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### The Rising Dragon and Wounded Bear: An Analysis of Modern Sino-Russian Political and Economic Relations

### Summary

This article is an empirical analysis of modern Sino--Russian Economic and Political Relations based on past events and present data. This issue has recently been an important question for many scholars. These countries only became neighbours in the 17th century, but the history of their mutual relations is much deeper. At a time when China is rising and its position in world affairs is getting stronger, an analysis of its foreign policy towards its neighbour is extremely interesting. On the other side of the frontier, a former great power is becoming less important on the world stage: its actions may be important for the worldwide community. This analysis covers political relations, connections and ties in present times. It also explains that some cultural obstacles ensure that it is difficult to achieve equilibrium in the relationship. The part which covers economic relations tries to prove that the trade imbalance is in China's favour and that common border issues are extremely significant for both countries. Last but not least the importance of energy cooperation and the obstacles in building a common pipeline are discussed.

### **Keywords**

Russia, China, International Relations, Pipeline, Energy Cooperation, Medvedev, Border Issues, Russian Far East, Xinjiang, Military Relations, Global Politics, Asia, Europe, Beijing, Moscow, Kosovo War

### WZROST SMOKA I UPADEK NIEDŹWIEDZIA: ANALIZA WSPÓŁCZESNYCH CHIŃSKO-ROSYJSKICH STOSUNKÓW POLITYCZNYCH I GOSPODARCZYCH

#### Streszczenie

Artykuł ten jest empiryczną analizą współczesnych chińsko-rosyjskich stosunków politycznych i gospodarczych, stworzoną na podstawie zdarzeń przeszłych, a także współczesnych wydarzeń. Stosunki te ostatnimi czasy zdają się zasadniczym zagadnieniem dla wielu naukowców. Państwa te zostały sąsiadami dopiero w XVII wieku, ale historia ich wzajemnych relacji jest znacznie głębsza. W czasach wzrostu Chin i umacniania się ich pozycji na arenie światowej analiza ich polityki zagranicznej wobec najbliższego sąsiada jest nad wyraz interesująca. Druga strona, niegdyś wielka potęga, traci swoją wagę w środowisku międzynarodowym. Analiza pokrywa stosunki polityczne w czasach współczesnych, a także wyjaśnia niektóre kulturowe przeszkody na trudnej drodze do osiągnięcia równowagi w relacjach. Część dotycząca stosunków gospodarczych stara się pokazać, że nierównowaga w handlu jest na korzyść Chin, oraz że problemy przygraniczne są kluczowe dla obu krajów. Artykuł dotyczy także spraw związanych ze współpracą energetyczną, a także z budową ropociągu.

### **SŁOWA KLUCZOWE**

Rosja, Chiny, stosunki międzynarodowe, Xinjiang, stosunki militarne, Medvedev, problemy przygraniczne, Daleki Wschód Rosji, Pekin, Moskwa, Wojna w Kosowie, współpraca energetyczna, ropociąg

### **INTRODUCTION**

China as we know it today began to shape as an individual civilisation in the third millennium B.C. in the valley of Yangzi River. History of Russia starts almost four thousands years later in Eastern Europe. These two factors are the main source of differences between both nations. Nevertheless, it is believed they have maintained bilateral trade relations almost since then. It is very rare that such different countries become neighbours. When it comes to China and Russia it happened only in the 17th century and now they share one of the longest mainland border in the world (it is equal to the distance between Oslo, Norway and Cairo, Egypt). With comparison to e.g. history of Polish-German frontier it is a very short period of time<sup>1</sup>.

From that time connection became stronger an so did conflicts and problems, not only in the case of the border. The situation between two civilisations, two great powers was strained for centuries. Only now the relations became normalised and seem to be better than ever before.

Russia and China as two of the world's superpowers are very important agents in the world economy. Moreover their future relations seem crucial for the world politics and security.

China nowadays is a rising power whilst Russia seems to be declining its interaction with the rest of the world. After the collapse of the Soviet Union Russia strengthened relations with China, which caused unease in both Asia-Pacific region and the United States. By looking at the history we can assume, that the close relationship is very difficult to obtain and as such will not last long. When looking at modern China foreign policy we have to take into consideration the historical context and the western engagements. The United States, China, Russia and recently even India, are involved in a triangle of relations, and their decision-making policy depends on the related states.

With rapid growth of China's economy, the trade relationship between neighbours has gradually became imbalanced, which resulted

<sup>1</sup> R.K.I. Quested, Sino-Russian Relations: A Short History, Sydney, 1984, p. 11.

in asymmetry of the trade balance<sup>2</sup>. This situation deepened after September 11 2001, when China and United States became closer allies. Due to that fact and under such circumstances, Russia might arise unsolved conflicts and ideological issues and start military confrontation as the imbalance is still growing.

On the other hand, China depends on imported sources of energy, mainly oil, which reminds Chinese leaders of their own country economic vulnerability. Keeping balance of the bilateral energy trade relationship is the key issue for decision-making representatives of both countries.

The main purpose of this article is an analysis of modern Sino-Russian political and economic relations based on the historical background and modern data as well as to evaluate the contemporary problems of Russian Far East and common Sino-Russian border. The article tries to prove that taking into consideration past events and cultural differences between those nations, the now normalised Sino-Russian connection will not last long.

# THE IMPACT OF BOTH CHECHEN WARS, KOSOVO CONFLICT AND SEPTEMBER 11 ATTACKS ON THE RELATIONS

All main landmarks in Sino-Russian relations, which took place under Yeltsin and Putin rule were somehow influenced by most significant globally then events. Both the Kosovo Conflict and the two Chechen wars as well as the September 11 terrorists attacks in the United States changed foreign policy of China and Russia. In order to understand how, one needs to look at these events chronologically.

The Soviet Union was a massive country-like formation in the borders of which hundreds of ethnically different nations found its home. After the dissolution some of them claimed the independence and formed new, separate countries, but Russia was a formal

In 2011, China's imports from Russia grew by 55.6% whilst export only by 31.4% Based on data facilitated by Chinese Customs (chinese customs, <a href="http://www.e-to-china.com/customsinfo/latestdata/2012/0110/99626">http://www.e-to-china.com/customsinfo/latestdata/2012/0110/99626</a>. html>, accessed 13 May 2012).

successor of majority of Soviet legacy and thus was (and still is) trying to recall the greatness it had during that times. Achieving of this goal needs sacrifices. One of them is to make officially independent new states subordinate by using not only military power but also influencing on their policy making and government. This was one of the major sources of the First Chechen War which was led in 1994 under Yeltsin rule. Official reason, which was the fight over terrorism was just an excuse for Russia to show the world, that it can still influence its former lands. Unfortunately, even though Russian army was much better equipped and much higher in number, it failed and Yeltsin was forced to sign the peace treaty with Chechnya. Russo-Chechen relations are quite parallel to Sino-Xinjiang relations. As Chinese representatives believed and stated officially that Russian problems with Chechnya are Russia's domestic problems and the rest of the world should not take part in it, it somehow helped to find a thicker thread of understanding between states. On one hand China stated that on purpose, counting on Russian reciprocity in case of Xinjiang (新疆 [xinjiang]), but on the other hand this way of thinking about domestic issues is normal in Chinese culture. As First Chechen war as a military incident was not really supported by western powers it helped build better ties with China.

