

Topic Overview: China's Relationship with Russia

CX Resolution 2016-2017

During the Cold War, relations between the USSR and China were stiff to say the least. The United States worked to play the nations off of each other in an attempt to open Détente with China. After the fall of the USSR, Russian and Chinese relations improved dramatically. The two nations entered a new era of cooperation and friendship. Three successive agreements were signed in 1992, 1994, and 1996, which culminated in an alliance. Today, the nations share technology, trade natural resources, and have military agreements.

Background

The USSR and China became strong allies after the formation of the People's Republic of China in 1949 following the Chinese Civil War. The USSR provided communist China with arms and development support. China needed more than the Soviets could provide, and thus their aid was seen as less than satisfactory. Relations deteriorated in the 1960s in what was called the [Sino-Soviet Split](#). This division provided an opportunity for the United States to open dialogue with China. President Nixon visited China in 1972, an unprecedented step in Sino-U.S. relations. With the Soviet Union collapse in 1991, China and Russia were able to re-open dialogue for a new friendship. An ever growing China needed natural resources, specifically petroleum, which Russia had an abundance of. This economic dependence paved the way for agreements in 1992, 1994, 1996, and eventually a final alliance in 2001. Russia continues to provide oil to China.

Economic Relationship

Russia and China have a very close trade relationship with each other that total billions of dollars each year. It is continually growing and is forecast to grow more.

Russia-China Trade Totaling \$100 Billion (2015)

(Russia-China Investment Fund, the fund was established in June 2012 by two government-backed investment vehicles –the Russian Direct Investment Fund and China Investment Corporation (CIC), “Russia-China Trade,” <http://rcif.com/russia-china-trade.htm>)

Bilateral trade volume between the two countries, which amounted to \$15.8 billion in 2003, has increased more than 6 times over the last 10 years, reaching \$95.3 billion in 2014. According to forecasts, bilateral commerce could grow up to \$100 billion in 2015 and if the two countries continue to nurture the right conditions for trade investment growth, it is likely to reach \$200 billion by 2020. The total trading value between China & Russia has grown 17.8 % p.a. in the past 11 years.

Russian Oil Economy Affected by China

(The Moscow Times, “Putin: Shrinking Chinese Economy Causing Oil Price Plunge,” <http://www.themoscowtimes.com/business/article/putin-shrinking-chinese-economy-causing-oil-price-plunge/556873.html>, Jan. 26 2016)

President Vladimir Putin explained that a shrinking Chinese economy and excessive fuel production are causing the price of oil to plunge, the RIA Novosti news agency reported Monday.

“China is our partner, our ally, we have very good relations with the Chinese, but unfortunately, you know, they have problems, their growth rates have been suffering,” Putin was quoted as saying by the news agency at the All-Russia People's Front forum in the southern Russian city of Stavropol.

“Because of that, as the world economy shrinks, it affects the price of a barrel of oil. Fuel is not consumed as economists predicted,” Putin said.

As of Tuesday night, the price for Brent crude oil fell to \$30 per barrel on the back of Iraq's statement about record oil production in December, RIA Novosti reported.

China is Russia's top trading partner. Russia sells a demanding Chinese economy oil and gas (primarily from the Caucasus, a region around Georgia, Armenia, and Azerbaijan). China, in turn, sells Russia its large quantities of manufactured goods.

China is Russia's Top Trading Partner

(Tatiana Sidorenko, Professor at Tomsk Polytechnic University in Russia, “The Scope of Economic Cooperation between Russia and China and Future Prospects,” Problemas del desarrollo [Academic Journal], http://www.probdes.iiec.unam.mx/en/revistas/v45n176/body/v45n176a2_1.php, April 8, 2013)

Since the beginning of the twenty-first century, economic cooperation between Russia and China, especially in terms of bilateral trade, has grown rapidly. In 2009, China became the top trade partner of Russia. The structure of commercial links between these two countries is characterized by the expansion of Russian hydrocarbon sales, on the one hand, and pronounced growth in Chinese exports of manufactured products, on the other. Investment cooperation between the two nations is of little relevance. Among the challenges facing Russia is the need to diversify its exports to China, as well as intensify ties in tourism, transportation and innovations.

