



China-Russia Relationship:

Assessing the Power Asymmetry

Amit Kumar

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This discussion document offers an analysis of the power asymmetry between China and Russia. It assesses the China-Russia relationship on three parameters: geopolitical alignment, economic integration and military ties, to uncover the extent of Moscow's dependence on Beijing to realise its overarching geostrategic goals.

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Executive Summary

This discussion document examines Russia's relationship vis-à-vis China on three parameters: diplomatic ties, economic ties and defence ties. It further investigates the extent of Moscow's dependence on Beijing. The paper finds that while there exists deep strategic alignment between the two countries, Russia significantly depends on China's diplomatic and financial resources to realise its geopolitical goals. Further, China has replaced the EU to emerge as Russia's top economic partner as Western sanctions have tightened. Consequently, Moscow has grown increasingly dependent on Beijing to sustain its economy. Military and defence ties are relatively more symmetric as compared to their diplomatic and economic ties. At the people-to-people level, there exists a greater level of trust between the two countries. Overall, while the China-Russia relationship remains solid across all four fronts, Russia's growing dependence on China is alarming, especially for India.

This document has been formatted to be read conveniently on screens with landscape aspect ratios. Please print only if absolutely necessary.

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I. Introduction

The Russian invasion of Ukraine in 2022 has brought about a major shift in the world order. The feeble signs of an emerging multipolarity have ruptured before they could take any meaningful form. Preceding the invasion, there was a substantial desire within Europe in general and the EU in particular to reset ties with Moscow.¹ The resentment with Russia's annexation of Crimea had seemingly petered out to enable constructive discussions on deepening the Russia-Europe economic relationship.² This desire for rebuilding ties existed despite American hostility towards Russia. The development raised hopes of a much stronger multipolar world order otherwise dominated and spearheaded by the two giants — the US and China.

Instead, the war in Ukraine dented Russia's image as a trusted partner. Not only did it bring about a stronger trans-Atlantic alignment vis-a-vis Russia but has also pushed the latter closer to China. Since the invasion, the US and the EU have imposed collective economic sanctions on Russia.³ The war has hardened perceptions of each other across the Urals and severely limited the room for political manoeuvre in both Europe and Russia.

This has brought about a deeper alignment between Russia and China. Consequently, strategists around the globe have been preoccupied with the repercussions of such a partnership between the two countries. In this

context, the most recurrent question that is being raised is: Has Russia become a junior/subordinate partner of China?

The deepening Sino-Russo relationship has become a subject of discussion in India as well. The concern that one of India's historically most trusted partners now possibly shares an indispensable friendship with India's primary adversary, has instigated debate around the reliability of Russia as a security partner.⁴

There are two particularly noteworthy strands of thought. The first argues that the Russia-India relationship is rooted in history and has stood the test of time.⁵ The genesis of this thought lies in India's experiences with the Soviet Union during the Cold War years, with the India-Pakistan War of 1971 being the watershed moment in friendship. That event created substantial affinity towards the Soviet Union (later Russia) among the Indian public and political elite, while concurrently generating deep antipathy and cynicism towards the US-led West. The Soviet Union also supported India through the sale of arms at a time when the West (primarily the US and UK) would openly arm Pakistan with sophisticated and advanced weapons while turning down India's requests. Further, they argue the Soviet Union was India's sole trusted partner with a veto in the United Nations Security Council (UNSC), particularly when the West raked up issues pertaining to Jammu and Kashmir. As per this school of thought, the experience of history demonstrates Russia's reliability and creates an obligation for India to support

Russia, for it stood with India when the latter found itself isolated by the West for most of the Cold War period. This school also contends that India and Russia are natural partners given their core interests do not conflict. Thus, they argue that the Moscow-Delhi relationship transcends any upheavals in the global order, and is critical to maintaining India's strategic autonomy. Finally, they contend that any effort towards distancing from Russia would further push it in China's orbit of influence. An isolated Russia that is more dependent on China presents a significant challenge for India, as per them.

The second school of thought calls for a more pragmatic approach to modern-day Russia, notwithstanding the traditional and historical relationship with the Soviet Union.⁶ They endeavour to absolve India of any moral obligation by alluding to the latter's historically ambiguous and even contrary position on matters related to Indian interests vis-a-vis China.⁷ In addition, they point to the deepening strategic partnership between Russia and China, as threatening India's security interests. These scholars also view Russia as a declining power that can do very little to augment India's comprehensive national power. On the contrary, they point out that Russia's expansionist tendencies have an adverse impact on India's relationship with the US at a time when its interests align far more closely with the West owing to the changing geopolitical realities. This has significantly altered the cost-benefit matrix for India when it comes to its relationship with Russia.