Bigger influence on Sino-Russian relations had Kosovo conflict, during which strong Russo-American ties were impaired. By invading Kosovo, NATO somehow 'spitted in the (Russia's) face'<sup>3</sup> and at the same time the United States showed how not important Russia's goals and aims were. Russia learned a lot from Kosovo conflict and at the same time in the eyes of the world changed its foreign policy focus from western oriented into eastern one. Russia learned two main lessons: first was that 'the end justifies the means' and second that using of military force is the best way to solve problems. Actually up to the Kosovo conflict there was a taboo of using highly concentrated military forces especially against civil. Russia also learned that if NATO can attack innocent people not on its territory in order to achieve its goals, Russia can do it too. When it comes to

<sup>3</sup> A.G. Arbatov, *The Transformation of Russian Military Doctrine: Lessons Learned from Kosovo and Chechnya*, George C. Marshall Center for Security Studies, 2000, p. v.

Sino-Russian relations, turning back from the West automatically brought Russia closer to its eastern neighbour. On the other hand it proved to China, that like in any other time in history, Russia still treats it more like an alternative for the West than as a major partner itself.

Kosovo conflict officially ended on 10 June 1999. On 26 August of the same year Russians started Second Chechen War but they have already implemented all lessons learnt from both First Chechen War and Kosovo Conflict. Second Chechen War was much more brutal and intense. Russians used their military force at full blast and thus, succeed in achieving its goals. First was to show Chechnya that it is a Russia's subordinate state and second that no other state can intervene into Russia's domestic affairs. Russia was not Yugoslavia, Chechnya was not Kosovo and Russia was prepared to use any force necessary to fight with anyone who could try to be against. After Russia suffered defeat in Kosovo it had to show the world that it was ready to fight for its rights and that military it plays in the first league. The second Chechen war influenced Sino-Russian relations in two major ways: as a campaign against western standards it brought countries closer, but also it showed China how strong military Russia was and how relentlessly it can fight for its position in the world affairs. On the other hand, Chechen wars were precedence for future solving of Xinjiang problems and a warning for its citizens to remain calm and not to try to riot against China which as an ally of Russia is capable of doing the same with Xinjiang 'revolution' as Russia did with Chechnya. All of these events led to signing numerous of small treaties and contracts between states in the years 1999-2001. Up to now (along with the 2002) these years, mainly thanks to both Chechen wars and Kosovo conflict were the most flourishing in Sino-Russian relations. The best period was tipped with signing in June 2001 Treaty of Good-Neighbourly Friendship and Cooperation between the People's Republic of China and the Russian Federation and setting Shanghai Cooperation Organisation (SCO, Шанхайская организация сотрудничества [Sanhajskaja organizaciâ sotrudničestva], 上海合作组织 [Shànghǎi hézuò zǔzhī])4.

The official date of formation of SCO is 26 April 1996, but it entered into force only in June 2001.

Although both countries claim that this organisation is taking big strides in solving regional security issues, it is rather symbolic than real thus, seeking parallels between SCO and NATO or EU is an absurd. Actually SCO is confirmation of strong ally between Russia and China, and its strategic partnership against any third party, usually seen as the United States.

Unfortunately a couple of months after signing both Treaty of Friendship and setting up SCO, terrorists' attacks in the United States took place and influenced not only Sino-Russian relations but changed foreign policy and security interests in almost all of the civilised world.

Influence on world affairs of September 11 events can be roughly divided into two major schools. First of them, popular mostly in Europe and Washington claims that terrorist attacks were somehow transforming events not only for US but for entire world. It forced the whole planet to face new challenges, new security problems and different international policy. Supporters of this school believe that world after September 11 has to focus more on 'developing common responses to the fresh dangers that threaten civilisation as a whole'5. The positive result may be the end of period of post-Cold War 'hangover' in world affairs. However, second school which is extremely common amongst non-Anglo Saxon nations states that actually little has changed as an aftermath of September 11 events, and the changes are basically of a negative character. 'It has pushed the United States, the sole superpower, to act in ever more hegemonist and unilateral fashion. It is as though the last restraints on its behaviour have been removed'6. Even though, the United States seeks allies to support its foreign policy it is believed that it is also prepared to walk the chosen path alone.

Immediately after 9/11 Putin was a first of all world's leaders to react and show his support for the United States policy. It proved not only that Russia is an ally of US, but also that Putin is actually running Russian foreign policy single-handed. It was best and unexpected chance for him to change identity of Russia in the world

<sup>5</sup> B. Lo, Vladimir Putin and the Evolution of Russian Foreign Policy, Blackwell, 2003, p. 115.

<sup>6</sup> ibidem.

as well as, to some extend, justify Chechnya terror. First discussions made in Russia were on 'global war on terror' and other similar approaches. Putin was said to make a 'strategic choice': by allying with US he also cleaned off the myth of Russian Eurocentric foreign policy. On one hand Putin was influenced by Yeltsin's vision of US-Russian strategic cooperation and friendship, but on the other he made an virtue out of necessity. Russia was powerless to stop the United States from setting its troops (as a September 11 aftermath) in Central Asia, so by approving US foreign policy it somehow showed that this decision was also made by Russia. The reasoning for that was quite clear: Putin could not let loose at least virtual influence in the region. He also believed that American presence in Central Asia would be temporary. Unfortunately it was not, and over years it had much more significant influence on Russia's foreign affairs that Putin might have thought<sup>7</sup>. Russia's anxiety grew, when Putin realised that US does not recognise Russia as a full strategic partner but rather as a useful supporter. Thus, when Russian government fully understood the consequences of its decisions it started to seek entente with its old fellow China, which rejected before and still rising in power and influence in world affairs was not so willing to ally with Russia.

