Chapter 9

Sino-Russian Relations and Transatlantic Ties

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The improved relations between the Russian Federation and the People's Republic of China (PRC) since the Cold War's end have global implications, including on the transatlantic relationship. In recent years the two countries' bilateral ties have increased in many arenas—politically, economically, and militarily. Moreover, both governments have carefully avoided taking provocative actions against each other. China has become Russia's main trading partner, and the two sides have increased the frequency and number of their defense exchanges. Russian President Vladimir Putin now denotes the relationship as a "comprehensive partnership and strategic collaboration. 'Comprehensive' means that we work virtually on all major avenues; 'strategic' means that we attach enormous intergovernmental importance to this work."

Leaders of both countries engage via more than 20 joint intergovernmental mechanisms, though the importance and activism of these bodies is unclear.² It is hard to argue with the regular assertions of Russian and Chinese leaders that their bilateral relations are the best they have ever been.

Several drivers are responsible for this growing partnership, which began in the early 1990s: economic incentives, similar world views, mutual security concerns, and shared interests in claiming sovereignty over nearby regions. The sanctions imposed by the United States and the European Union (EU) after the 2014 annexation of Crimea have accelerated—rather than caused—Russia's pivot to China.

Marc Bennetts, "Shunned by West, Putin Seeks Friend, Financier on China Visit," *The Washington Times*, June 23, 2016, http://www.washingtontimes.com/news/2016/jun/23/putin-seeks-friend-financier-on-china-visit/ (accessed February 7, 2017).

² Xinhua, "Putin Eyes Closer Partnership with China," China Daily, June 24, 2016, http://www.chinadaily.com.cn/china/2016-06/24/content_25830253.htm (accessed February 7, 2017).

³ "Putin Seeks 'More Productive' China Ties," *The Straits Times*, June 23, 2016, http://www.straitstimes.com/world/europe/putin-seeks-more-productive-china-ties (accessed February 7, 2017).

Despite these connections, Moscow's relations with Beijing have never been as strong as the post-World War II transatlantic ties between Western Europe and the United States. Sino-Russian interactions are still mostly marked by harmonious rhetoric, with few concrete projects outside of arms sales, diplomatic consultations, and intermittent energy deals. Despite improved relations, Russia and China have not formed a mutual defensive alliance and still tend to pursue parallel, but distinct, policies regarding many issues. The PRC's indigenous industry has improved enough that Beijing has lost interest in buying Soviet-era defense and manufacturing technologies. For example, the People's Liberation Army (PLA) is now interested in obtaining only Russia's most advanced weapons, which Russians hesitate to sell these without extensive safeguards against the Chinese again copying their sophisticated military technologies and illegally introducing them into other PRC-made weapons systems.

Moreover, the quadrilateral relationship between Russia, China, Europe, and the United States is uniquely cross-cutting and highly complex. Russia seeks to overturn the Western-led global order with a new one, where Moscow would exert greater influence, and where universal values are lacking beyond those agreed by nation states in international law and within the UN Security Council. China also seeks to reform the existing order to give Beijing more influence, but is not yet prepared to try to create an alternative order due to doubts that it will have the capacity, skill, and luck to make a better world in its place. Europeans favor the existing world order, but lack the means to maintain it without U.S. help. Finally, U.S. President Donald Trump is a wild card, in that it is unclear the extent to which he will uphold or abandon traditional Western international liberal principles, norms, and institutions. Thus far, Russia and China have regularly blocked U.S. and European-backed initiatives in the UN Security Council and other multinational bodies, but have also partnered with Western countries on important measures.

China's relations with Russia and the EU are more stable and strong than Beijing's or Moscow's ties with Washington. Until recently, PRC-U.S. relations have been seriously strained. Yet, these ties are still better than the more comprehensively unhealthy Russian-U.S relationship. Russia's pivot toward Asia has focused almost entirely on China, whereas the U.S. pivot to Asia has been more widely targeted but less successful regarding Beijing. Europe's trade-focused approach toward China is also imbalanced. While Russian-U.S. exchanges remain dominated by Cold War-era issues such as arms control and regional security, the Russian-

EU, Russia-China, and Russia-U.S. dialogues extend to encompass many more non-military issues. The China-U.S. and China-EU relationships are sustained by the large number of commercial and academic exchanges, which are almost entirely lacking in the Russian-U.S. and Russian-Chinese relationships.

