital security interests in the Middle East and Africa – with Iran, Syria and Sudan, among others. Russia also has strong historical ties to several Arab states not favored by Washington, which allows for collaboration in areas where few other weighty allies can be found.

China and Russia have played an active role in the Six-Party Talks on the DPRK's nuclear program, but both have been reluctant to exert the pressure that Washington would like to see. North Korean nuclear weapons are not primarily pointed towards China or Russia, and Beijing and Moscow may benefit from the problems that North Korean nuclear weapons cause to the U.S.–South Korean alliance and in relations between South Korea and Japan. Seoul believes that U.S. rhetoric towards North Korea has been unnecessarily aggressive,<sup>65</sup> while Washington has been frustrated with Seoul's efforts to push ahead with industrial zones in North Korea despite Pyongyang's disregard of commitments to nuclear disarmament. North Korean nuclear advances may therefore weaken U.S.–South Korean relations without representing a substantial threat to China and Russia.

In the aftermath of 9/11, the U.S. established a network of jumping-off bases across Central Asia. The ostensible rationale has been the fight against terrorism and support for operations in Afghanistan. However, and particularly when coupled with Washington's rapprochement and strengthened military co-operation with India, these developments are often interpreted as being motivated by containment of China and especially Russia. China's Foreign Minister Li Zhaoxing, for example, has stated that China "would like the Americans unequivocally to make clear that they have no intention of maintaining a long-term military presence in Central Asia".<sup>66</sup> Moscow's and Beijing's calls to have the bases closed have succeeded in Uzbekistan, but fallen short in Kyrgyzstan. The U.S. presence has a direct impact on the political processes of the states in the region, and Beijing and Moscow consider

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<sup>64</sup> Chunrong, "2005 nian zhongguo shiyou jinchukou zhuangkuang fenxi" (Analysis of China's Oil Import and Export in 2005), p. 4.

<sup>65</sup> In particular President Bush's reference to North Korea as part of the 'Axis of Evil' in his 2002 State of the Union Address.

<sup>66</sup> Foreign Minister Li Zhaoxing in interview with *Der Spiegel*, December 2 2003. Translated directly from the original Chinese version posted on the website of the Ministry of Foreign Affairs of the People's Republic of China. <<http://www.fmprc.gov.cn/chn/wjdt/wshd/t54781.htm>> (March 29 2007).



this a potential threat to their security. As long as Washington maintains a presence in Central Asia, Beijing and Moscow are likely to find that they have more to gain by uniting in seeking restraint on U.S. power than by seeking mutual confrontation.

In a long-term perspective, in particular in the case of decreased U.S. interest in Central Asia, it is possible that the area could become an arena for competition between Russia and China. For most of the post-Cold War period, Central Asia has largely been left to Russia, for historical reasons and because Russia has claimed it. But with China increasingly active in Central Asia, albeit mostly in the energy sector, Russia may at some point feel challenged. However, the U.S. does not seem intent on abandoning the region, and is rather attempting to extend the energy corridor that already exists between Azerbaijan, Georgia and Turkey to Turkmenistan and Kazakhstan. In this perspective Chinese-Russian relations in Central Asia are likely to remain mostly congruous, united by the external threat that U.S. influence can be seen as posing to Russian influence over, and Chinese access to, the Caspian basin's vast natural gas deposits.

Chinese and Russian outlooks have also converged in the UN Security Council. During most of the Cold War, the U.S.S.R and China approached the Security Council in diametrically opposite ways.<sup>67</sup> The U.S.S.R took an ideological and activist stance and used its veto more than any other Permanent Member of the Council did. During the first ten years of the Council's existence, the U.S.S.R laid down 79 vetoes, earning its representative Vachyeslav Molotov the nickname "Mr. Veto". China strove to avoid unnecessary entanglements in international organizations and has used its veto less than any other Permanent Member of the Security Council, a total of five times.<sup>68</sup> In case of disagreement, China has generally preferred to abstain from voting. Since 1984 the U.S.S.R/Russia has gravitated towards the relatively passive behavior of China. During this period China has used its veto twice and the U.S.S.R/Russia four times. This is yet another area where there is increased overlap between the outlook of China and Russia.

### **Conclusion: The Strategic Potential**

A realist perspective can be employed to understand China–Russia strategic convergence. According to both classical and neo-realist theory, a unipolar order is inherently unstable, and the emergence of a sole

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<sup>67</sup> Yitzhak Shichor, "China's Voting Behavior in the UN Security Council", *Jamestown China Brief*, September 6 2006.