From Chinese perspective 11 September events changed a lot and had massive impact on its policy towards Central Asia. Even though prior to September 11 China was in a close relationship with Russia it still knew, taught from the past events, that when only the United States shows up Strategic Partnership with Russia becomes just a fiction. The thing that shocked Beijing was Putin's blessing for the US to move into Russian (and before that Soviet and Tsarist) sphere of influence, especially almost directly after Kosovo incident, when the Americans broke Russian dignity into pieces. The worst part was, that Russia actually gave no prior signals of its decisions and thus. All of that proved to Chinese few significant truths. In case of US presence China would always be just number

It is believed that US presence in Central Asia and settling normative agenda was one of the reasons of 'colour revolution' (Цветная революция [cvetnaâ revoluciâ]) in Georgia, Ukraine and Kyrgyzstan. Those revolutions were aimed against Russian influence in the region.

two and that Russia calls China only when it needs help, support or seeks economic benefits. The lesson for China is simple: it needs to remember that the real relationship with Russia is weak and that China needs to gain its influence in the regional and world affairs alone. It also proved that instead of relying on Russia it should seek ties with Central Asian States itself.

### POLITICAL RELATIONS UNDER MEDVEDEV

Year 2008, especially its second half, was pretty busy not only for both Russia and China, but also for their relations. It started with Dmitry Medvedev election as a third president of Russian Federation and was followed by Summer Olympic Games in Beijing, which notwithstanding domestic circumstances took place<sup>8</sup> and turned out to be a massive success for China<sup>9</sup>. The other side of the fence also had a chance to show itself in the world scene: on August 8th, actually hours<sup>10</sup> before official opening of the Olympic Games, Georgia started its military operations and attacked two separatist regions: Abkhazia and South Ossetia. As Russia recognises them as its sphere of influence it resulted in massive Russian military response and 5-days war. Russia soon recognised independence of the disputed regions, but China which was a strategic partner of Russia remained silent. This situation was also noticed by western media<sup>11</sup>. SCO, which was expected to greatly support Russia was

<sup>8 2008</sup> was a time of huge pro-Tibet (2008年藏区骚乱 [Nián cáng qū sāoluàn]) protests in China as well as massive Sichuan Earthquake (汶川大地震 [Wènchuān dà dìzhèn]), which killed estimated 70 thousand of people.

<sup>9</sup> Chinese sport representatives gained world record in case of amount of trophies: 100 bronze, silver and gold prizes.

The Georgia invasion started around midnight on August 7th 2008. For Beijing, which official time zone is different from Georgian, it was already 4 in the morning, but still official games have not started yet.

<sup>11</sup> According to AFP Agency records from August 29th 2008. Suggested reading: AFP Agency records, *China cannot back Russia in Georgia crisis: analysts*, August 29, 2008, <a href="http://afp.google.com/article/ALeqM5guAa5jCMIW-Cy-SMYWZY4-0451p5w">http://afp.google.com/article/ALeqM5guAa5jCMIW-Cy-SMYWZY4-0451p5w</a>, accessed 21 April 2012.

also playing on balance, giving Russia as much help as not to offend it and at the same time as little as not to impair its own relations with the United States. It showed a perfect example of the art of diplomacy.

Some believe that China could not recognise newly formed countries, as it had its own problems with identity of Xinjiang, Tibet and Taiwan. Recognising South Ossetia and Abkhazia as a country would result in a snowball effect of fights for freedom and independence of these regions and domestic war. China, which mainly thanks to the World Olympic Games was before very eyes of the whole world and at the same time at its peak, did not seek new problems. In addition, the whole world suffered from endless American war on terrorism, due to fluctuation in Japanese government extremely sensitive Sino-Japanese relations were unsure and the problems with world crisis started to emerge. It was enough even for the strong China. The other side of the coin is more complicated and somehow more cultural thing. Both Confucianism and Buddhism, which shaped Chinese world view follow the rules of 'general harmony in the world', according to which any war or conflict as such should be avoided. China by not stating clearly whether it recognises new countries was following its common conviction that not opting helps the harmony remain. China may have been also silent not because it did not support Russia in their decisions, but because its foreign policy, after decades of clashing with other cultures finally matured and at the same time returned to its roots, where absolute acceptance of things as they come is the highest of all virtues. Despite of the philosophy issues, it proved Russia, that their Strategic Partnership with China was limited more than they thought it had been.

Fortunately enough, Medvedev's contacts with China did not start with Georgian conflict. He had been known to Chinese a couple of years before he became president of the Russian Federation. Under Putin rule one of the more significant events for bilateral relations was setting in 2006 'Russia Year' in China and in the following year on reciprocal basis 'China Year' in Russia<sup>12</sup>, during which

Such events are not isolated. Year 2012 in China is called 'Russia's Tourism Year in China', whilst 2013, again on reciprocal basis, will become 'China's Tourism Year in Russia'.

Dmitry Medvedev was present and took important role in. Thanks to his youth attitude and familiarisation with teenagers Chinese see in Medvedev someone quite different from his predecessors. In addition he is familiar and extremely comfortable with Chinese culture as such and keeps on highlighting that on every occasion<sup>13</sup>. All of that helped Sino-Russian relations achieve new, not known before level. For the first time in history the relations and knowledge about each other among common citizens were both growing.

In addition, first Medvedev's official trip abroad<sup>14</sup> as a president was made to China<sup>15</sup>. Two days long visit was a model one and highlighted three most important common interests: Strategic Partnership, sustainability and stability, but the most important was a confirmation of former Russian foreign policy under new rule. Even though, according to both nations media sources the visit was quite successful, western media did see it more like a routine than something significant for the relations. It might be true, that besides political all other ties were far from being perfect: there were some tensions in trade, energy cooperation as well as military sales<sup>16</sup>.

This first official visit bore its fruits: both countries signed 11-point bilateral declaration, which not only highlighted common political and defence preferences, but also the importance of environmental protection and cooperation on energy issues. It also covered some regional defence and peace stability issues<sup>17</sup>. Despite of the declaration, not everything was well organised. After September 11 events, China still did not trust Russia, which have left some

According to Russian news Agency Itar-Tass (*UTAP-TACC* [itar-tass]), during his first official trip to Beijing as a president of Russian Federation, Medvedev admitted he loves both Chinese philosophy and culture. Suggested reading: R. Huisken, *Rising China: Power and Reassurance*, Canberra, 2009

<sup>14</sup> Despite of the countries of Near Abroad.

Putin's first official visit also supposed to be in China, but unfortunately the plan failed, which most probably was the main reason for Medvedev to honour made almost a decade earlier promise.

