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Will the Russian – Chinese “Strategic Partnership” last until 2020?

Plausible thoughts on an “implausible” scenario

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# Preface

The relationship between Russia and China has been one of the most enigmatic for outsiders to properly understand. In the era of the Soviet Union, the initial assumption once the People's Republic of China was established in 1949 was that they would be close Communist allies. Within a decade, however this was proved wrong. China and the USSR's falling out over mostly ideological issues almost led to outright war in 1969, and did much to precipitate the rapprochement between the US and Beijing in 1972. Even the visit in 1989 by Russia's reformist leader Mikhail Gorbachev to Beijing was bittersweet. It was the first high level delegation to China in over two decades, but it happened on the eve of the Tiananmen Square uprising, and only two years before the country Mr Gorbachev led collapsed, effectively disappearing from history.

With this complex background, it is little wonder that more sanguine commentators in 2014 during the deterioration of Russian's relations with the US and Europe over its involvement in unrest in Ukraine, and the reclamation of Crimea after a controversial plebiscite there, were sceptical when talk emerged of a grand new partnership between Moscow and Beijing. As Mikhail Karpov eloquently argues in this paper, while there were plenty of pragmatic reasons for the two to work together, the idea this heralded in a brave new era of profound closeness and mutual recognition of the alignment of interests needs to be examined more deeply.

Dr Karpov shows that there are real structural differences between Russia and China, and they exist on the level of geopolitics, mutual understanding and economics. He also shows that despite the noisy commentary from the more nationalistically inclined in China that the tensions between Russia and the West are good news for the People's Republic, in fact there are plenty of reasons for why policy makers in Beijing are less than ecstatic over the troubles of the period 2014 into 2015. They fear being tied too deeply to Russia, remain uncertain about the real value of the long term relationship, and are profoundly aware of the continuing importance of solid intellectual, economic and political ties with the EU and the US.

Dr Karpov speaks of this relationship with the immense advantage of being a highly accomplished scholar of China, but one based in Moscow. While scrupulously objective, he is also someone within the relationship, and is therefore able to bring authority to his comments that outsiders are less well placed to claim. His insights therefore are especially informative in helping the outside world try to fathom one of the most complex relationships in the modern world. His final conclusion is a challenging but reassuring one: beyond the rhetoric, we have to look at real material reasons for partnership – and for both Russia and China, while their language to each other might be warm on the surface, their real allegiances belong elsewhere. Look a little deeper under this language, as Dr Karpov helps us to do, shows where those allegiances really are.

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# Abstract

Since the start of the political crisis in Ukraine, the growth of Russian involvement in it and the subsequent sharp deterioration in relations between Moscow and the West, there has been much talk in Russia and abroad about Russia “turning to the East” and upgrading her relations with China to the level of “strategic alliance”. However, even the existing framework of ambiguous “strategic cooperation” would be problematic to sustain in the medium term, since the main structural prerequisites for Sino-Russian interaction in almost all fields, are quite poor.

By 2013, Sino-Russian bilateral trade had reached its “structural ceiling”. For both countries to overcome these limits it means a deep systemic change in their respective economic strategies and policies, a change which now seems highly improbable. In addition, in January 2015 came the collapse of this bilateral trade, logically derived from a general contraction of the Russian economy.

The mutual vision of both countries is in many ways incomplete or openly erroneous. The perception of the Chinese reform experience in Russia today is much more emotional than sober, derived from Russia’s traumatic defeat in the “Cold War”. This makes for a kind of paradoxical “surrealistic-realistic” discourse, summoning fantastic expectations of China supporting Russia militarily or bailing out Russian state and corporate budgets, simply because Moscow is defending her national interests in Ukraine against “Western encroachments”.

It is true that China may relish the prospect of fishing in the troubled waters of disagreements between Russia and the West. It may also be true that Beijing – in principle – has nothing against gaining as much economic, financial and even political preference in Russia as possible. However, all this has its price and limits. It was definitely not in Beijing’s calculations to have a full-scale confrontation, to say nothing about a new version of the “Cold War” between Moscow and the West. The Chinese were also far from happy to see the first signs of the Russian economy melting down in autumn 2014, reasonably fearing its eventual collapse. By late 2014, Beijing leaders finally became aware of the fact that they cannot fully comprehend the dynamics, direction and possible outcomes of Russian–Western relations, the crisis in Ukraine and Moscow’s domestic policies. At the same time, China was far from eager to risk Russian unpredictability on both foreign and domestic fronts. Indeed, Moscow’s current policy has removed any profitability that Beijing could have hoped to derive from the conflict between Russia and the West.