China is More Important to Russia than Vice Versa

(Tatiana Sidorenko, Professor at Tomsk Polytechnic University in Russia, "The Scope of Economic Cooperation between Russia and China and Future Prospects," Problemas del desarrollo [Academic Journal], http://www.probdes.iiec.unam.mx/en/revistas/v45n176/body/v45n176a2_1.php, April 8, 2013)

It is also important to highlight that according to 2011 statistics from the World Trade Organization, Russia's share of Chinese exports represented 2.0% of total sales. Chinese imports to Russia constituted 2.3% of total purchases from other countries (see Table 2). The Asian giant's main trading partners were the European Union, United States, Hong Kong, Japan and South Korea. We can conclude from this that trade relations between Russia and China are asymmetric in nature and that China is an important trade partner for Russia, more so than Russia is for China.

Russia sells a tremendous amount of oil and minerals to China. This demonstrates both a growing Chinese energy sector as well as a Russian dependence on energy sales.

China is Russia's Primary Consumer of Minerals and Hydrocarbons

(Tatiana Sidorenko, Professor at Tomsk Polytechnic University in Russia, "The Scope of Economic Cooperation between Russia and China and Future Prospects," Problemas del desarrollo [Academic Journal], http://www.probdes.iiec.unam.mx/en/revistas/v45n176/body/v45n176a2_1.php, April 8, 2013)

Another important change in the sectoral structure of Russian exports to China is the dramatic increase in Russian sales of hydrocarbons. The share of mineral products in Russian transactions to its neighbor increased from 7.1% in 2000 to 73.2% in 2012. Hydrocarbons increased from 6.7 to 67.3% in the same period. As previously mentioned, this situation reflects the increasing importance of the energy sector for the Russian economy. On the other hand, it is important to mention that the changes taking place in the sectoral structure of Russian exports to China are the same as those of exports to other countries. Russia is the world's main supplier of hydrocarbons. According to data from the wto, Russia's share of total hydrocarbon exports to other countries was 59.1% in 2011 (United Nations 2011).

Russia has a Pipeline to China

(Tatiana Sidorenko, Professor at Tomsk Polytechnic University in Russia, "The Scope of Economic Cooperation between Russia and China and Future Prospects," Problemas del desarrollo [Academic Journal], http://www.probdes.iiec.unam.mx/en/revistas/v45n176/body/v45n176a2_1.php, April 8, 2013)

The rise in oil sales to China in recent years can be explained by the fact that Russia is no longer exporting crude oil solely by rail thanks to the construction of a pipeline between the two countries. With the aim of driving her energy strategy until 2030, Russia built the East-Siberia-Pacific Ocean Oil Pipeline (espo) linking oil deposits in East and West Siberia with Kozmino along the Pacific Ocean coast. This initiated sales with Asian Pacific countries such as Japan, China, Taiwan, Thailand, Singapore and the U.S.A.

Strategic Relationship

The Sino-Russian Alliance is Viewed as a Counter to the West

(Christopher Hartwell, president of the Center for Social and Economic Research, "Russia and China are frenemies both in Central Asia and globally," Russia Direct, <http://www.russia-direct.org/opinion/russia-and-china-are-frenemies-both-central-asia-and-globally>, May 18, 2015)

Chinese leader Xi Jinping's visit to Russia and the former Soviet republics of Central Asia in early May was warmly received by the Russian media as a sign of close collaboration between the two countries. In line with President Vladimir Putin's disengagement with Europe and pivot to elsewhere in the world (typified by the emphasis on the strange bedfellows of the BRICS), it is widely believed that Russia and China represent a counterbalance to the perceived monolith known as "the West."

China Buys 70% of Russian Arms

(F. Joseph Dresen, is a program associate at the Woodrow Wilson Center's Kennan Institute, "The Prospects for a Sino-Russian Strategic Partnership," Kennan Institute, <https://www.wilsoncenter.org/publication/the-prospects-for-sino-russian-strategic-partnership>, Jul 7, 2011)

The economic forces unleashed by globalization also work to reinforce this cooperative relationship, according to Voskressenski. While benefiting from international trade, Russia and China are also concerned about lagging behind Western nations more fully integrated into the global economy. Both nations seek to mitigate the negative consequences for globalization by promoting increased cross-border trade. China benefits from increased access to Russian energy supplies and Russia benefits through greater integration of the Russian Far East into the Pacific economy. Another aspect of the economic relationship between Russia and China is one that strongly concerns the United States--Russian arms sales to China. Wilson noted that 70 percent of Russia's arms sales went to China in 2000. For Russia, these sales represent a very important source of export earnings that also keep several enterprises in Russia's defense industry afloat. China, in turn, relies on Russia for sophisticated arms and military technology, as it is cut off from arms sales from the West.