For western media the most important issues in Sino-Russian relations are military issues, which as such were not discussed during Medvedev's trip, which might be the result of this specific evaluation.

<sup>17</sup> R. Huisken, Rising China: Power and Reassurance, Canberra, 2009.

unwanted military troops in Near Abroad. Thus, China was happy that at least SCO remained the kind of organisation it was formed as – a community of nations, that worked for regional economic development as well as regional security. The art of diplomacy showed by SCO highlighted the key difference between SCO and NATO: SCO was rather a community of nations, than a military bloc where states defence one another. SCO holds nations of four major civilisations and almost half of the worlds population, so the decision-making process is much tougher than in NATO and at the same time the impact of individual states on the other is much smaller.

Even though it might have seemed that Medvedev's visit proved new line of development for Russia along with its more Asiatic look, the truth lied somewhere else. After a couple of days of Medvedev visit, during another official trip, this time made to Berlin, he stressed his support for the idea of existing giant Euro-Atlantic community, which stretches from Canada up to Russian Far East. This statement proved that his policy is more western oriented and as usual Russia wants to kill two birds with one stone.

All of that led to the end of Strategic Partnership between China and Russia under Medvedev rule. It also introduced higher level of diplomacy in their common relations, which at least on the Chinese side, came back to balance-keeping policy rooted in Chinese culture for ages<sup>18</sup>.

## RESEARCH ON THE CONTEMPORARY PROBLEMS OF THE RUSSIAN FAR EAST AND COMMON BORDER

When thinking of Russian Far East two basic concepts must be realised. The first is that this region has over a four-thousand-long common border with China and second, that not only literally, but in many cases also metaphorically it is closer to Beijing, than to far Moscow. RFE, besides forming over 40 % of Russia's area<sup>19</sup> is

<sup>18</sup> 和而不同 [hé ér bù tóng] is the Chinese idea of harmonious world, where despite of differences one should fight for peace and balance.

<sup>19</sup> This includes all Russian regions, which are farther from Moscow than Baikal Lake (*Osepo Βαϊκαλ* [ôzero bajkal]).

important for the country symbolically. For the capital, these extremely distant lands are base of its Asian-ness. On the other hand it is, to some extend, border of the European-like and Asian-like civilisations, the barrier for expansion. The mental, cultural and civilisational differences between Russians and Chinese; between European and Asian roots, are extremely vivid and alive in this territory. Thus, the main problems of common border areas are mainly a result of past events<sup>20</sup>. The mental and psychological border between nations is yet to be overcome.

Four administrative regions of RFE along with two regions of East Siberia directly border with China. During Soviet Times these regions as well as the borderline were places of the strongest tensions between countries, which had their peak in late 1960s. It was also the region where 'Russians lived in an artificially constructed world of geographical isolation from the rest of Asia'<sup>21</sup>. Majority of population of RFE are migrants from European Russia, who were forced to move to this part of the world to work<sup>22</sup> in the country's leading military companies. RFE was the region, where not only foreigners could not travel, but also common Soviet citizen could not come without a special permission. All of that ended along with the dissolution of the Soviet Union, which resulted in declining population of the region<sup>23</sup>. These together with huge economic

The term 'common border areas' refers to Russian part of the border as these regions suffer the most from bilateral relations and at the same time need them. Questions related to Chinese side of the border are not well described by scholars due to the censure as well as little availability of official documents for non-Chinese.

J.L. Wilson, Strategic Partners: Russian-Chinese Relations in the Post-Soviet Era, New York, 2004, p. 114.

Being a representative of different, more European nation combined with significant differences in appearance between European-Russians and Chinese is one the reasons of isolation and xenophobia in the region.

According to Umbach, Russian population may fall from 147 million to 80 million by 2050. Main reason for that is the HIV/AIDS epidemic which spreads in whole country and has risen twentyfold since 1998, with estimated 100.000 annual death caused by virus. When it comes to Russian Far East, its already small (6.5 million) population is declining due to free transfer of people after the dissolution of the Soviet Union along with HIV and alcoholic problems in the area. Suggested Reading: F. Umbach, 'Asia

decline<sup>24</sup> of the area, are sources of main nowadays problems of the border regions.

Common border demarcation has been a prickly issue for centuries and even now, after the frontier has been finalised, the Chinese still seem to believe that the lands took from them as a result of unequal 19-century treaties should be theirs. Final demarcation of the border took place only in 2008, after 40 years of negotiations over two small islands on the Amur river, which as claimed by Chinese sources were Chinese and according to Russian documents – Russian.

The dispute had mainly symbolic character as the islands are almost inhabited. Nevertheless, as this problem was quite an issue locally, it only confirmed fears and xenophobia among RFE population. According to 2011 research, extreme nationalism along with xenophobia among Russians of all nations are bigger than ever before<sup>25</sup>. Not only RFE fears China; according to other research<sup>26</sup> greater part of Russians believe that Chinese can do more bad than good to Russian economy. Related with that ethnic problems are serious challenge for Russian government. Russia itself (from Moscow perspective) has never been a tolerant for other cultures or ethnicities state and thus, the idea of 'Russia for Russians' is still gaining its followers.

Xenophobia is rising along with myths of massive presence of the Chinese within Russian borders. Dependently on the researcher or scholar, there is between 15 thousand and 5 million of Chinese

Europe Journal', The Wounded Bear and Rising Dragon. The Sino-Russian relationship at the beginning of the 21st century: A view from Europe, no. 1, January 2004.

<sup>24</sup> Primorskyi Krai (Πρυμορςκυῦ Κραῦ [primorskij kraj]) is known as the region, which after the dissolution of the Soviet Union experienced the biggest depression among all Russian administrative regions.

<sup>25</sup> Research was made by Yuri Levada Analytical Centre (Аналистический центр Юрия Левады [analističeskij centr ûriâ nevady]), which is one of the most reliable research institutions in modern Russia. All results of the research on the 'nationalism and xenophobia in Russia' can be accessed on: <a href="http://www.levada.ru/26-09-2011/natsionalizm-v-rossii">http://www.levada.ru/26-09-2011/natsionalizm-v-rossii</a>, accessed 5 May 2012.