The combination of these factors in the medium term (three to five years) may lead to what now seems to be quite an improbable situation with Russian–Western relations substantially stabilized and Sino-Russian interaction perceptibly cooling down. There will be no Russian–Chinese confrontation. What seems more plausible is a certain distancing from each other based on incomplete trust, the objective limits of interaction and some mutual fatigue.

# Will the Russian – Chinese “Strategic Partnership” last until 2020?

## Plausible thoughts on an “implausible” scenario

**By Mikhail Karpov**

*“It is China’s longstanding position not to interfere in others’ internal affairs. We respect the independence, sovereignty and territorial integrity of Ukraine. We understand the historical background of the Ukrainian issue and the complexity of the current reality”.*  
Statement of the Ministry of Foreign Affairs of the People’s Republic of China.

*“China believes that Russia can coordinate with other parties to push the political settlement of the issue so as to safeguard regional and world peace and stability”.*  
Xi Jinping, March 5, 2014.

Since the start of the political crisis in Ukraine, the growth of Russian involvement in it and the subsequent sharp deterioration in relations between Moscow and the West, there has been much talk in Russia and abroad about Russia “turning to the East” and upgrading her relations with China to the level of “strategic alliance”. Since at least late April 2014, many of Russia’s blue chip companies – Rosneft, Rostech, Gazprom etc. – have started expressing their readiness to broaden co-operation with Beijing in many fields, including high-tech and finance. Russian President Vladimir Putin paid Beijing an official visit in May 2014, signing the long-awaited bilateral gas deal. The deal envisages 70 billion US dollars’ worth of joint investment in a new pipeline, “The Strength of Siberia”, within four to five years and the subsequent supply of Russian gas to China over thirty years.

After the imposition of US and EU sanctions on Russian aeronautics, defense and financial sectors in July and August 2014, there have increasingly appeared claims from Moscow that China is willing and able to substitute for the West as a provider of technologies, spare parts, raw materials and even capital markets. Most recently, there came the news of Moscow’s consent to China’s becoming a stakeholder in the biggest East-Siberian oilfield at Vankor. During Chinese Premier Li Keqiang’s visit to Russia in October 2014, both sides signed 38 different agreements and unveiled a plan to increase the value of bilateral trade to 200 billion US dollars by the year 2020.

Russia, in line with a reborn “realistic” pursuit of her national interest, allegedly so neglected by the West in the last couple of decades, seems to be terminating what used to be her desire for “European integration” and now “turns to face the East”. The biggest natural focus of Moscow’s economic and political “Drang nach Osten” is China. Do these developments create a solid enough ground to conclude that relations between Moscow and Beijing are indeed passing from “strategic cooperation” to “strategic alliance”? In our view, not by a long shot. Moreover, even the existing framework of ambiguous “strategic co-operation” would be problematic to sustain, at least in the medium term, since the main structural prerequisites for Sino-Russian interaction in almost all fields are quite poor.

## The Mystery of Bilateral Trade

In early February 2015, just three months after the countries' Prime Ministers Dmitry Medvedev and Li Keqiang stated the purpose of increasing bilateral trade to the unprecedented amount of 200 billion US dollars by 2020, the Chinese Bureau of Statistics disclosed no less unprecedented figures. In January 2015 Sino-Russian trade decreased 36.4% in annual terms. Chinese exports to Russia fell 42.1%, while imports from Russia fell 28.7%.<sup>1</sup> Beijing statisticians explained this fact by referring to the decline in business activity in the country on the eve of the Lunar New Year celebrations. Bearing in mind that Chinese officials are always rather sensitive about openly hurting Moscow's feelings and fearing the danger of themselves "losing face" after recent optimistic proclamations, this explanation looks nothing short of politically correct nonsense. In 2015, the Lunar New Year celebrations started in China in February, so in December 2014 and January 2015 Chinese business activity could by no means have been responsible for such an abrupt decline. Besides, in the same period, Chinese trade with the US grew 4% and nothing comparable in relation to trade with Russia had ever happened before, indeed even on Lunar New Year's Eve.