Russian Arms Sales to China in 2015

(June Teufel Dreyer, is a Senior Fellow in the Foreign Policy Research Institute's Asia Program, "China and Russia: The Partnership Deepens," Foreign Policy Research Institute, <http://www.fpri.org/article/2016/01/china-and-russia-partnership-deepens/>, January 2016)

Whether because these misgivings had abated or, more likely, because of desperation in Moscow due to deteriorating economic conditions, sales resumed in 2015 as abruptly as they had been reduced nearly a decade before. In the spring, Russian President Vladimir Putin approved in principle the sale of S-400 air defense systems to China, making it the first foreign customer to acquire the S-400. Once deployed, it will provide a significant upgrade for the PRC's integrated air defense system. The deal will reportedly cost US\$ 3 billion. In November, the two concluded a \$ 2 billion deal for the purchase of 24 Su-35 fighter planes. A number of smaller agreements involving joint work in defense projects and in dual-use technologies have also been reached. Russia's Kaspersky Labs has agreed to cooperate with the state-owned China Cyber Security Company for defense against an unnamed state actor which had mounted sophisticated attacks against both countries.

China's technology sector is behind many other developed nations. China makes a habit of stealing technology wherever they can. Sometimes this comes in the form of hacking U.S. companies. Sometimes, it even means copying military products they purchase from Russia. These actions have strained Sino-Russian relations in the past. Especially in 2006, when Russia ended arms sales to China over this issue. Arms sales have resumed, however, due to a suffering Russian economy.

China Stole Fighter Designs from Russia

(Pravda, Pravda is a Russian news source, "China shamelessly steals fighter jet technology from Russia," http://www.pravdareport.com/world/asia/22-04-2009/107437-fighter_jet-0/, April 22, 2009)

China completes the tests of its latest fighter. Chinese engineers say that J-11BS represents the aviation of the fourth generation. Foreign experts say that the Chinese have actually stolen the idea of the fighter jet from Russia. China's latest J-11BS fighter was unveiled on April 10. The development of the aircraft is to be finished by the end of 2009. The serial production is to be launched in 2010. China's military administration said six years later that it no longer needed licensed fighter jets because their battling capacities did not match the country's needs, as it was said. China had 95 new J-11 aircraft added to its arsenal; the planes virtually represented Russian fighter jets assembled in China. However, China proved to be unable to develop the production of aircraft engines, and the country continues to purchase Russian engines for Su-27 MKK and Su-30 MKK, which supposedly do not meet China's demands. In February 2007, China represented J-11B, which bore a striking resemblance to Russia's Su fighters, as US experts wrote. China is currently working on the deck-based version of the Su-27 aircraft. The country apparently uses its previous experience and copy Russian fighters for it. Therefore, Russia refused to sell deck-based Su-33 to China in 2008.

Here is a good final summary of the key points of cooperation between China and Russia:

(Alexander Mercouris [Russia Insider], expert in International law and international relations, "The 6 Pillars of the Chinese Russian Strategic Partnership," Russia Insider, http://russia-insider.com/en/politics_business/2014/11/06/08-03-36pm/6_pillars_chinese_russian_strategic_partnership, Sep 22, 2014)

1. **Energy:** China and Russia have concluded a whole series of deals this year making Russia China's key supplier of gas and oil.
2. **Business and Trade:** China and Russia intend to boost their mutual trade from \$90 billion a year now to \$200 billion by 2020. It is likely this target will be exceeded whilst China is set to become a major investor in the Russian economy.
3. **High Technology and Industry Cooperation:** China and Russia are currently cooperating in a huge range of fields from aircraft development to the sharing of satellite data.
4. **Finance:** China and Russia are partners in the new BRICS Bank. They intend to replace the US dollar in their mutual trade settlements. They are also working together on card payment systems and on rivals to the SWIFT system for interbank payments.
5. **Military:** China and Russia are engaging in military exercises of increasing scale and frequency. Their respective General Staffs closely coordinate with each other. Russia has resumed arms and technology sales to China.

6. **Political and Diplomatic:** China and Russia are joint founder members of the Shanghai Cooperation Organisation. They actively coordinate their foreign policy positions with each other. They also work closely together and support each other in the UN Security Council.