Research was conducted by second major research centre in Russia, Russian Public Opinion Research Centre (Всероссийский центр изучения общественного мнения [vserosijskij centr i zučeni obsestvennogo mnenia]) and its results are available on <a href="http://wciom.ru/index.php?id=268&uid=4397">http://wciom.ru/index.php?id=268&uid=4397</a>, accessed 12 May 2012.

living, permanently staying or visiting Russia at the moment. Numbers vary so dramatically, that they are used mainly to manipulate public opinion and build even worse fears among nation<sup>27</sup>. One of the biggest fears which still gains its followers is that Chinese come to Russia in order to first take Russian jobs, later take their wives and in couple of years take over the land. This one might be partly justified as Chinese do come to Russia in order to find a job. Usually these are jobs, which were not taken up by Russians due to the low payment. Chinese are used to working hard and thus, have better results in what they do. It is not only result of cultural difference between nations, but also a result of alcohol abstinence among Chinese. Majority of Russians living in RFE are alcoholics and are not able to take up any job. In addition wife-beating is acceptable in the culture, which results in Russo-Chinese intermarriages with more gentle Chinese men. This only rise sinophobia in the region, as more and more beautiful Russian women are married to Chinese. As this situation continues thanks to intermarriages, sinification of the region can be a serious future problem. Even Vladimir Putin during his famous speech in 2000 noticed that: 'I do not want to dramatise the issue, but if in the short term we do not undertake significant efforts, then even historically Russian population in several decades will be using mainly Japanese, Chinese and Korean'28. On the other hand without Chinese presence in the region the economy and especially agriculture would not exist on the level it is today. 'Russian

<sup>27</sup> Chinese presence in RFE is quite controversial. There were as many as half million of Chinese living in the area in the end of the 19th century. In the last year of existence of the Soviet Union there was only 15 000 Chinese workers working on contracts in RFE, but after dissolution this situation changed. According to official census in 2002, there were only 35 000 Chinese living in whole Russia, other researchers state that biggest amount of Chinese live in Moscow and they form population of 40 000, which is significantly smaller than the one noticed in RFE. 'Perhaps the highest estimate was provided by Yabloko (Яблоко [âbloko]) leader Yavlinskyi (Григорий Алексеевич Явлинский [grigorij alekseevič âvlinskij]), who maintained that over 5 million Chinese have illegally settled in Russia' (J.L. Wilson, Strategic Partners: Russian-Chinese Relations in the Post-Soviet Era, New York, 2004, p. 124.). The real number of Chinese staying in Russia is unknown.

V. Putin, Official Web Page of the President of Russia, <a href="http://archive.krem-lin.ru/text/appears/2000/07/28796.shtml">http://archive.krem-lin.ru/text/appears/2000/07/28796.shtml</a>, accessed 5 May 2012.

farmers, especially private farmers, began to take advantage of the superior agricultural knowledge of the Chinese, who were teaching them how to grow fruits and vegetables as well as how to raise pigs'<sup>29</sup>. Russians need Chinese in the Russian Far East but at the same time extremely fear them.

It might be also that the most significant issue is not the number of Chinese in the RFE or their presence itself, but rather the economic damage they cause. Massive majority of Russians believe that border bilateral Russo-Chinese trade is in the favour of the latter. China usually imports cheap raw material, which then is manufactured in China and resold in Russia. In addition majority of the trade is illegal and may stay alive only thanks to bribing Russian low-paid clerks, who cannot make the ends meet. In the 21st century, in the era, when the whole world is trying to go green and save natural resources especially one of the Chinese crimes seem to be cruel. It is believed that Chinese steal (with silent permission of bribed clerks) 7 million cubic meters of various Russian Taiga woods a year. The saddest part of that is that most of the precious Russian forest, often called 'the lungs of Russia' is manufactured for 'extremely' needed in highly populated China disposable chopsticks, millions of which are thrown away every day<sup>30</sup>.

The legal part of interregional trade is also growing. Primorskyi Krai trade with China's northeast provinces has grown from USD 311 million in 2001 through USD 2.36 billion in 2007<sup>31</sup> up to USD 3.693 billion in 2011<sup>32</sup> and according to the experts is still increasing.

J.L. Wilson, Strategic Partners: Russian-Chinese Relations in the Post-Soviet Era, New York, 2004, p. 141.

In Russian newspapers in various periods of time there were numerous articles about Russian woods stolen by Chinese. For instance, 'Journal Otchizna' (Отчизна [otčiźna]), wrote about this problem in 2006 (Suggested reading: <a href="http://otchizna.info/archiv2006/Otchizna18/Kitayczy.htm">http://otchizna.info/archiv2006/Otchizna18/Kitayczy.htm</a>, accessed 12 May 2012, local newspaper 'Vesti Region' (Вести регион [vesti region]) along with Russian news noticed it in 2010, Suggested reading: <a href="http://vestiregion.ru/2010/05/25/primorskij-chinovnik-na-vsyu-stranu-priznal-sya-voruem-video/">http://vestiregion.ru/2010/05/25/primorskij-chinovnik-na-vsyu-stranu-priznal-sya-voruem-video/</a>, accessed 12 May 2012; <a href="http://news2.ru/sto-ry/213050/">http://news2.ru/sto-ry/213050/</a>, accessed 12 May 2012.

<sup>31</sup> B. Lo, Axis of Convenience: Moscow, Beijing and the New Geopolitics, London, 2008, p. 67.

<sup>32</sup> The Summary of Growth of the Prymorskyi Krai (January – June 2011). Data processed by the Department of Economy, support of enterprise,

The structure of Russian export and import from China proves Russian fears: mainly raw materials are bought from Russia whilst machines and processed products are sent over from China. Also food products, mainly grown by Chinese immigrants are massively exported, even though RFE does have one of the least fertile soils in whole Russia and thank's to its rough weather conditions is believed to be inefficient agriculturally. Problem of exporting only not processed raw materials is mainly a result of one more, maybe the most significant and basic worry of RFE: economic underdevelopment of the region. Even though the problem is widely known for decades and Putin has announced it over 10 years ago, almost nothing has been done in order to develop the region. Roads, railways, transportation, due to the lack of financing are poorer with every year, the population is decreasing and despite of the fact that the border contacts and trade are growing, the overall situation is almost the same. There is no significant manufactures<sup>33</sup> or modern enterprises of any type. RFE is a region extremely rich with raw materials and natural resources thus, the only hope is that one day Russia will have no choice but to start to develop it in order to get oil, gas and other natural resources, which let it not only control region, but also survive.