The last year of substantial growth in Sino-Russian trade was 2012, when it rose almost 12%. However, in 2013, quite suddenly, the growth rate barely exceeded 1%. Russia dropped to 10th place among China's trading partners, lower even than Brazil. Russia's share in the foreign trade turnover of the PRC amounted to only 2%. China, on the other hand, remained Russia's leading trade partner, while Russian export value to China decreased by 10%. Russia's overall exports fell in 2013 by half a percent. At that time, Beijing also tried to explain these data by referring to the impact of the contraction in global demand. Nevertheless, in 2013 Chinese overall exports grew 8%, imports 7.3%. Trade with the US increased 7%, and with the countries of ASEAN almost 11%.<sup>2</sup>

In 2014, Sino-Russian bilateral trade grew – according to different assessments – from 1% to 6%. Russia sharply increased her crude oil exports to China by 36%. However, the growth of Russian export value to China was modest – around 4%. Total two-way trade in 2014 remained around 90 billion US dollars.<sup>3</sup>

What is definitely clear behind all these vicissitudes is stagnation. Bilateral claims about "mutual complementarity" of the Chinese and Russian economies may be, technically speaking, true. However, the structural dimensions of such complementarity are indeed detrimental to the countries' broader economic interaction. The most fundamental reason here lies in the fact that a Russian economy of today's size and condition simply can no longer produce the amount of added value necessary for the steady growth of trade with China.

Suffice to observe the structure of bilateral trade. Despite Moscow's declarations of intention to improve the structure of the Russian export program to China by making it more value added, the share of raw materials has grown constantly since 2009 and in 2013 and 2014 exceeded 75%. The volume of Russian importation of machinery, equipment and other processed goods from China has been 66 times greater than the volume of their exports to China.<sup>4</sup>

Sufficient growth of bilateral trade is technically possible, but only if Russia undertakes to drastically increase oil, gas and timber exports to China. Such an undertaking, however, runs into two fundamental obstacles. One is on the Russian side, namely, the country must make considerable investment in extraction of raw materials and infrastructure in her East Siberian

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<sup>1</sup>M Bondarenko & E.Korolev, "Russian–Chinese Trade Fell 36% in January", *FreeNews*, [www.rbc.ru/rbcfreenews/54d6e7d39a794762f7e071c9](http://www.rbc.ru/rbcfreenews/54d6e7d39a794762f7e071c9)

<sup>2</sup>E Novozhilov, "Russian Federation – People's Republic of China Trade Volume: Three Quarters and October 2013", *Chinalogist*, [www.chinalogist.ru](http://www.chinalogist.ru)

<sup>3</sup>S Zyplakov, "Russia–China: A Hard Landing", *X-True Info*, 30 Anp 2015, [www.x-true.info](http://www.x-true.info)

<sup>4</sup>S.Drobyshevski, "Sino-Russian 'Mutual Trade Complementarity' – What Is To Be Done?" *FreeNews*, [www.rbc.ru/rbcfreenews/55d6e9d34a995763f9e081c3](http://www.rbc.ru/rbcfreenews/55d6e9d34a995763f9e081c3)

and Far Eastern regions. Such investments look highly unlikely now, with both falling oil prices and the Russian mining and banking sectors under Western sanctions.

The other obstacle concerns China and relates to economic restructuring and macro-misbalances, resulting in substantial constraints on demand for raw materials. In fact, already by the turn of 2012–2013 Sino-Russian bilateral trade had reached its “structural ceiling”. For both countries to overcome these limits each must introduce deep systemic change in their respective economic strategies and policies, actions which now seem highly improbable. In addition, in January of 2015 came the collapse of bilateral trade, logically derived from a general contraction of the Russian economy.

### **Russian “Surrealistic” Realism**

American Russia watcher, Mark Adomanis wrote in *Forbes* in December 2014: “I am amazed, that a bunch of self-described realists like the Russian government, would take Chinese proclamations about partnership at face value...China cares little about any notion of anti-Western brotherhood. It cares a lot more about securing access to oil, gas and industrial products at the lowest possible price. Should the Russians accept a bailout from China, they’ll very quickly learn that Westerners aren’t the only ones with demands”.<sup>5</sup>

It is a matter of considerable importance to understand that Moscow began turning to China for “closer partnership” not only when her economy started to crumble, but also when her community of China watchers remained largely non-functional. There are many complicated and interrelated reasons for such a state of affairs. We would like to point here to three systemic causes.