Moscow's main source of influence remains its military power, as well as its arms and energy exports, despite Russian efforts to diversify assets by advancing its economic, diplomatic, and soft persuasive power. China, the United States, and Europe enjoy a much more robust power portfolio. Yet, China and Europe as well as Russia face major demographic (and therefore socioeconomic) challenges, due to their aging workforce and low birth rates. While Russia's demographic challenges are unprecedented for an advanced and educated society, and China's low-cost working-age population is shrinking due to its aging population and the migration of low-skilled rural workers moving to cities for higher education, the United States is in better shape due to immigration and other favorable conditions.⁴

These complexities are replicated on specific geographic and functional issues—there are not always two opposing dyads (Russia-China vs. Europe-U.S.) in a renewed bipolar confrontation. In some instances, Russia and China do align against Europe and the United States, but in other cases their alignments differ. For example, while Beijing and Moscow denounce U.S. missile defense initiatives in Korea, Chinese government officials have not expressed much concern about U.S. and NATO missile defenses in Europe. Moreover, Moscow wants Beijing to participate in the hitherto exclusively Russian-U.S. strategic arms reductions process, which China refuses even to consider until the two other countries make major nuclear weapons first. Russian representatives repeatedly state that their Chinese counterparts share their views regarding the flaws of the Western-led global order, Western military unilateralism, and other transatlantic-related issues. Yet, Chinese government representatives are cautious in their public statements about the West, citing both benefits and costs to China from the system.⁵

⁴ Linette Lopez, "What is China's Demographic Challenge?" World Economic Forum, October 22, 2015 https://www.weforum.org/agenda/2015/10/what-is-chinas-demographics-challenge/ (accessed March 12, 2017).

The Socioeconomic Dimension

China's trade and investment ties with Russia are visibly small compared with the PRC's economic relations with Western states. China has been Russia's largest trading partner since 2010, displacing Germany and other European countries. Russia also regularly vies with Saudi Arabia and Angola as the PRC's largest single national supplier of imported oil.⁶ Chinese investors have also taken advantage of the new development mechanisms created by Russian authorities—the Far East Development Fund, Advanced Development Territories, the Vladivostok free port area, and targeted infrastructural project support funds—to secure greater PRC direct investment in Russian projects, particularly in the Russian Far East.⁷ Meanwhile, Russian-European economic ties are fraying. Their arms trade has collapsed, European direct investment in Russia has fallen considerably since its 2013 peak, and Europeans are striving to reduce their dependence on Russian energy imports. Elikewise, Russian-U.S. economic ties remain insignificant. For example, in 2015, China's two-way trade with the United States and with Europe each approached \$600 billion, whereas its bilateral commerce with Russia was about one-tenth of that level. The PRC is the second largest foreign holder of U.S. Treasury securities, the secondlargest U.S. trading partner, and the leading source of U.S. imports. China has surpassed Russia as the EU's second largest trade partner, with Russia falling to fourth place behind Switzerland, whose imports from the EU are twice as large. The EU is China's biggest trading partner and the PRC has also become an increasingly important investor in Europe. 10

⁵ Fu Ying, "Major Countries Need to Build Trust," Valdai Discussion Club, October 25, 2016, http://valdaiclub.com/a/highlights/major-countries-need-to-build-trust/ (accessed February 7, 2017).

⁶ "Saudi Regains Top Oil Supplier Spot to China in Jan—Customs," Reuters, February 24, 2017, http://af.reuters.com/article/angolaNews/idAFB9N1FY02I?feedType=RSS&feed-Name=angolaNews&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed:+r euters/AfricaAngolaNews+(News+/+Africa+/+Angola+News)&&rpc=401 (accessed March 13, 2017).

⁷ "China Invests Over \$2.4Bln in Russian Far East," Sputnik, July 5, 2016, https://sputniknews.com/russia/201607051042440286-china-far-east-investments/ (accessed February 7, 2017).