Overall Sino-Russian trade volume is steadily rising, with year-to-year growth of around 30%. It seems flourishing, but it is more unequal with every year. This reminds of history records of colonisation: the backward, underdeveloped Russia is being exploited by fast developing China, which needs it only to get energy to speed up its growth. Russians are aware of this situation and thus, will to change it. It has been unsuccessful for years, as most of the 'great and genius contract to be' have failed. Nevertheless Russians are still fighting to change this situation. Premier Putin's last visit to China in 2011 aimed to 'optimise the structure' of the bilateral trade. Negotiations 'identified 13 areas of cooperation including investment, special economic zones, high-tech park creation and

growth of competition, investments and control of the preparation to ATES summit of Primorskyi Krai , <old.primorsky.ru/files/20776.pdf, p. 14>, accessed 12 May 2012. The Primorskyi Krai has been chosen as the representative state of the RFE region according to its biggest population and significancy in the area.

Beside the government ruled military ones.

management, finance, customs, Far East/Siberia economic projects, cross-border transportation infrastructure, high-technology cooperation from commercialisation to research and development, aerospace, environmental protection, agriculture, forestry, and labor migration.'<sup>34</sup>. In addition 16 significant economic contracts, worth over USD 7 billion have been signed, including areas such as IT, renewable energy or biochemistry. If only these recent changes and Russia's movements could become real, it would radically change the future image of the bilateral trade relations<sup>35</sup>.

If nothing changes, this situation is a bitter pill to swallow for Russia, perhaps even too bitter. As history records show, Russia feels uneasy acting as a 'junior partner' or having a 'role of a secondary importance'. It does not suit its own world view, its own opinion. On the other hand, China's rise brings it closer to the old world order, to the times when China was the only civilisation in the world. For China things have always been like this, despite of the hard recent centuries. When it gains enough power it will finally be able to say it aloud. 'Inevitably, this will entail stepping over many of the 'red lines' of the past, such as 'spheres of influence', and adopting a single-minded approach to the pursuit of Chinese strategic objectives. Such ruthlessness will not only undermine the prospects for genuine partnership with Moscow, but become a prime source of growing tensions between them'<sup>36</sup>.

### SINO-RUSSIAN MILITARY TRADE AND TIES

Sino-Russian Military Trade began to emerge almost directly after dissolution of the Soviet Union mainly thanks to two reasons. After Tiananmen Square Protests (六四事件 [Liùsì shìjiàn]), both US

Y. Bin, 'A Comparative Connections: A Triannual E-Journal on East Asian Bilateral Relations' *China-Russia Relations: Between Geo-Economics and Geo-Politics*, January 2012, p. 1.

On 28th April 2012 Premier (and at this time President-Elect) Vladimir Putin revisited China in order to renegotiate and confirm some of these contracts.

<sup>36</sup> B. Lo, Axis of Convenience: Moscow, Beijing and the New Geopolitics, London, 2008, p. 89.

and Europe put embargo on selling military products, including aircrafts, vessels and submarines to China, so it needed to look for another source to satisfy its growing need for weapon in general. Russia's almost 1000 heavy industry companies producing military products could not rely on domestic market any more, in order to survive it needed external ways of financing. Selling weapons to China was to some extent like many times in Russian history, making a virtue out of necessity, as Russia's mass media were stressing importance of international military cooperation in order to ensure regional stability. During the first years of this blooming cooperation one more factor was helping the countries stay together: the American presence. China and Russia had one common aim of creating a more multipolar world, also in case of military power, which eventually led to full spectrum of their military cooperation.

Many may consider selling military products by Russia to its neighbours somehow insecure as in the future it may be used against seller. Although these fears are not without any base, Russia seems to realise that. As 95% of Chinese weapons in the last decade have been purchased from Russia, it may be sure of the kinds of weapons that China possess. What is more, according to Russian defence specialists Russia, at least up to 2010, has never sold to China its newest military products. Majority of the products sold to China, or at least those most powerful, are submarines which cannot be potentially use against Russia. China is not seen as a potential threat for Russian security, not only because of its military underdevelopment, but also because reaching Moscow by Chinese is extremely hard. China borders with Russia's sparsely inhabited famous for roughest in the world climate lands.

In 14 years (1992-2006) China bought from Russia over USD 26 billion worth of weapons<sup>37</sup>. For a big part of these orders Russian defence industrial complex have not received hard currency, but on the barter basis it received goods. Some of the orders just covered earlier Russian credits, so it did not help the Russian economy to the scale it was expected. Since 2006 China is trying to negotiate with Russia over transferring not only weapons and military

J. Bellacqua, *The Future of China-Russia Relations*, University of Kentucky, 2010, p. 208.

products but also, and in the future mainly, military technologies. Russia, as in the case of selling the most modern arms is unease, but as Sino-Russian military trade turnover dropped significantly in 2007, and until now has not returned to its peak, this scenario seems likely. For the time being the most significant obstacle is price over which negotiations are continuing endlessly<sup>38</sup>. The other important factor is India, which is the second important buyer of Russian military products, and which rise in Asia may become future security problem for China.

Military ties are not only about trade, at least between Russia and China. Their Military Cooperation includes two other important factors: practical actions of the troops during military exercises as well as military-technical cooperation. These are especially important in Chinese agenda. People Liberation Army (PLA, 中国人民解放军 [Zhōngguó rénmín jiěfàngjūn]), which is the official Army of the People's Republic of China, thirty years ago was seen as a 'technologically backward and poorly trained'39. In the 21st century, mainly thanks to Russian weaponry and practical support this situation has changed dramatically. China, especially after the Gulf War<sup>40</sup> realised how important military development and training is and from this time on has been spending on its army huge amounts of money. Even though it is far more than what Russia spends on its military force, Chinese army still is not recognised as a serious threat for Russia. It is so, because Russia is still massively predominant in case of quantity of nuclear weapon which, according to majority of experts, in case of emergency is capable to use. It is believed that 'it would take China until 2050 to become a 'might, world-class military power' thereby giving Russia plenty of time and opportunity to maintain its military-technological advantage<sup>41</sup>. Russia is willing

In the years 1990-2009, there were 53 Military exchange visits of the highest importance between Russia and China, most of them being negotiations over price of purchased products.

<sup>39</sup> B. Lo, Axis of Convenience: Moscow, Beijing and the New Geopolitics, London, 2008, p. 74.

<sup>40</sup> Also known as 'Dessert Storm Operation' (1990-1991) was a military operation of coalition of UN states against Iraq.

B. Lo, Axis of Convenience: Moscow, Beijing and the New Geopolitics, London, 2008, p. 79.

to take part in common troops trainings mainly because activities of such kind work better than marketing of any kind. During military exercises it usually shows its newest tanks, weapons and aircrafts, which later are sold to China with higher than before training price. Russian government realises that it must encourage China to buy newest military products. Common Sino-Russian Military Cooperation includes also help of the specialised technicians over 2000 of whom are believed to work in China nowadays.

