

**The power couple: Is there a new Beijing-Moscow axis?** by Peter Rutland

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With US leadership in disarray, China and Russia are set to seize the initiative in global leadership. The two countries have had their differences, such that former Australian diplomat Bobo Lo dubbed their partnership an “[axis of convenience](#)” in 2008. Some argue that things have changed decisively over the past decade. Russia’s economy has stagnated since the 2008 recession and never recovered its former growth trajectory and post-Crimea Russia is now so alienated from the US and European Union that it is willing to swallow its pride and bandwagon with rising China.

Russian President Vladimir Putin and Chinese counterpart Xi Jinping have met over 20 times. In April, Putin [boasted](#) that Russia-China relations had reached “unprecedented heights.” And prior to the G20 meeting in Hamburg, the two men held a summit in Moscow at which they affirmed their common position on a broad range of issues.

North Korea is one such issue. The July 4 launch of a long-range missile drew attention to the acute security threat emanating from Pyongyang. China and Russia are seen as the only powers capable of exercising any leverage over Kim Jong Un. Putin and Xi proposed a moratorium on North Korean missile tests in return for a suspension of US and South Korean military exercises (a non-starter for Washington). Russia and China have coinciding interests in wanting to defuse the North Korea crisis while trying to minimize the US military presence in the region. Both countries strongly oppose recent US deployment of the Terminal High Altitude Area Defense (THAAD) missile defense system in South Korea (just as Moscow has long objected to US anti-missile deployments in Europe).

Russia and China share a “common world view,” [argues](#) Dmitry Trenin, head of the Carnegie Moscow Center. They want to dismantle US domination of the international financial system; and oppose the US willingness to use military intervention and other means to bring about regime change – as evidenced by the Yugoslav wars of the 1990s, the Iraq war, the “color revolutions” in Georgia and Ukraine, and the Arab Spring of 2011.

Russia and China have stepped up [military cooperation](#). Russian naval vessels have conducted joint exercises with the People’s Liberation Army (PLA) Navy in the South China Sea – and currently a flotilla of three Chinese ships is steaming to the Baltic Sea for a joint exercise with the Russians (ostensibly for air-sea rescue training). In 2006, Moscow suspended all

arms sales to Beijing because China was reverse engineering Russian weapons, such as the SU27 bomber, and then selling them to third countries. But in 2011, Russia swallowed its pride and resumed the sale of advanced arms such as the S-400 air defense system to China. A US Congress [study](#) warned that these deliveries threaten US air superiority in a possible naval conflict with China.

Aside from the convergence in political views, Moscow and Beijing have overlapping economic interests. China has a gargantuan appetite for energy, and Russia wants to move away from its dependence on oil and gas exports to Europe, especially given the West’s economic sanctions imposed in the wake of Russia’s March 2014 annexation of Crimea.

As with arms sales, Russia and China have had disagreements over economic cooperation. China was ready to invest large sums into resource extractive industries in Russia – from forestry to farming to oil and gas. Russia was [wary](#) of opening the door to an influx of Chinese capital and labor into the sparsely-populated Russian Far East (there are only 6 million Russians east of Lake Baikal), however. Moreover, oil and gas fields were off-limits for Chinese investors. Since 2013, Putin has changed his thinking and allowed Chinese to acquire equity stakes in energy projects in return for development loans.

Putin signed on to China’s ambitious “[One Belt One Road](#)” (OBOR) program. At a forum in Beijing in May, Putin was given the honor of being the second speaker, after President Xi. OBOR involves [\\$1 trillion investments](#) in transport infrastructure across Central Asia and south through Pakistan and Myanmar, plus a maritime silk road of expanded ports through Southeast Asia. It is a way of speeding Chinese exports to world markets and boosting demand for China’s steel mills and engineering works, which suffer from excess capacity. OBOR also aims to develop China’s western provinces, which are lagging behind booming coastal regions.

Embracing OBOR was a major concession by Putin. China has been winning the contest with Russia for economic influence in Central Asia. China has built pipelines to carry Turkmenistan’s gas and Kazakhstan’s oil to the east; previously, they flowed north across Russia. Moreover, the logic of OBOR directly contradicts that of Putin’s project for a Eurasian Economic Union, a free-trade zone that will provide a protected market for Russian manufactured goods behind tariff barriers. So far, only Belarus, Kyrgyzstan, Kazakhstan, and Armenia have joined the EEU.

At the OBOR forum in Beijing, Putin agreed to merge the EEU with OBOR, but it remains to be seen whether this is feasible. Customs and border controls for goods entering the EEU are onerous, and Russia still operates a broad-gauge railway system, which mean trains have to spend 1-2 days at the border transferring wagons.

Despite the many positive signals from Moscow and Beijing, there are grounds for skepticism about a Russia-China alliance. Although their rhetoric is that of equal partnership, in reality it is a deeply [asymmetrical relationship](#). China's economy is eight times greater than that of Russia, and it is growing while the latter stagnates. It is also a relationship with a long history of mutual distrust.

Russia was formerly the dominant player, but it is now the junior partner. This status-inversion is disorienting, and even if foreign policy elites have come around to the idea, it could provoke a domestic backlash inside Russia.

Moreover, the two countries have fundamentally different views about the trajectory of the global economy. China has embraced globalization with enthusiasm. President Xi attended the Davos World Economic Forum in January 2017 and announced globalization 2.0., in which China will play a leading role in setting the rules of the international economy. In 2016, former Deputy Foreign Minister He Yafei [wrote](#) of a "shift in global governance from 'governance by the West' to 'co-governance by East and West.'" Russia is skeptical of globalization, fearing that it has turned Russia into a source of raw materials for Europe and China.

Russia is also deeply committed to a multilateral approach, seeking to build coalitions such as the BRICS group (Brazil, Russia, India, China, South Africa) to restrain US power. Beijing is a member of the BRICS but it seems more interested in building a bipolar order with the US. Beijing also has far more at stake than Russia in economic ties to the US, which takes 15 percent of China's exports.

Russia overtook Saudi Arabia as the leading source of China's oil in 2016, but it only supplies 20 percent of China's imports. And while China is Russia's top trade partner, it only accounts for 12 percent of Russia's trade. Russia-China trade rose to \$66 billion in 2016, but that is down from a peak of \$88 billion in 2012, before oil prices tumbled and the Russian economy entered recession. China maintains trade barriers against some Russian exports such as wheat and livestock.

China has invested heavily in some Russian energy projects – lending \$25 billion for the construction of the East Siberia-Pacific Ocean oil pipeline, which became operational in 2011, and \$12 billion for a 30 percent stake in Novatek's Yamal liquefied natural gas project. But Russia accounts for just 1 percent of China's total overseas investment. And Chinese commercial banks have avoided investing in Russia since 2014, wary of falling afoul of sanctions imposed by the US and its allies following Russia's annexation of Crimea.

Culturally, there are no great bonds of friendship between the Chinese and Russian peoples. Older Russians may have some nostalgia for a common Communist past, but younger Russians show little cultural affinity for or interest in China. A 2015 [survey](#) found 79 percent of Russians had a positive view of China, but only 51 percent of Chinese had a positive view of Russia. While the official Chinese position is that the 4,000 km border with Russia is not disputed, popular history books still invoke the "unequal treaties" of the 19<sup>th</sup> century when the Chinese empire ceded 600,000 sq km of real estate to Russia.

Despite promises of eternal friendship by their political leaders, tectonic plates of economic development are pulling China and Russia apart. It is still possible, however, that aggressive behavior by President Trump over North Korea or the South China Sea could drive them closer together in a military stand-off with the US.

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