⁸ European Commission, "Trade Policy: Countries and Regions: Russia," http://ec.europa.eu/ trade/policy/countries-and-regions/countries/russia/ (accessed March 13, 2017).

⁹ European Commission Directorate General for Trade, "Client and Supplier Countries of the EU28 in Merchandise Trade (value % 2015, excluding intra-EU trade), http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_122530.pdf (accessed March 13, 2017).

¹⁰ European Commission, "Trade Policy: Countries and Regions: China," http://ec.europa.eu/ trade/policy/countries-and-regions/countries/china/ (accessed March 13, 2017).

Sino-Russian ties offer Europe more economic opportunities than the United States. Both Russian and European leaders view China's rising economic prosperity as primarily benign, whereas Trump sees the PRC mostly as an economic competitor. Europe's economic importance to Russia and the United States is declining, whereas it is rising for China, whose "One Belt, One Road" initiative has a major prong directed toward Europe.

Of greatest importance, Russian policy makers have hoped that China might provide an alternative to Western energy and capital markets whose access has been severely limited by EU and U.S. sanctions. European governments have renewed sanctions on several occasions despite suffering greater economic losses than the United States from the foregone investment and trade. Europeans worry that Russians' commercial reorientation toward China could challenge European sales of electronic machinery, equipment, and nuclear energy technologies to Russia. ¹¹ Russian advocates of pursuing deeper ties with Asia and Eurasia argue that building such relations would eventually make Russia a more attractive partner for Europeans. 12 Yet, Russian aspirations of China filling the Western sanctions gap have not panned out. Russian-Chinese trade plunged by almost percent in 2015 due the lower value of Russian commodity exports, slowing Russian and Chinese economic growth, and a massive devaluation of the Russian ruble. Trade stabilized at this lower level in 2016, at around \$70 billion, but only due to growing Chinese exports to Russia.¹³

Both Russian and Chinese analysts have expressed enthusiasm for the British vote to leave the EU, which they see as making it easier for their countries to cultivate favorable ties with individual EU members (which they have already done successfully with Switzerland and other European states) as well as collectively enhancing their leverage with a weakened EU. Still, while there are plausible suspicions that Moscow encouraged Brexit by rendering propaganda and other support to its advocates, Beijing initially viewed the withdrawal as a threat to economic and financial stability, even if PRC analysts have since seen opportunities in the British decision as

¹¹ Alicia García-Herrero & Jianwei Xu, "The China-Russia Trade Relationship and Its Impact on Europe," Bruegel Working Paper, Issue 4, July 14, 2016, http://bruegel.org/wp-content/uploads/2016/07/WP-2016_04-180716.pdf (accessed February 7, 2017).

¹² Sergey Karaganov, "С Востока на Запад, или Большая Евразия (From East to West, or Greater Eurasia)," Rosiiskaya Gazeta, October 24, 2016, https://rg.ru/2016/10/24/politologkaraganov-povorot-rossii-k-rynkam-azii-uzhe-sostoialsia.html (accessed February 7, 2017).

^{13 &}quot;Chinese-Russian Trade Grows 2.2% in 2016—Customs Data," Sputnik, January 13, 2017, https://sputniknews.com/business/201701131049547358-china-russia-trade/ (accessed March 13, 2017).

well.¹⁴ In any case, Russian and Chinese analysts have cited political developments in Europe and the United States as well as the decrease in the number of political democracies globally as evidence of a decline in worldwide support for globalization, liberal interventionism, and Western efforts to export what they see as universal political principles. 15

Security Ties

The Sino-Russian partnership poses more of a military challenge to the United States than to Europe. Neither Russia nor Europe perceives China as a near-term defense threat, while Pentagon planners are very worried about the PLA's military might. Russian and Chinese leaders both see the United States as their main and sole equal strategic rival. Russians view China as an emerging great power partner, while PRC analysts assess Russia as a declining great power. Elites in all three countries see Europe's strategic and economic role in the world as in secular decline, with Asia becoming the most crucial global region in terms of share of the world economy and potential for great power war.