According to tensions (mainly caused by endless price negotiations) in Sino-Russian military trade, its future relies only on meeting buyer-seller expectations, needs and preferences.

## ENERGY COOPERATION: THE IMPORTANCE OF OIL AND GAS

Sino-Russian Energy Cooperation is the most important, and at the same time the most entangled part of their economic relations. It is also the only case when Russia is a supplier and China a demander. This specific relation is driven by different goals. For Russia Energy Cooperation, which means selling gas, oil and electricity to China is not only about making profit, it is more geopolitically driven. Russia believes it can help it control the region and become a more valuable actor in the world affairs thus, decision-making is not economically justified, which results in irrational decisions. China sees in this cooperation only one aspect: it may help it diversify its energy supply and to some extend secure its economic growth, which needs more energy each year. At least these where assumptions several years before, when Energy Cooperation might have looked different. Today, after so many problems, mind and decision changing, China realised it needs to seek stable energy supply somewhere else.

Along with fast GDP growth and changing of lifestyle, world-wide energy needs are also soaring. It is projected, that the worlds need for oil will reach 150 million barrels a day by 2020, which means it will double today's demand. It will happen mainly thanks to China and India, which rise in Asia creates enormous demands for both oil and natural gas what, according to some experts, may result in energy industry become the branch with biggest influence on the

others<sup>42</sup>. China is the fastest growing consumer of energy worldwide and from 2009 biggest consumer of energy. It is projected, that China will import more than 17.5 million barrels of oil per day by 2030, what actually triples its today's needs. In order to achieve that and at the same time guarantee domestic security it must as much as possible diversify its suppliers. In the times when oil prices along with other energy resources are radically increasing, world's attention is focused on Russia, which energy resources are vast: it has the seventh-biggest oil resources and is leading country in terms of natural gas reserves and production. All of that was a great opportunity and challenge for Sino-Russian relations. Unfortunately, as latest records show, taking advantage of the situation is harder than it seems. The increase in China's energy needs in the last two decades has been so rapid, that domestic energy supply has discontinued being enough. Along with overtaking the United States in terms of energy consumption, China started a new chapter in history of energy demand and supply. Even though the United States is still the biggest consumer of oil, with estimated usage of 19 million barrels a day<sup>43</sup>, China is projected to out rival it by 2030 and become not only biggest consumer of energy in total, but also of oil. When it comes to natural gas, China is seen as a consumer of more than half of Asia's total consumption by the year 2030, which most probably will result in closer cooperation with Russia which, as noted before, is the country with the biggest reserves of natural gas in the world.

High consumption is a big challenge for China, which may face critical problems, especially in terms of depletion of some domestic resources, as well as seizing its international diversified supply net without delays. Nowadays almost 40% of its foreign energy supply comes from the Middle East. In order to secure domestic growth, this source must be diversified. The best solution would be to retrieve more oil and energy supply from RFE and Siberia, as those regions have massive natural resources and are geographically close

<sup>42</sup> Ernst&Young, Global Megatrends 2009, The Rising Economic Importance of Energy and Commodities, <a href="http://www.ey.com/GL/en/Issues/Business-environment/Global-megatrends---The-rising-economic-importance-of-energy-and-commodities">http://www.ey.com/GL/en/Issues/Business-environment/Global-megatrends---The-rising-economic-importance-of-energy-and-commodities</a>, accessed 13 May 2012.

China uses only 9.2 million of barrels, which shows the difference and gap in economies of these countries.

to China, which lowers the costs, and benefit from exploiting these areas could both China and Russia.

Russia's natural resources are amongst largest in the world<sup>44</sup>, but still big parts of them, especially these located in Eastern Siberia and RFE are not being exploited. Russia is aiming to change that in the near future. RFE gas resources are projected to become the main source of Russian natural gas in the next 30 years. Asia-Pacific countries including China are major target for these energy resources. RFE has also almost one fifth of all proved oil resources of Russian Federation, and thus, its exploiting in the 21st century seems inevitable.

Almost 80% of all Russian natural resources in terms of energy are located in both Siberia (western and eastern) and in RFE, which are regions geographically close to China. This situation only helps countries cooperate, lower the costs of such supply as well as figure out individual ideas, such us building pipeline, which is much more secure and efficient than using sea route of transportation for oil. Russia would also benefit from almost no competition in the region. In addition not only diversifying supply for China but also diversifying export for Russia is an important aspect in domestic economy.

The pipeline issue is the most confusing and irritating among all other economic issues in Sino-Russian relations in the 21st century. The plans, decisions and contracts have been changed so many times during the last decade, that some scholars refer to it as 'Pipeline Saga', which seems to be a never ending story. The idea of building oil pipeline dates back to 1999, when whole project called East Siberian-Pacific Ocean Oil Pipeline (ESPO, Heфmenposod "Восточная Сибирь — Тихий океан [nefteprovod vostočnaâ sibir' tihij okean], 东西伯利亚-太平洋石油管道 [Dōng xībólìyǎ-tàipíngyáng shíyóu guǎndào]) was brought up. The first plan was to build a pipeline from Russian Angarsk (Ангарск [angarsk]) through Skovorodino (Сковородино [skovorodino]), up to Chinese Daqing (大庆 [Dàqìng]). Unfortunately enough, mainly due to the political reasons, the original project was never fulfilled. Among political reason one was

Russia has 6.3% of global proved reserves of oil and produces 12.4% of total oil production; its natural gas resources exceed 23.4% global reserves. Suggested reading: B.W. Ping, *The Challenges and Opportunities of China's Energy Cooperation with Russia*, Russia in Eastern Asia: The Dialogue Between Taiwanese, Japanese and Russian Scholars, Taipei, 26 November 2011.

extremely important and crucial not only for this project but also for future Sino-Russian relations. In 2003 Japanese intervened in the agreement offering Russia financing of the pipeline all the way through up to Russian city Nahodka (*Haxoðκa* [nahodka]) by the Pacific Ocean. The agreement was lucrative not only because of better financing but also because of better strategical location of the pipeline and Nahodka itself. From this sea port Russia could easily sell its oil not only to China but also to Japan, Korea, other Asian countries as well as to the United States. Breaking off the contract with the Chinese only proved that Sino-Russian Strategic Partnership or close ties are not that important in reality. It also showed China that it must have plan B for diversifying its energy supply, as Russia is not the country to rely on. Eventually the ESPO, due to political and financing reasons was built several years later actually on its premier route from Angarsk to Chinese Daqing.