The first relates to the institutional and ideological legacy of what used to be Soviet–China studies. Modern China, especially China after 1949 as a field of political and socio-economic research in the former Soviet Union, was perhaps under the strongest Marxist-Leninist ideological pressure compared with other fields of International studies in the former Soviet Union. To some extent this was understandable, since the main task, posed by the Soviet leadership before sinologists – at least, since the early 1960s – was to prove that it was the Soviet model of socialism that was more really socialist, successful and legitimate, than the Chinese one. What followed was an annihilating criticism of Maoism and then Deng Xiaoping’s “reform and openness”, since both were fundamental deviations from what was Moscow’s version of “the path to a bright future”.

Such a goal resulted in very specific institutional, methodological and personal arrangements that were more suitable for producing propaganda leaflets than for the elaboration of balanced assessments and strategies. Ideologically these arrangements naturally collapsed with the collapse of the Soviet Union. However, some important features of Soviet–China studies, especially with regard to institutional and personal relationships as well as a general “Cold War” worldview, continued to characterize a considerable number of Russian sinologists in the post-Soviet period.

The second systemic cause relates to the difficult economic condition of the post-Soviet Russian–China studies throughout the 1990s, even the 2000s, with financing drastically reduced and the influx of the new generation of researchers dramatically decreased. Those younger ones were preoccupied with earning money and ad hoc, predominantly business consulting, while not all, but quite a large number of the older ones preferred to relish their Soviet-time expertise. This situation led to overall stagnation and even recession in the field of Russian–China studies, causing methodological failure, accepting without question Beijing’s official statements and indeed “surrealistic” expectations.

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<sup>5</sup> M Adomanis, “The Ruble Crisis, Russia and China: If You Take the King’s Shilling, You Do the King’s Bidding”, *Forbes*, 23 December 2014, [www.forbes.com/sites/markadomanis/2014/12/23/the-ruble-crisis-russia-and-china](http://www.forbes.com/sites/markadomanis/2014/12/23/the-ruble-crisis-russia-and-china)

Finally, one cannot comprehend the state of mind of many contemporary Russian sinologists without considering the impact of the traumatic Soviet collapse on their perception of China today. A rising China serves as a mute reproach to the “failure of democratic reforms”, introduced by Mikhail Gorbachev and the “tragedy” of anti-Communist “shock therapy”, implemented by Boris Yeltsin. Ironically, the same people who denounced Mao Zedong and Deng Xiaoping as opportunists now make a mental U-turn and are inclined to think that both Chinese leaders were much wiser than their Soviet contemporaries – the first in fighting “corrupt bureaucracy”, the second in implementing a market under strict Party–State control.

Clearly, such perception of the Chinese reform experience in Russia today has much more of an emotional and irrational than a sober and rational dimension. People ignore or underestimate many factors and circumstances of a cultural, social, economic and political nature. Nevertheless, many tend to think that the Chinese “path of reforms” is more efficient than the Soviet or post-Soviet one and look upon rising China as an “opportunity missed by Gorbachev”, a paragon of development for Russia. Quite often, they construe the rise of China today in almost fully “Cold War” terms, which means that the former Soviet leadership betrayed and defeated their own country, while China, due to “Deng Xiaoping’s wisdom”, now begins to occupy the forefront of global resistance to Western economic, political, military and cultural expansion. Therefore, it is worthwhile for Russia to form a close political and military alliance with China, while the obvious costs of such a step often – quite paradoxically – remain out of the equation.

All this is indeed a kind of “surrealistic/realistic” discourse, amounting to fantastic expectations of China supporting Russia militarily or bailing out the Russian state and corporate budgets by bringing in suitcases of money simply because Moscow is defending her national interests in Ukraine against “Western encroachments”. “After all, the Chinese ‘golden rain’ poured over Venezuela and Libya at one time”, an expert told me in private conversation.