<sup>68</sup> China was represented in the United Nations Security Council by Taiwan/the Republic of China until 1971 and the People's Republic of China thereafter. The non-interventionist policy and reluctance to use the veto right have nonetheless been consistent.

dominant power will lead other powers jointly to oppose the hegemon. Hans Morgenthau wrote that states are domination-seeking, but that the balance of power leads to the restoration of equilibrium.<sup>69</sup> Kenneth Waltz argued that the instinct for survival in international anarchy “stimulates states to behave in ways that tend toward the creation of balances of power.”<sup>70</sup> Realists essentially presume that negative feedback is the rule in international politics, and that deviation from equilibrium automatically sets in motion countervailing forces to re-establish it. Waltz, writing about the U.S. in the 1990s, argued that “[u]nbalanced power, whoever wields it, is a potential danger to others.”<sup>71</sup>

For leaders in Beijing and Moscow, this appears to be true as they have watched Washington’s invasion of Iraq and its unrelenting support for Israeli policies. In the period following the collapse of the Soviet Union, Russia has generally remained relatively close to the U.S., a behavior which might be described as bandwagoning. Moscow, however, is increasingly disappointed with the results of its attempts to stay close to the West. At the same time, Western governments increasingly appear to conclude that Russia is unlikely to become democratic in the near future, and categorize its regime as having more in common with that of China than with for example the Polish case.<sup>72</sup>

In this article we have examined the key factors that bring Russia and China together. The two states have complementary economies, shared concerns about U.S. power, fear of more Orange/Rose/Tulip revolutions, and common interests in the Middle East and Africa. There are, however, several significant obstacles to closer co-operation between Russia and China. The most significant weakness in the relationship lies in Russia’s concern over China’s dominance, particularly in connection with Siberia, which it is feared could fall victim to Chinese expansion – Manchuria in reverse.<sup>73</sup> Russia is currently wary of both Chinese migration and economic dominance in Siberia, which was illustrated when China was awarded shares worth just US\$500 million in Rosneft’s IPO in 2006, having reportedly sought US\$3 billion. This was less than BP (US\$1 billion) and Petronas (US\$1.1 billion) were awarded.<sup>74</sup> In 1997 Menon pointed to difficulties in Sino–Russo relations due to the

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<sup>69</sup> Hans Morgenthau, *Politics among Nations: The Struggle for Power and Peace* (New York: Knopf, [1948] 1973).

<sup>70</sup> Kenneth Waltz *Theory of International Politics* (London: Addison-Wesley, 1979), p.118.

<sup>71</sup> Kenneth Waltz, “Evaluating Theories,” *American Political Science Review*, 91, 4 (1997), p. 915.

<sup>72</sup> Dmitri Trenin, “Russia Leaves the West,” *Foreign Affairs*, 85, 4 (2006).

<sup>73</sup> The weakness of the Chinese empire in the eighteenth and nineteenth centuries allowed Russia and Japan to use unequal treaties to impose control over what are now the Russian Far East and China’s north-eastern provinces, previously known as Manchuria.

<sup>74</sup> Joanna Chung, “Chinese Lose Out in Rosneft Allocation,” *Financial Times*, July 15 2006.

reluctance of regional elites to work with the Chinese.<sup>75</sup> This issue has been partly solved as Moscow has reasserted power over its regions, but the underlying fear of the “yellow peril” lingers.<sup>76</sup>

At the level of global politics and trade divergent prospects of the two states may complicate Sino-Russian relations. Russia is a has-been superpower, now most likely to play a role as regional power. Even at that it is often weak and humiliated, as when it blundered in attempting to halt the Orange Revolution in Ukraine. China, on the other hand, is rapidly emerging as a major player in global politics. At the same time China is consolidating its position in lower- and medium-end goods whilst emerging as a manufacturer of high-end goods. Russia’s economic resurgence lacks this broad base, and is built almost entirely on exports of raw materials. As we have argued, this means that the two economies are highly compatible, but it also gives China the dominant role in the relationship. There has been a tipping of the geo-economic balance between the two countries compared with that between the Soviet Union and China.

China and Russia are unfinished international actors: Russia because it is still in the process of redefining its post-Cold War identity and reasserting state control; and China because it is industrializing, urbanizing, growing rapidly and opening to the outside world. Russia is taking important lessons from China about the assertion of state control in strategic sectors of the economy, which in turn signals compatibility of methods and shared worldviews.