This almost 1000-kilometres-long pipeline with a capacity of 15 million metric tons of oil per year started to operate only on January 1st 2011<sup>45</sup>. Apart from pipeline and gas purchasing, Russia has also signed some kind of special credit contracts with China. They provide Russia with today's Chinese capital in exchange for the future Russian oil. These worth over USD 25 billion contracts are subsiding not only Russian oil companies Rosneft ( $Poche\phi m$  [rosneft]) and Transneft ( $Tpahche\phi m$  [transneft]) but also (mostly indirectly) Russian government. In exchange for this, Russia obliged itself to transfer to China over 300 million tons of oil by the 2030, mainly through ESPO. For Russia it is a source of extra financing extremely needed in times of crisis and for China it is still the cheapest option to get oil for its growing needs.

Sino-Russian Energy Cooperation includes also gas supply. At least in negotiations it does, because due to the price disagreement none of the contracts have been fulfilled. Already in 2006, Gazprom (*Газпром* [ga²prom])<sup>46</sup> and China National Petroleum Corporation

<sup>45</sup> According to Xinhua News Agency, published on <a href="http://english.cntv.cn/">http://english.cntv.cn/</a> program/china24/20111013/104861.shtml)>, accessed 13 May 2012.

In 2008, Gazprom, mainly thank's to high prices of natural resources was worth over USD 1 trillion and at the same time was biggest corporation in the world.

(CNPC, 中国石油天 然气集团公司 [Zhōngguó shíyóu tiānránqì jítuán gōngsī]) signed the agreement over sending to China natural gas. This contract was later upgraded in 2010 and provided China with '70 billion cubic meters of natural gas from Russia each year. Due to continued disagreements over gas prices between China and Russia, the project has been stalled and Russian gas supplies to China are not realised until now'<sup>47</sup>.

The least troublemaking part of energy cooperation is electricity mainly because of its small scale. Russia today supplies 4.3 billion kilowatts of energy to China annually, and it is projected to raise up to 60 billion by 2020. This include China's biggest cross-border power line, built from Amur Administrative District in Russia up to Heilongjiang (黑龙江省 [Hēilóngjiāng shěng]) District in North China. Project survived many hiccups, including big earthquake in October 2011, which may mean it will eventually start operating soon and help China supply its surging demand for electricity. There were also negotiations over building ultra-high voltage transmission lines, but unfortunately only Chinese side has the capacity to build them, so the project has been postponed to the unknown future.

During almost any official visit to China or to Russia, representatives of states and officials always boast about the achievements of Sino-Russian Energy Cooperation, about the harsh beginnings but pretty smooth recent connection. In real terms, truth is not that bright; there is still a lot to change and precise in order to achieve assumed goals and mutually benefit from the relation. The first and biggest obstacle to let the further and on a big scale cooperation to run is issue of price. This long-term challenge has not been resolved in any of the fields of energy cooperation. The reason for that is not only economic; as Russia is treating everything geopolitically it somehow plays with the prices in order to prove its control over

B.W. Ping, *The Challenges and opportunities of China's Energy Cooperation With Russia*, International Conference: Russia in Eastern Asia: The Dialogue Between Taiwanese, Japanese and Russian scholars, National Chengchi University, Taipei, 26 November 2011, p. 8-9. In October 2011, a group of 160 Russian business leaders along with Vladimir Putin visited China in order to discuss gas supply to China and finalise old contracts. Unfortunately, there is no official record of changes of any kind after the visit.

China in a matter of energy supply as well as to gain other, non-economic benefits. Russia is widely known as the agent influencing on other decision-making through specific pricing<sup>48</sup>. The other important challenge for these relations is to obtain an equilibrium in case of approaches to energy security. Even though it has some geopolitical meaning, for Russia energy supply is still more like any other transaction, like buying and selling goods of any kind, whilst for China it is more a question of domestic security. As long as Russia will not be able to understand that difference and at the same time provide China with stable supply, the cooperation will not work efficiently. This challenge leads to the next, also extremely important, not only in case of energy cooperation question: the problem of mutual mistrust. Both China and Russia know, mainly from past records, but also from recent experience, that they can trust each other only to some extent, which, in some cases is really not sufficient. It may have been one of the reasons why the oil pipeline has not been developed for so many years. The last but not least challenge is the lack of mutual mechanism to cooperate relations of this kind. The framework, the law issues along with common goal are only few of the main problems, answers to which are absent. Establishment of multilateral framework definitely would help China and other Asian countries to cope with Russia in case of energy supply and often unfulfilled contracts.

Sino-Russian Energy Cooperation is also a giant opportunity for the future of both countries. China is trying to strengthen its energy cooperation with Russia through SCO, which seems to help. Even though it may seem that as Russia is a supplier, this bilateral relation is in its favour, recently, mainly due to the price changes and worldwide finance crisis this situation is changing. Russia needs

This situation is most apparent in case of gas prices for Near Abroad Countries. Those of them, which are more independent pay much more than these, which decision-making policy is done accordingly to Moscow's point of view. In 2008 prices of natural gas ranged from USD 280 per million cubic meters for Baltic Republics, through USD 230 per million cubic meters for Georgia up to USD 119 per million cubic meters for Belarus and only USD 110 for Armenia. Suggested reading: J. Tolstrup, 'Democratization', Volume 16, Issue 5, Studying a negative external actor: Russia's management of stability and instability in the 'Near Abroad, University of Denmark, 2009.

Chinese capital, it is essential for its survival. China can survive without Russian energy supply, mainly because it learnt to live that way through all the years of negotiations, broken off contracts and agreements, which have never been fulfilled.

### **CONCLUSION**

Sino-Russian relations have always been and still are of a very prickly character. For nations so diverse and so different from each other common interests sometimes might be not enough to achieve long term rapport. Both countries are representatives of different civilisations, and both are somehow 'caught in the middle', stuck in between cultures. They differ in basic ideas and religion, which seems to be the crucial dissimilarity. Chinese world view, which treats all other nations as subordinates states and Russian messianism are clashing through history. All of that led them in 20th century to the same point where they rejected rich past and through revolution changed the course of history. According to the civilisational difference the evolution of the Communism in both China and Russia was different. Russia was able to cast away this regime already in 1991, China still remains a communist country and at the same time is rising economically not only in Asia but also worldwide. Analysis of past events shows that once standing on a peak of the world Russia is not willing to forget those times. On the other hand China believes, also taught by blooming ancient history, that has a right to be at the pinnacle. As there's no two Suns in the sky, the tensions arise. In addition the contemporary problems and tensions on common border and areas nearby shall become the main future difficulty in mutual relations.

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