Similar to observers in the West, these two schools are also concerned primarily with the nature of the China–Russia relationship. The principal worry among Indian strategists revolves around Russia’s ability to independently steer its India policy. Thus, it is imperative to assess the extent of Russia’s dependence on China. The answer to the question will alone determine the autonomy that the Kremlin can exercise when it comes to choosing between Beijing and New Delhi.

Consequently, this paper examines Russia’s relationship vis-a-vis China across three parameters and investigates the extent of the former’s dependence on the latter within each of these categories: the depth of strategic alignment; the landscape of economic ties; and the extent of defence ties. The final section of the paper assesses the level of trust and confidence the two countries (and their people) enjoy among each other’s populace.

II. Geopolitical Goals: Alignment, Divergence & Dependence

Russian President Vladimir Putin's May 2024 meeting with his Chinese counterpart Xi Jinping was their 43rd in-person engagement since 2013.⁸ Neither of them has met any other state representative this often. The visit was also Putin's first state visit since his re-election in April 2024. It was expected since Xi had chosen Moscow for his first state visit immediately after his re-election in 2023. This is a testament to the value that Putin and Xi personally attach to the China-Russia relationship.

Strategic Alignment

It is often emphasised that the war in Ukraine has yielded a growing alignment between Russia and China. While this is true, it would be prudent to remember that this convergence was already underway before the conflict began. It eventually took the shape of the 'No Limits Partnership' that the two countries announced in February 2022.⁹ This was expounded in the joint statement issued after their meeting on the sidelines of the Beijing Winter

Olympics. The document said that the friendship between the two states “has no limits, [and] there are no ‘forbidden’ areas of cooperation.”¹⁰

The contours of the no-limits partnership included concerns surrounding reform and development of the global governance system and multilateralism.¹¹ Additional concerns included “upholding sovereignty, security and development interests, effectively counter[ing] external interference and threats to regional security.”¹²

The invasion of Ukraine, regardless of whether Beijing had prior knowledge or not, gave both countries an opportunity to express resentment against the existing global governance architecture. Both Russia and China used the instability and uncertainty brought about by the crisis in Ukraine to attempt to redefine the concepts of sovereignty and security according to their suitability.

China and Russia have similar grievances against the Western-dominated global order that impinges on their “security” and “sovereign” interests. While Moscow has apprehensions about US-led North Atlantic Treaty Organisation (NATO)’s intentions in Eastern Europe, Beijing has similar grievances against the US about its involvement in cross-strait affairs and its periphery. Both view the US as their principal adversary, since it maintains alliances around their respective neighbourhoods. They believe these alliances impinge on their spheres of influence, though this assessment discounts the

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threat that each of them poses to their neighbouring states, and the agency of these states to seek counter-balancing options.

Accordingly, in April 2022, China unveiled the Global Security Initiative (GSI),¹³ later seconded by Russia,¹⁴ that sought to mainstream the idea of “indivisible security”. This expanded the scope of security beyond traditional understanding to include “legitimate interests” in neighbouring areas. China’s conception of indivisible security emphasises that individual security cannot be separated from common security. It adds:

“The legitimate and reasonable security concerns of all countries should be taken seriously and addressed properly, not persistently ignored or systemically challenged.”

This idea was reiterated in China’s 12-point plan on the Political Settlement of the Ukraine Crisis unveiled in February 2024.¹⁵ It underlined:

“The security of a country should not be pursued at the expense of others. The security of a region should not be achieved by strengthening or expanding military blocs. The legitimate security interests and concerns of all countries must be taken seriously and addressed properly. There is no simple solution to a complex issue.”

When read in conjunction, it effectively exonerates Russia for violating Ukraine's territorial sovereignty. Instead, it blames the West for failing to take into account Russian security concerns. It's equally an attempt by China to legitimise belligerence where its interests conflict with other states. In Beijing's view, the formation or expansion of groupings like NATO, Quad, and AUKUS (Australia, UK, US) threaten the region's common security. This new concept of security treats the interests of others as subservient to those of China and Russia.