Russian and Chinese analysts denounce U.S.-led military alliances as anachronistic legacies of the Cold War and reflections of an outdated bloc mentality of containing Beijing and Moscow. 16 In the current atmosphere of Russia-U.S. tensions, Russian analysts have depicted U.S. defensive military cooperation in Asia (with South Korea and Japan) warily, expressing concern that Washington is trying to construct the same kind of regional defensive military alliance that the U.S. leads in Europe in northeast Asia in a Pacific version of the NATO alliance. 17 Yet, while Russia has

¹⁴ Mansur Mirovalev and Eric Baculinao, "Russia, China See Silver Linings After U.K.'s Brexit Vote," NBC, http://www.nbcnews.com/storyline/brexit-referendum/russia-chinasee-silver-linings-after-u-k-s-brexit-n602451?mc_cid=9d77718c87&mc_eid=2529d84389 (accessed February 7, 2017); and François Godement and Angela Stanzel, "China and Brexit: What's In It for Us?," European Council on Foreign Relations, September 9,2016, http://www.ecfr.eu/publications/summary/china_and_brexit_whats_in_it_for_us7112 (accessed March 12, 2017.

¹⁵ Speeches at the 2015 and 2016 sessions of the Valdai Discussion Club, author's notes, October 2015 and October 2016.

¹⁶ See for example Admiral Sun Jianguo, Deputy Chief, Joint Staff Department, Central Military Commission, China, IISS Shangri-La Dialogue 2016 Fourth Plenary Session," June 5, 2016, http://www.iiss.org/en/events/shangri%20la%20dialogue/archive/shangri-la-dialogue-2016-4a4b/plenary4-6c15/jianguo-6391 (accessed February 7, 2017).

¹⁷ Alexander Zhebin, remarks at "Russia and the Korean Peninsula: Policy and Investment Implications," Center for Strategic and International Studies, Washington, DC, May 14, 2015, https://www.youtube.com/watch?v=w2ZCGZBVVrc (accessed February 7, 2017).

vigorously opposed NATO's preeminent role in European security and sought to limit its expansion and weaken transatlantic ties in general, China has simply shunned NATO despite its growing aversion in recent years to the U.S. alliances with Japan and South Korea. Only a stunted China-NATO dialogue has developed to address Afghanistan and other regional issues. However, Russia has traditionally been open to more partnership activities with NATO as an institution than China, which has distrusted the organization since the accidental NATO airstrike against the Chinese Embassy in Belgrade during the Kosovo War. Conversely, Russia has sought to circumvent the EU as an institution and cultivate good relations with key European leaders of various left- and right-wing movements in Europe, whereas the Chinese government has been more comfortable dealing with the EU as an organization as well as dealing with its member governments bilaterally.

The Russian-China arms trade has strengthened China's military capacity directly through the PLA's incorporation of advanced Russian military technologies and Russia's military power indirectly through the revenue provided Russian defense firms, which they reinvest into Russian defense research and development, and by forcing the Pentagon to pay greater attention to Asian military contingencies rather than concentrate more on confronting Russian military power in Europe. U.S.-European defense industrial partnerships have boosted both parties' military capabilities but remain constrained by limited pooling and sharing, a reluctance of European governments to abandon some unprofitable national defense enterprises for economic and political reasons, and barriers to greater U.S. imports of European defense products. Both Russian-Chinese and the European-U.S. defense industrial ties look likely to diminish in importance in future years, albeit for different reasons. In the former case, China's need for Russian military imports is declining due to the improving capacity of the Chinese military-industrial complex. Indeed, PRC arms exports are emerging as more serious competitors to Russian weapons exporters on third markets. Meanwhile, the Trump administration's "buy and hire American" stance threatens to inflict collateral damage on transnational defense industrial ties.