Institutionalization of the Beijing–Moscow relationship remains low, but a pattern of regular consultation between top leaders has evolved. Russia and China also meet annually for bilateral military and technical co-operation talks, and have continued to develop the Shanghai Co-operation Organization founded in 2001. China–Russia strategic convergence is a discernible trend which will gain further momentum. However, strategic convergence should not be confused with an alliance, and China and Russia are not perfect strategic partners. Developments inside China and Russia are crucial to how the relationship develops. Key questions are whether political stability will prevail and whether rapid growth can be sustained.

Trenin argues that a Sino–Russian alliance could occur only as a result of “exceptionally short-sighted and foolish policies on

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<sup>75</sup> Menon, “The Strategic Convergence Between Russia and China,” p. 104. In 2005, border trade between the two countries reached \$US 5.57 billion, growing 32.7 percent and accounting for 19.1 percent of the total trade. “Backgrounder: Current Sino–Russian Economic, Trade Cooperation,” *People’s Daily*, March 22 2006.

<sup>76</sup> A. Lukin, “Evolutsiya obraza Kitaya v Rossi i rossiysko-kitayskiye otnosheniya,” *Neprikosnovennyi zapas*, 3 (2003), p. 35–41.

Washington's part."<sup>77</sup> China and Russia are not pro-Western, but neither are they definitively anti-Western. Western policymakers who are worried about the implications of Sino-Russian strategic convergence would do well to pursue a policy of engaging both Moscow and Beijing, and put pressure on Tokyo to resolve the dispute over the Kurile Islands.

Paradoxically, if an alliance, or something resembling an alliance, were to be formed this could lead to a breakdown of the relationship in the medium to long term. China and Russia both command sufficient resources and sophistication to be significant global powers in their own right, and they certainly consider themselves as such. China was unwilling to subordinate itself to Russia for more than a brief period after the Communists came to power in 1949, and Russia would refuse to subordinate itself to China.

The most likely scenario is Sino-Russo strategic convergence based on a relationship of mutual self-interest. The evidence presented in this article indicates that trade and investment between China and Russia are set to continue to grow rapidly, particularly in the energy sector, further enhancing the significance of the relationship. While Beijing and Moscow have common interests in placing restraints on the power of the United States, the creation of a full-fledged anti-Western alliance is unlikely to prove viable in the short term. Russia and especially China are both dependent on open access to Western markets to sustain growth.

The realist prediction that unbalanced power is inherently unstable, and the emergence of a sole dominant power will lead other powers jointly to oppose the hegemon, cannot be confirmed. However, if Beijing and Moscow find that the U.S. hegemon does not allow them the space they need as they re-emerge as world powers, they will have strong incentives to deepen their mutual strategic ties. If Washington were genuinely committed to allowing the concurrent rise of China and Russia as world powers, despite their inherent challenge to Washington's own power, China and Russia would have limited incentives to co-operate, and mutual fear would be the overriding feature in the relationship. Both would seek to work closely with Japan, as a counterweight to the other's power. However, the U.S. has been unable to provide China and Russia with the reassurance they would like, and they may be in the process of turning to each other for collaboration.

The development of China-Russia strategic convergence does not necessarily mean that China and Russia are turning their backs on the West, but it does represent a challenge to U.S. hegemony and could change the world order. The year 2008 will be decisive, with presidential elections in both Russia and the U.S. in which neither of the incumbents can legally participate. The same year, the pipeline from Russia to China

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<sup>77</sup> Trenin, "Russia Leaves the West".

is set for completion. One scenario is that the U.S.–Russia relationship could deteriorate rapidly in the wake of the Russian presidential election if a member of the Petersburg ruling circle is anointed new president, the result is legitimized in a national election, and Washington subsequently deems the election to have been neither free nor fair.<sup>78</sup> The resulting tension between Russia and the U.S. could drive Russia into the embrace of China. Alternatively, fresh presidential faces on both sides of the Atlantic could spell renewed co-operation between Russia and the U.S., lessening the significance of the Russia–China axis. The Beijing Olympics will also take place in 2008, and are set to be China’s coming-out party. Zhongnanhai will do everything it can to avoid confrontation with the West, but at the same time it welcomes close ties with Russia.

To prevent the international system from recidivism into destabilizing great-power rivalry, the U.S. and Europe must seek to manage a precarious and multifaceted balance: on the one hand, pushing Russia and China to reform, whilst acknowledging that pushing too hard could lead to alienation, and allowing Russia and China to rise whilst managing and integrating their power.

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<sup>78</sup> *Ibid.*, p. 96.