However, it would certainly be misleading to present the vast majority of Russian China watchers as staunch heirs to the “Cold War” mentality, in love with China. The real picture “on the ground” is more complex. Along with those who count on “strategic alliance” with China, among today’s “great Russian realists” there are those who utterly distrust Beijing and even find plausible Sino-Russian armed clashes in the future. Others – of “pro-Western” liberal orientation – fear too close a relationship with China on political and ideological grounds. A minority of experts – mainly economists and political scientists – point to internal weaknesses in the Chinese economy. In particular, they argue that the instability of the financial system in the PRC makes close Sino-Russian financial co-operation counterproductive for Moscow.<sup>6</sup> However, in the frenzy of “turning to the East”, the proponents of “alliance” have turned out to be the most audible, while others have preferred to keep silent or self-censor.

There are reasonable grounds to believe that some of those in the current Russian political class, who are not China watchers and who may even harbor some suspicions of China’s real intentions towards Russia, may still feel sympathetic with such argumentation. The whole story of Russia’s “turn to China” during 2014, in retrospect, looks like a political game which, after the increased International isolation of Moscow, evolved gradually into a forced and sincere search for possible ways of deepening co-operation with Beijing. For example, Russia and China established the bilateral Business Council. Gennady Timchenko, famous “oligarch” under Western sanctions for his allegedly close relationship with President Vladimir Putin, became its co-chairman on the Russian side. However, this search has consistently suffered from the lack of knowledge of Chinese economic and political reality and from the absence of fine-tuning of Sino-Russian relations on the micro- and medium levels. The latter circumstance is not least due to the cultural differences between the partners and unclear prospects for fast profits. Russia’s community of China watchers failed to supply the Russian leadership with this knowledge,

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<sup>6</sup>M Karpov, *Contemporary Russia in the Field of the Chinese “Soft Power”* in M Karpov & T Guzenkova (eds), *China in the Post-Soviet Space*, Russian Institute for Strategic Studies, Moscow, 2012, pp. 6–21.

partly because it lacked such expertise, partly because the Russian leadership, also somewhat mesmerized by China's apparent potency, was ready to listen only to what it wanted to hear.

### Beijing's "Russian Dilemma"

The Western community of analysts was almost unanimous in saying that China is the biggest beneficiary of the confrontation between Russia and the West over Ukraine. In principle, this statement is quite correct. It indeed looks like Beijing, needed by all sides of the conflict, had the opportunity to play both Western and Russian cards simultaneously. However, we assume that much in this play depends on the true scale of Russian-Western antagonism and the direction of internal developments in Russia.

It is certainly true that in economic terms the West is more important for Beijing, than Russia. China-US bilateral trade, for example, is more than five times that with Russia and the potential for growth in China-Western economic and financial co-operation remains huge with its "structural ceiling" far from reached. The APEC summit in Beijing in November 2014 clearly demonstrated that despite all the drama in Sino-American relations, China is a much more welcome member of the International community than Putin's Russia. China is rather unlikely to risk all this by choosing to put all its eggs in the Russian basket. It is also true that in the field of military-technical co-operation Beijing depends on both Russia and Ukraine, and this fact inevitably adds considerable nuance to China's position in this conflict.<sup>7</sup>

However, there is a number of other quite important Chinese domestic factors and considerations, which are worthwhile bearing in mind. The Chinese political class and expert community are clearly split over the Russian role in the Ukrainian drama. On the one hand, the notorious "Global Times" writes, that "... if Russia led by Putin is defeated by the West, it will deal a heavy blow to China's geopolitical interests". Western China watchers reasonably concluded that "[Chinese] military analysts admire Putin and Russian rejection of the West's global leadership" and this fact might influence "China's risk calculus in the hotspots such as South and East China Sea".<sup>8</sup>

In fact, not only military analysts but also a group of Chinese civil experts have urged the Beijing government to back Moscow politically and economically. The proponents of this view stipulated, however, a number of conditions, which Moscow will have to comply with should it agree to accept Chinese aid. These conditions suggested that Moscow make wide concessions that would give China preference in the fields of economy and finance up to an implicit possibility of revising territorial agreements. The speculation was that some people in Moscow tended to agree with some of these propositions, while most found them utterly unacceptable.

On the other hand, official Beijing keeps repeating that "Global Times" and "radical experts" are not proxies of the Chinese government and reiterates its "longstanding position not to interfere in others' internal affairs" as well as to respect "the independence, sovereignty and territorial integrity of Ukraine". Chinese leader Xi Jinping urged Moscow to co-operate with all the parties concerned "so as to safeguard regional and world peace and stability".