Russia and China have directly affected the U.S. defense budget and the U.S. military commitment to NATO, though this impact is due to the Pentagon's perceptions of growing threats from the two countries independently rather than from their bilateral defense ties. During the two decades after the Cold War, the United States substantially cut its military deployments in Europe due to a determination that the new Russian Federation, whose armed forces were in disarray after the collapse of the Warsaw Pact and integrated Soviet military-industrial complex, did not represent a near-term military threat. Following the U.S.-led military interventions in Afghanistan and Iraq, the Pentagon used Europe primarily as a staging point to project power into Central Asia and the Middle East. U.S. officials pressed European states to deemphasize territorial defense and instead focus on developing power-projection and counterinsurgency assets suitable for fighting insurgents in Afghanistan and dealing with Middle Eastern instability, such as the wars in Iraq and Libya. Meanwhile, during the past decade, U.S. military planners have seen China as a rising defense challenge. A major component of the Obama administration's Pacific Pivot was to rebalance U.S. military power from Europe to Asia. The Russian military intervention in Georgia in 2008 did not appreciably change this approach. It was only Moscow's coercion in Ukraine that led to a reversal of U.S. policy. The last defense budget submitted by the Obama administration was marked by a major increase in spending allocated to countering "higher-end" threats from China but mostly Russia. Of note, the budget supported a major increase in funding for U.S. forces in Europe, which resulted in more American soldiers deployed in NATO countries, a quantitative and quality growth in U.S. military equipment based in Europe, and an improvement in the infrastructure required to reinforce U.S. military power in Europe in a Russia-NATO conflict. The increased capabilities for countering China were mostly in terms of developing new military technologies and defense innovations rather than expanding the current U.S. maritime and other conventional forces in the Pacific. ¹⁸ Some NATO and EU members have increased their own military capabilities for such contingencies.

Yet, the advent of the Trump administration could see heightened transatlantic tensions over defense spending increase. One of the first acts of the new administration was to announce that it wanted to greatly increase U.S. defense capabilities. Trump has berated NATO allies for not paying sufficiently for defense and threatened not to protect NATO countries that do not meet their spending obligations. He does not value NATO, the EU, or other transnational institutions in the abstract and only meas-

¹⁸ Missy Ryan, "Pentagon Unveils Budget Priority for Next Year: Countering Russia and China," Washington Post, February 2, 2016, https://www.washingtonpost.com/news/checkpoint/wp/2016/02/01/pentagon-unveils-budget-priorities-for-next-fiscal-year-counteringrussia-and-china/?utm_term=.2a62feec11b8 (accessed February 7, 2017).

ures their worth in terms of their perceived concrete contributions to U.S. security. Potentially divisive to transatlantic ties, Trump has downplayed Russia as a military threat to the United States while describing China as a long-term problem that will persist beyond the defeat of Islamic terrorism. Insofar as this perception shapes U.S. defense spending, the Pentagon will likely return to the early Obama approach of rebalancing U.S. military resources toward the Pacific, especially by building air and naval capabilities to counter China. Current U.S. policy makers also seem more interested in meeting commanders' demand for near-term force size increases (such as more warships) than did Ash Carter's Pentagon. Conversely, the new U.S. policy makers have expressed much less concern about sub-conventional political-military hybrid (also called "grey area") threats than have U.S. allies in Europe and Asia, except for the special case of cyber threats. Under Trump, Europeans could see harsher U.S. demands to increase their own defense spending, renewed calls to prioritize counterterrorism rather than conventional defense forces, less U.S. interest in addressing Russian hybrid threats through preemptively fortifying European societies against such subversion, and a White House that will focus on preparing for possible future fights with China while downgrading near-term Russian-related contingencies.

Implications and Recommendations

The ties between Russia and China do not appear to have given them any appreciable leverage over Europe or even the United States. U.S. officials have tended to downplay the partnership while European officials generally ignored it. However, Trump has faulted U.S. policy for driving Russia and China into aligning against the United States. Some of Trump's team has justified his plans to improve ties with Russia as a means of enhancing U.S. leverage with China, which they see as the more serious long-term economic and security threat. Meanwhile, several recent developments have begun to reduce the negotiating asymmetry between Russia and China, decreasing the advantages Beijing has obtained from the Western sanctions on Russia, the collapse of the cost of Russian commodity exports, and other trends adverse to Moscow since 2014. These include China's need for Russian support to build its Silk Road to Europe, the recent success of pro-Russian political candidates in key Western countries, and Trump's wanting to improve relations with Russia while viewing China as the more serious competitor to U.S. economic and military primacy.