When Russian Foreign Minister Sergei Lavrov visited Beijing in April 2024, he reiterated the need to “ensuring equal and indivisible security” as the “first and the foremost” prerequisite for the cessation of hostilities in Ukraine in the presence of his counterpart Wang Yi.¹⁶

Another point of convergence between China and Russia emanates from their shared antipathy for the US-dominated economic order and financial system. Both countries have been subject to a range of Western economic sanctions and export restrictions. On numerous occasions, the leaders of the two states have decried and denounced unilateral and multilateral restrictions by the West without the authorisation of the UN.¹⁷

Their two biggest concerns in this regard relate to the hegemony of the US dollar and SWIFT (Society for Worldwide Interbank Financial Telecommunications) in global financial transactions. Their perpetual tension with the US puts them in a vulnerable position vis-a-vis the US-dominated

China's idea of “equal and indivisible security” treats the interests of others as subservient to those of China and Russia.

It effectively exonerates Russia for violating Ukraine's sovereignty and territorial integrity. Instead, it blames the West for failing to consider Russian security concerns.

In doing so, it deprives smaller states of any independent agency.

financial system. The consequences of this have become more pronounced lately. Following the invasion of Ukraine in 2022, the US and its allies froze close to US\$300 billion of Russia's forex reserves held by them.¹⁸ Some have also suggested seizing the frozen reserves and utilising them towards either arming the post-war rebuilding of Ukraine.¹⁹ The response by the US and its allies has alarmed the Chinese as well. As of February 2024, China holds the world's largest forex reserves at over US\$3 trillion of which around US\$770 billion is held in US Treasuries.²⁰ Besides, China also has a large holding in US Treasuries through offshore custodians such as Belgium.²¹ Although China's SAFE does not publicly disclose the breakup of its forex reserves, the majority of the rest is expected to be held in the denomination of the other big three — Yen, Euro and Sterling. China also does not disclose where its forex reserves are currently invested. Nevertheless, this situation puts China at risk of similar actions involving freezing or seizing of its reserves held overseas. Consequently, China's decision to sell US Treasuries and buy gold lately is being viewed as a measure to mitigate this risk.²²

The other vulnerability relates to the settlement of cross-border payments. Currently, financial institutions around the world rely on the SWIFT messaging system for secure, accurate, and smooth international transactions.²³ After the invasion of Ukraine, the West imposed a SWIFT ban on Russian financial institutions involved in the transaction of dual-use goods or weapons.²⁴ Lately, assessing the ineffectiveness of the ban, the US

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and its allies have threatened secondary sanctions on third-country financial institutions involved in such transactions with Russia.²⁵

Consequently, Chinese banks have reportedly halted some settlements between traders from the two countries.²⁶ As an increasing number of Chinese and Russian businesses have been added to the US ‘Entity List’, fear of secondary sanctions has impacted the operations of financial institutions in both countries.²⁷ This severely impacted China-Russia trade in the first quarter of 2024.²⁸ The issue also topped the agenda during the Putin–Xi meeting in May this year. The insecurity is real for China too especially as the US threatened secondary sanctions on Chinese financial institutions in June 2024.²⁹

Russia and China have, therefore, pushed for de-dollarisation and finding alternatives to SWIFT. While Russia’s need is urgent, this is not the case for Beijing. Nevertheless, China is committed to countering the hegemony of the dollar and SWIFT in the global financial architecture to cushion the impact of any potential American punitive measures during a contingency, such as a cross-strait conflict.

In this light, the BRICS (Brazil, Russia, India, China, South Africa) has acquired a greater significance for the two countries. Both view BRICS as a means for promoting an alternative global financial architecture free from the US-led West’s dominance. The two countries discussed the possibility of settling trade in local currencies and developing an effective alternative to

After the Kremlin’s invasion of Ukraine, the West imposed a SWIFT ban on Russian financial institutions involved in transaction of dual-use goods or weapons.

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SWIFT at the 2023 BRICS Summit. Consequently, the two countries settled over 90 percent of their bilateral trade in local currencies (Renminbi or Ruble) in 2024.³⁰ While both Russia and China have homegrown alternatives to SWIFT, a lack of their widespread adoption by countries around the world is an obstacle.

It is little surprise that some of the new members invited to join BRICS also share these reservations about the dollar hegemony and its impact on their economy. Both Egypt and Iran have announced their intentions to eliminate trade in dollars.³¹ Similarly, Ethiopia has been struggling with an ailing economy and a BRICS membership seemed strategically timed while its negotiations with the IMF for an aid package was underway.³² Incidentally, seven months after Ethiopia formally joined the BRICS, it secured a four-year Extended Credit Facility worth US\$3.4 billion from the International Monetary Fund (IMF).³³ Thus, the China-Russia strategy seemingly rests on using BRICS as a platform to capitalise on the resentment against the US-led global financial architecture. The strategy includes expanding membership and popularising alternative financial mechanisms among them to create enough momentum to promote BRICS standards beyond the grouping.