My private contacts with a number of high-ranking Chinese experts from the Academy of Social Sciences have revealed that Beijing was dissatisfied with the fact that Russia, being a "strategic ally", did not bother to give even a hint to China in advance about her intentions in regard to Crimea and Eastern Ukraine. The talk about possible Chinese economic and financial aid to Russia usually led to many questions: How? To whom? When? How much? In what concrete form? Chinese interlocutors – no less than Mark Adomanis – seemed surprised that their Russian partners could have placed such great hope in Beijing's assistance, assuming that

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<sup>7</sup> M Kofman, "An Uneasy Menage a Trois: Reliance on Russian and Ukrainian Weapons Puts China in a Tight Spot", *Foreign Affairs*, 4 December 2014,

[www.foreignaffairs.com/articles/142417/michael-kofman/an-uneasy-menage-a-trois](http://www.foreignaffairs.com/articles/142417/michael-kofman/an-uneasy-menage-a-trois)

<sup>8</sup> LJ Goldstein, "What Does China Really Think about the Ukraine Crisis?" *The National Interest*, 4 September 2014, [www.nationalinterest.org/.../what-does-china](http://www.nationalinterest.org/.../what-does-china)

Moscow was unaware of many “technical difficulties and obstacles” in the way of such assistance.

To be sure, on the surface China indeed played its part, however cautiously, in the Russian “Eurasian gambit”. Obviously, the politically motivated signing of a long-awaited gas deal took place in April 2014. Chinese Premier Li Keqiang’s visit to Moscow in October the same year was quantitatively fruitful. Beijing granted Russia a couple of tied loans to buy Chinese food and light industry produce. Still, overall the political phraseology of the Chinese side was invariably cool, sometimes even ambiguous.

In September 2014, however, there came indeed an important sign that China intends to decelerate co-operation with Russia in the field where Moscow not only most desired Beijing’s assistance, but on which both sides had also fundamentally agreed. The Chinese side decided to slow down the advance payment of 20 billion US dollars, which it had promised to Russia in the framework of the “historic” bilateral gas deal, signed in May during Vladimir Putin’s official visit to Beijing. One of the explanations given on the sidelines was that the two sides still disagree on the issue of the gas price.

There is some ground to conclude that the Chinese position on co-operation with Russia became even more cautious after the West imposed harsh sanctions on Moscow in financial and technological fields and Moscow fired back with its “countersanctions”, while the war in Eastern Ukraine went on, shattering the prospects for a fast and feasible political settlement. All this was already too much for Beijing.

It is undoubtedly true that China may relish the prospect of fishing in the troubled waters of disagreements between Russia and the West. It may be also true that Beijing, in principle, has nothing against gaining as much economic, financial and even political preference in Russia, as possible. However, all this has its price and limits. It was definitely not in Beijing’s calculation to have a full-scale confrontation, to say nothing of a new edition of the “Cold War” between Moscow and the West. The Chinese were also far from happy to see the first signs of the Russian economy melting down in autumn 2014, reasonably fearing its eventual collapse. It was the succession of events in the second half of 2014 that made Beijing quite annoyed, forcing it to adopt a “wait and see” tactic.

Chinese–Russia studies are larger in scale, than Russian studies on China. According to incomplete data, there are more than 70 educational and analytical institutions in the country – including the Russian language faculties of the Universities – that engage in tracking and studying Russian developments. They also enjoy better financing than their Russian counterparts. This, however, does not free them from quite a few problems, fantasies and misinterpretations. Chinese Russia watchers still operate within certain ideological limits and propagandist schemes and are prone to self-censorship. The fundamental issue that continues to haunt them is how to find both convincing and politically correct answers to the questions of why the Soviet Union collapsed and how to assess the Russian post-Communist transition. This makes many of their perceptions and explanations of contemporary Russia incoherent, simplistic and, sometimes, frankly naïve, albeit truly “realistic”. In an attempt to kill two birds with one stone, namely to sound both professional and ideologically loyal, they often adopt the official Russian line. Perhaps, one of the best examples here is how Beijing adopted and eagerly discussed the Russian concept of “sovereign democracy”, ironically, at exactly the time when it began getting a cold reception from the Russian expert community in the wake of Dmitri Medvedev’s Presidency in the second half of the 2000s. In other words, Chinese Russia watchers may be well versed in Russian developments factually, but do not necessarily comprehend fully their internal structural, cultural and political contexts.

