

CHINA BALANCE SHEET

RUSSIA

The direction that China and U.S.-China relations take will define the world's future. For the United States, a rising China increasingly affects American prosperity and security, calling for some clear-eyed thinking and tough economic, political, and security choices. As the twenty-first century unfurls, the stakes have never been higher for getting U.S. policy toward China right. By untangling the complex, sometimes contradictory, strands of this vast and dynamic country, *China: The Balance Sheet* lays the foundation for informed and effective U.S. policy toward China, the world's emerging superpower.

BACKGROUND

- Periods of close collaboration and bitter rivalry have punctuated relations between China and Russia from the Cold War to the present.
- Both China and Russia have sought in recent years to avoid the kind of costly political-military rivalry that overtook them from the 1960s to the 1980s, and which led to thousands of troops and weapons systems deployed along their 2,700-mile border.
- In 1996, the two governments announced formation of a “strategic partnership,” and in November 1998 China and Russia announced that their longstanding and often bitter border dispute was all but resolved (although it took until 2004 to complete a final arrangement).
- The institutionalization of cooperation in Central Asia through the Shanghai Cooperation Organization, and the promulgation of a 20-year “Good Neighborly Treaty of Friendship and Cooperation” in July 2001, further consolidated Sino-Russian partnership.

CURRENT SITUATION

- Today, China-Russia relations have developed to a point where the two countries focus less on differences than on practical and functional cooperation.
- Both countries are focusing priority attention on their respective internal affairs, which leads each to highlight converging and complementary interests to promote national development.
- Cooperation:
 - Following the 1989 arms embargo by the United States and Europe in the wake of Tiananmen Square, Russia became China's primary advanced weapons systems supplier.
 - As China has sought to diversify its energy sources away from the volatile Middle East and vulnerable sea transport lanes, it has turned to Russia for secure energy supplies that may be transported over land.

For further information, see *China-Russian Relations*, by Derek Mitchell, published in *The China Balance Sheet in 2007 and Beyond* and available online

China: The Balance Sheet: What the World Needs to Know Now about the Emerging Superpower

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- Chinese and Russian senior officials regularly coordinate their approaches to key foreign policy matters, and cooperate on foreign and military intelligence gathering.
- In October 2005, China and Russia staged Peace Mission 2005, their first joint/combined military exercise.

● Constraints:

- The legacy of history weighs heavily on the two countries, which retain a residue of official and popular mistrust.
- Russia has struggled to diversify its exports to China beyond natural resources, energy, and military arms sales.
- Moscow has annoyed Beijing with its indecision and gamesmanship after a decade of negotiations with both Japan and China over the terminus of a major eastbound energy pipeline.
- The significant and growing demographic imbalance remains a potential source of Russian fear and xenophobic nationalism against China.
- Few social or cultural ties of any depth exist between the Chinese and Russian peoples, despite efforts by both sides in recent years.
- Arms sales to China have been a complicated matter for many Russian strategists, who worry that the economic benefits come at the strategic cost of facilitating the military modernization of its mammoth and ever-more-powerful neighbor.
- Trends in relative power lean toward China, a new reality that does not sit well with many Russians.

● Shanghai Cooperation Organization (SCO)

- The SCO is very unlikely to become an alliance against the United States, but it is an increasingly substantial vehicle for cooperation and coordination of interests among the six constituent powers, including China and Russia, that could be applied to limit U.S. power and influence in Central -- and perhaps South -- Asia in the future
- The SCO has promoted China's interests in Central Asia, reassuring nations on its western periphery of its benign intent, promoting its "new security concept" of confidence-building and cooperative partnerships, and advancing peripheral security and development.
- Nonetheless, Russia remains wary about growing Chinese influence in Central Asia potentially coming at Russia's expense.
- Russia in fact has viewed the SCO as fundamentally a Chinese venture, reflected in the title itself.

Facts

- China-Russia trade - \$33.39 billion (2006)
- Border trade - \$5.6 billion (2006)
- China is Russia's fourth-largest trade partner
- Russia is China's eighth-largest trade partner
- China's trade with Russia accounts for two percent of its total trade
- Russia's trade with China accounts for six percent of its total trade
- Trade target - \$60-80 billion (2010)
- Chinese investment in Russia - \$1 billion (657 projects)
- Russian investment in China - \$1.4 billion
- Russia is China's fourth largest oil provider
- Chinese oil imports from Russia - 15 million tons (2006) comprising more than 10 percent of China's oil imports
- Since 1992, China has purchased more weapons from Russia than from all other countries combined
- Russian arms exports to China
 - \$20 billion (1989-2005) (at constant 1990 prices)
 - More than 90 percent of China's arms imports
 - 37 percent of Russia's total arms exports (1995-2005)
- Since 1991, more than 1,000 Russian military experts have been involved in technical exchanges with China.
- Russians in Russian Far East - 10 million
- Chinese in China's Northeast - 150 million

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● Role of the United States

- While the China-Russia strategic partnership agreement explicitly states that it is “not directed at any third country,” bilateral relations have grown deeper and more strategic as U.S. political and military activism has increased and their respective trust in the United States has declined.
- The two countries increasingly coordinate policies to prevent unwanted U.S. influence in their internal affairs, and to balance against the United States internationally.
- China’s military development with Russian assistance has complicated U.S. contingency planning in East Asia, challenged the balance of power across the Taiwan Strait, and set the stage for a regional arms race -- particularly in the absence of greater transparency.
- China and Russia have aligned themselves in the UN Security Council, joining forces on issues such as the Iraq War, Iran, Sudan (Darfur), North Korea and Burma, often in opposition to the U.S. position.
- In January 2007, China and Russia cast their first joint veto since 1972, against a U.S.-sponsored resolution condemning Burma’s brutal military junta. Since China does not like to stand alone to oppose UN Security Council resolutions, China-Russia joint vetoes may become more frequent in the future.

IMPLICATIONS

- In working together, each side is hedging against the potential application of U.S. power against its interests, making the basic power calculation that they are stronger together than apart, and that their leverage is greater when joined in a common diplomatic approach than it is when they act to protect their interests separately.
- As China and Russia reach more agreements on a range of energy, trade, defense, and other economic matters, and mutual expectations increase, failures on the part of either country to follow through on deals or to achieve shared goals could tap into mutual mistrust.
 - Although Russia’s defense relationship with China is expected to continue in coming years, there is growing evidence that the military relationship might sour, particularly in the area of arms sales.
 - The Russian Far East oil pipeline debacle demonstrates that the future of the bilateral energy partnership will be driven by cold calculations of economic self-interest and a degree of strategic wariness, rather than any pretensions of strategic partnership.
 - It is extremely unlikely that either country would come to the other’s aid during a military crisis, for instance during a Taiwan situation or escalation of unrest in Chechnya. The relationship does not nearly rise to that level of political or military partnership.
- Russia strategists downplay the likelihood of military conflict with China, but remain concerned about the prospect of a more powerful, assertive, and technologically sophisticated China willing to use economic, demographic, and military muscle to overwhelm its demilitarized and demographically challenged northern flank.
- Nonetheless, the 1990s-era debate among Russia’s elite about a potential strategic threat from China has receded during the Putin years in favor of a consensus on partnership; there is currently little evidence that Russia’s perspective toward China will change after President Putin leaves office in 2008.

China and Russia both attach great importance to their bilateral economic and political relationship with Washington, and recognize they must avoid fundamentally alienating the United States even as they attempt to counterbalance U.S. influence. Nonetheless, U.S. actions will remain the most important factor in determining the future direction and intensity of the strategic partnership in coming years.