Lastly, both Russia and China have found themselves increasingly isolated from the Western technology ecosystems. Notwithstanding the challenges in emerging and critical technologies, both countries have a proven reputation in basic research and are making headway in foundational technologies. As

In light with the challenge emanating from the Western-dominated financial system, the two countries view BRICS as a means for promoting an alternative global financial architecture.

China and Russia now settle over 90% of their bilateral trade in local currencies (Renminbi or Ruble).

The two countries are also working towards promotion of homegrown alternatives to SWIFT, albeit without much success.

their exclusion from the Western technology ecosystem becomes inevitable, the two feel compelled to advance cooperation on scientific and technological innovation, including cooperation in such frontier areas as artificial intelligence, the Internet of Things and the International Lunar Research Station.³⁴

Strategic Divergences

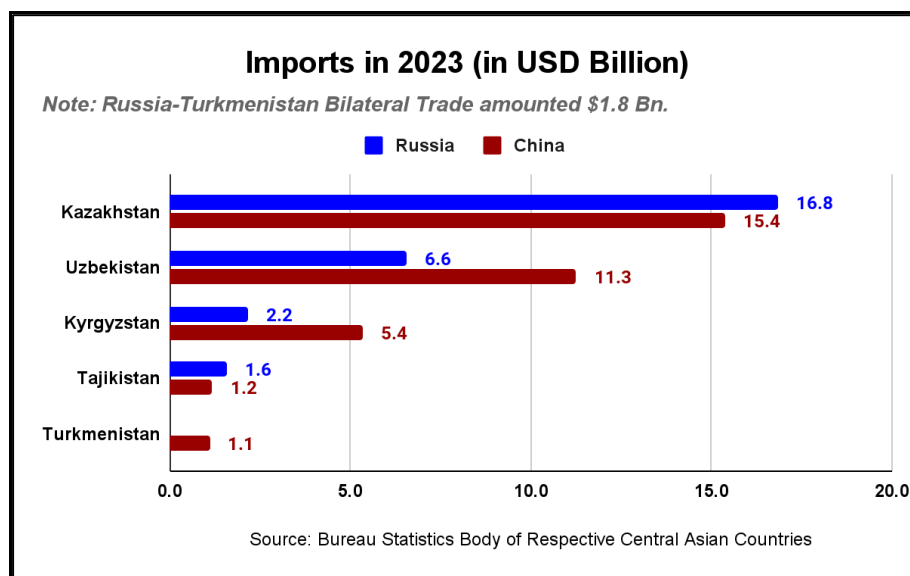
Despite the deepening strategic alignment, the China-Russia relationship is not without divergences. Both China and Russia are expansionist powers with global ambitions. But the fact that they are also neighbours with a long boundary creates a complex strategic calculus. It engenders the possibility of overlapping spheres of interest, thereby fostering room for friction.

Nowhere is this more evident than in Central Asian countries like Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. Central Asian countries have historically had closely-knit economic and security ties with Russia. Consequently, the Kremlin regards the region as its strategic backyard. Countries in the region have also allegedly helped Russia circumvent various Western sanctions relating to the export of dual-use goods amidst the war with Ukraine.³⁵

However, China has lately emerged as Russia's competitor in Central Asia. As Russian engagement in Ukraine has prolonged, its trade and economic