Publications about Russia in the Chinese press and statements by some Chinese experts in December 2014 – right at the time of the abrupt devaluation of the ruble and first signs of monetary panic in the Russian market – testified to a lack of proper understanding of the realistic possibilities available to Russian authorities for dealing with this panic. The most popular therapy prescribed by Chinese economists to their Russian colleagues was the

imposition of restrictions on capital flow.<sup>9</sup> The Russian Economic Minister Sergey Ulyukaev, for example, openly admitted that he could not even think about such a solution, since restrictions on capital flow would be practically impossible to administer and could have cast Russia into a final spiral of currency chaos.<sup>10</sup>

To sum up, sometime by late 2014, Beijing's leaders finally became aware of the fact that they cannot fully comprehend the dynamics, direction and possible outcomes of Russian-Western relations, the Ukrainian crisis and Moscow's domestic policies. At the same time, China was far from eager to take the risk of Russian unpredictability on both foreign and domestic fronts. Moscow's policy has moved beyond the limits of profitability any benefit that Beijing could have derived from the conflict between Russia and the West.

### **Sino-Russian Relations in the Medium Term: “Partnership”, “Alliance” or “Growth of Mutual Fatigue”?**

In our opinion, the reality is that Sino-Russian relations by now have reached certain natural limits in their development. These limits appear first in the structural exhaustion of the potential for bilateral economic cooperation. Second, in Russia's almost “surrealistic” over-estimation of both China's economic and financial potential and Beijing's eagerness to throw itself behind Moscow at a time of high unpredictability in Russian–Western relations. Third, in Beijing's incomplete understanding of the direction and possible outcomes of Russia's domestic and foreign policy therefore resulting in the growing caution in China's approach to Moscow.

We utterly exclude any possibility of the formation of a Sino-Russian political and military alliance with clear anti-Western orientation. On the other hand, bilateral assurances of maintaining “strategic partnership” will continue. However, mutual distrust is also likely to grow considerably, nourished by stalemates in economic co-operation, unfulfilled expectations, cultural differences, Beijing's disillusionment with Moscow's predictability, Russian dissatisfaction with Chinese “pragmatism” and rising apprehensions over the true intentions of Beijing with regard to Russia.

One should also bear in mind possible complications of future Chinese development. The country is palpably approaching the next fork in its road with, indeed, unpredictable consequences of economic restructuring and the current style of political leadership. Should Beijing prefer to translate internal tension into external expansion, this most probably would happen in the Eastern or Southeastern, but not in the Northern direction, with Russia remaining too big and risky an option.

Albeit the following scenario may look somewhat unrealistic now, we tend to assume that in due time the Russian approach to the West may take a friendlier turn. The constellation of economic and political resources available to Russia in the medium term will inevitably push her in this direction. Besides, given the century-long history of Russia's sudden and drastic changes in domestic and foreign policy, this scenario looks even more plausible. In fact, repairing Moscow's relations with the West – despite currently obvious and significant obstacles – may turn out to be structurally easier than jumping beyond the natural limits of her economic, cultural and political interaction with Beijing.

The combination of these factors in the medium term (from three to five years) may lead to what now seems quite an improbable situation with Russia–Western relations substantially stabilized and Sino-Russian interaction perceptibly cooling down. We in no way predict the beginning of a Russian–Chinese confrontation. What seems more plausible is a certain

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<sup>9</sup> Ouyang Xiaohong, Bai Jing & Baowei Lubu “Defending the Ruble”, *Jingji Guangcha Bao*, *The Economic Observer*, 22 December 2014.

<sup>10</sup> [www.forexpf.ru/news/2014/12/16/atih-rossiya-ministr-economiki-ulyukaev-ne-rassmatrivaet-vopros-o-vvedenii-ogranichen](http://www.forexpf.ru/news/2014/12/16/atih-rossiya-ministr-economiki-ulyukaev-ne-rassmatrivaet-vopros-o-vvedenii-ogranichen)

distancing from each other based on incomplete trust, the objective limits of interaction and some mutual fatigue.

The verbal framework of “strategic cooperation” between Moscow and Beijing may even persist. However, its real content may become more modest than it is now.

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