In some cases, Sino-Russian collaboration could arguably benefit Western countries. Having genuine Russian-Chinese cooperation against terrorism, even if only in Eurasia, might prove useful. Greater Russian and Chinese security assistance to the Afghan government and military could allow NATO to redirect its counterterrorism resources to other areas. In recent years, NATO has trained, advised, and equipped the Afghan armed forces with minimal Russian and Chinese help. NATO and the United States may wish to reconsider their stance of shunning direct contacts with the Moscow-led Collective Security Treaty Organization (CSTO), Eurasian Economic Union (EEU), and the Shanghai Cooperation Organization (SCO), where Moscow shares control with China, since these bodies could provide frameworks for securing greater collective burden sharing with Russia and China in Afghanistan and Central Asia.

The proposed merger of the EEU and Beijing's One Belt One Road (OBOR) could increase Sino-European trade and investment (such as for transportation infrastructure), strengthen their regional security cooperation (to preserve stability in the transit countries), and expand people-to-people exchanges between China and Europe. Even without the merger, the OBOR offers Europeans potential economic opportunities, including increased mutual trade and investment with China and other Asian countries as well as Chinese-funded rail, road, and other transportation networks. Use European involvement with OBOR could be divisive given Trump's economic nationalism and hostility to China, so will need to be managed carefully.

Strong transatlantic ties give Europeans and Americans an unparalleled comparative advantage over Russians and Chinese. Despite the importance of the Sino-Russian alignment, the greatest near-term impact on transatlantic ties will likely come from the political transformations in the United States and Europe. Obama's Asia pivot made Europeans worry that the United States would neglect their interests. U.S. policy makers had to engage in extensive efforts to reassure them. Now Trump's criticism of NATO, his admiration of Putin, and his confrontationist stance with foreign leaders have reawakened and probably deepened these anxieties.

¹⁹ Shaohua Yan, "Why the 'One Belt One Road' Initiative Matters for the EU," *The Diplomat*, April 9, 2015, https://thediplomat.com/2015/04/why-the-one-belt-one-road-initiative-matters-for-the-eu/.

²⁰ Julie Makinen and Violet Law, "China's Bold Gambit to Cement Trade with Europe—Along the Ancient Silk Road," *Los Angeles Times*, May 1, 2016, http://www.latimes.com/world/asia/la-fg-china-silk-road-20160501-story.html (accessed February 7, 2017).

Americans and Europeans share more political values and human ties than do Russians and Chinese, but the new U.S. president appears to diverge from the liberal democratic principles of the Western community and to share more of the overtly nationalist and illiberal values of the Eurasian autocracies. Trump has blown hot and cold on NATO—describing the alliance as "obsolescent" but still having the potential to make a greater counterterrorism contribution. He has more consistently welcomed the EU's weakening and does not stress special relationship with privileged foreign partners.

Europeans could win favor with Trump by continuing to deny Beijing defense technologies. If Europeans offered to sell arms to China, such sales could increase U.S. anxieties about Beijing's growing military capabilities, furthering perceptions that ungrateful Europeans were sacrificing joint transatlantic security interests in pursuit of commercial opportunities. A repeal could also communicate the wrong signal to China. For example, Beijing could plausibly see the embargo's repeal as Europe being unconcerned about China's human rights practices, its growing military potential, expansive territorial claims, or its self-claimed right to employ military force to recover Taiwan. In return for maintaining the EU embargo on China, Europeans should insist that Washington engage in a robust transatlantic dialogue regarding U.S security policies in Asia that could affect critical European interests.

Despite years of sustained efforts by both governments to promote humanitarian exchanges and the study of the other country's language, popular ties between Chinese and Russians remain minimal. Their political and commercial elites send their children to schools in Europe and the United States rather than to Beijing and Moscow. Western policy makers should promote such societal linkages with emerging Russian and Chinese leaders by making it easier for students, scholars, and tourists from both countries to come to the West and for Europeans and Americans to travel and study in Russia and China.