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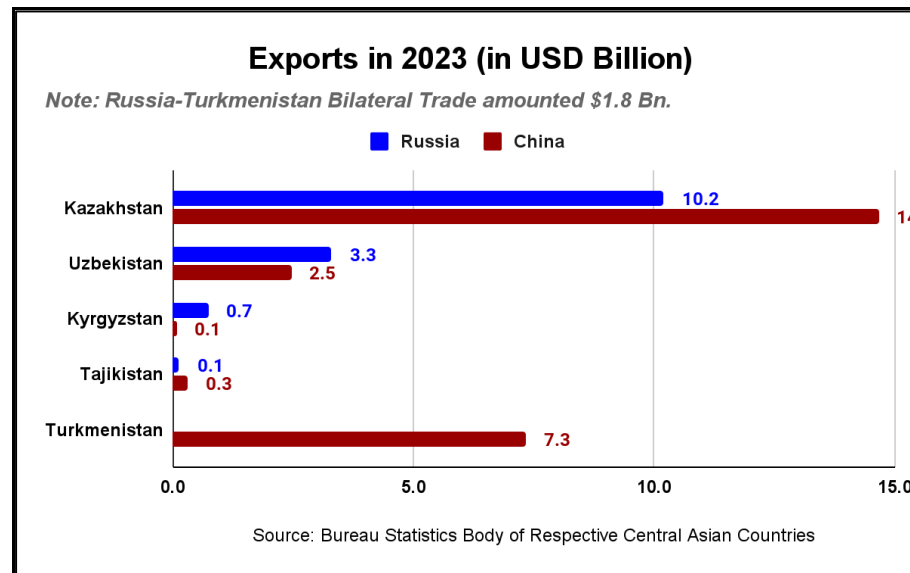
relationship with Central Asia has suffered. China, on the other hand, has emerged as the most important economic partner of the Central Asian countries. Not only has it replaced Russia as their top trading partner (barring Tajikistan) in 2023, but has also emerged as the leading investor in the region.



China has lately emerged as Russia's competitor in Central Asia.

Beijing's trade with Kazakhstan, Uzbekistan, Kyrgyzstan and Turkmenistan is now higher than their trade with Moscow.

According to China's customs data, however, China is the bigger trading partner for all the five Central Asian countries than Russia.



If China's customs data are to be believed, the trade figures far outweigh the numbers quoted by the five Central Asian economies. But even if the conservative estimates by these countries are to be believed, China is indisputably their largest trading partner.³⁶ China's investment in the region too has expanded, especially in the three largest regional economies — namely Kazakhstan, Uzbekistan and Kyrgyzstan.³⁷ China's investments in the region, which traditionally focused on the extraction of minerals, have now expanded to include the green energy sector. Further, in 2023, China opened more businesses in Uzbekistan than Russia.³⁸

Russia's efforts to further integrate Central Asian economies, meanwhile, appear to have hit a roadblock. The Russia-led Eurasian Economic Union

Russia's preoccupation with the war in Ukraine has adversely impacted its trade relations with the Central Asian countries.

Russia-backed EAEU is also losing appeal among Central Asian countries due to lack of progress.

Moscow's inability to speed-up economic integration of the area is further compounded by its "imperial" approach to the region.

Meanwhile, China has quickly expanded its trade and investment in the region.

(EAEU) is losing its appeal among Central Asian countries due to lack of progress.³⁹ The Kremlin's efforts to rope in China were met with a lackadaisical response.⁴⁰ Now its preoccupation with the war in Ukraine and consequent Western sanctions have further cast aspersions on EAEU's promise.

Despite sharing deep cultural, linguistic and security ties, the Central Asian states continue to remain suspicious of the Kremlin's "imperial" approach in the region.⁴¹ Against this backdrop, China's growing influence compounds Russia's sensitivities vis-a-vis the Central Asian countries.

A second potential point of contention that may emerge in subsequent times entails the evolving Russia-Democratic People's Republic of Korea (DPRK or North Korea) relationship and its repercussions for Beijing. During his recently concluded visit to Pyongyang in July 2024, Russian President Vladimir Putin and the North Korean leader, Kim Jong-un concluded a mutual defence treaty.⁴² The *Treaty of Comprehensive Strategic Partnership between the DPRK and the Russian Federation* mandates that "the other side shall provide military and other assistance with all means in its possession without delay in accordance with Article 51 of the UN Charter and the laws of the DPRK and the Russian Federation."⁴³

On the surface, the treaty may appear to be a positive development for Beijing as it seeks to strengthen the China-North Korea-Russia axis against the West. However, the development may raise challenges for China by

creating greater incentives for the NATO to have a deeper foothold in Asia. In fact, in a press conference, NATO Secretary General Jens Stoltenberg underlined discussion on the Republic of Korea, Japan, Russia and DPRK as one of the key agendas for the 2024 summit.⁴⁴ To this statement, the Chinese foreign ministry spokesperson accused NATO of diluting its claim of being a “regional defensive alliance” and instead “reaching beyond its boundary, expanding its mandate, stoking confrontation.”⁴⁵ Further, the spokesperson added that “NATO should not use China to justify its insertion into the Asia Pacific.”⁴⁶

The conclusion of the Russia-DPRK Cold War-style mutual defence treaty raises challenges for China by creating greater incentives for the NATO to have a deeper foothold in Asia.

China is wary of the possibility of NATO interest in the Indo-Pacific. Thus, Beijing has so far denounced any form of bloc politics and military alliance in the region. However, it has remained silent on the Russia-DPRK agreement which is a Cold War-style mutual defence treaty at its core. Beijing can no longer accuse the US and NATO (Russia-directed defence treaty) of breaching its traditional regional limit and expansion of its mandate now that Russia has concluded an alliance in Northeast Asia.

Strategic Dependence

While substantial convergence exists between China and Russia over their geopolitical goals — reforming (subverting) the US-led and Western-dominated global political and economic order — the need for effecting such a change is much more urgent for Moscow than it is for Beijing.⁴⁷ Russia’s

need is urgent because it is a pariah in the current global political and economic order, while China is still very much a part of the system despite its grievances.⁴⁸ And since none of the two countries is single-handedly capable of effecting such a change, China's ability to set the pace for their joint campaign in light of Russia's urgency makes Moscow's goals contingent on Beijing's terms and conditions.

Secondly, while the two countries share common ambitions, they are separated by their differential capabilities to realise their collective strategic objectives. Beijing has more diplomatic and monetary resources than Moscow to allocate. Russia's diplomatic isolation and flailing economy limit its resources thereby making it reliant on China even more to lead the campaign against the US-led and West-dominated global political and economic order.

Russia's isolation from the US-led and Western-dominated global political and economic order makes its need for reforms urgent. However, China is still very much a part of the system despite its grievances.

This allows China to set the pace for their joint campaign against the current order.

Furthermore, Russia and China are separated by their differential capabilities to realise their collective goals. Beijing has more diplomatic and monetary resources than Moscow to allocate. This renders Russia largely dependent on China to realise its geostrategic goals.

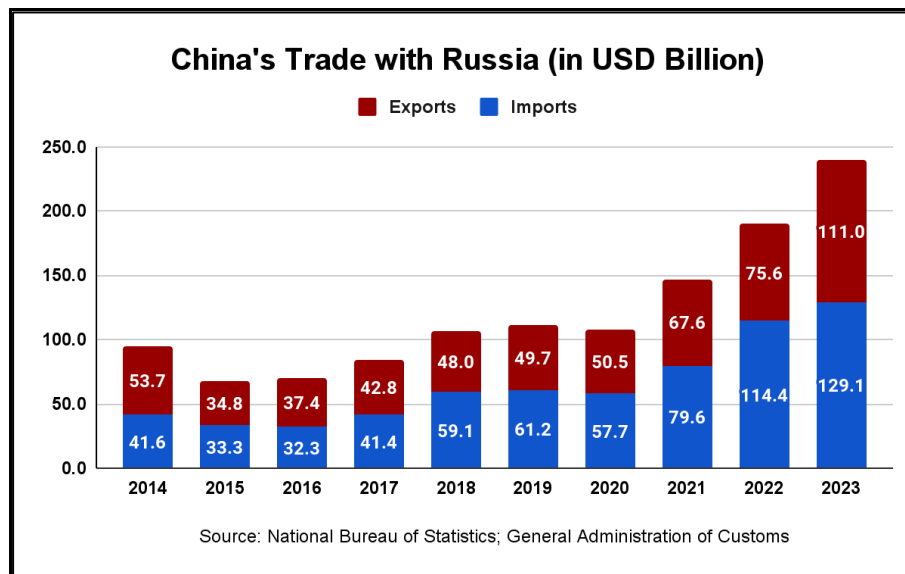
III. Economic Integration: Dependence or Co- Dependence?

Ever since Russia invaded Ukraine in February 2022, the China-Russia economic partnership has been the subject of greater scrutiny. Given the power asymmetry between the two countries and Russia's isolation from the West, there have been questions surrounding Moscow's strategic dependence on Beijing. In 2020, the bilateral trade between the two countries stood at \$110 billion.⁴⁹ In the next three years, however, total trade more than doubled to \$240 billion in 2023, comfortably breaching the target of \$200 billion trade set by the leaders of the two states in 2018.⁵⁰ The sharp increase in trade in the last few years has meant that Russia has become China's sixth-largest trade partner, surpassing Vietnam, Australia and Germany. The only countries or entities that trade more with China are the US, Japan, South Korea, Hong Kong and Taiwan. This massive expansion in bilateral trade has led observers to underscore Russia's increasing dependence on China to an extent where some have even termed it a junior partner to Beijing.⁵¹ But whether the burgeoning trade has actually rendered Russia dependent on China requires deeper examination.

While China emerged as Russia's largest trading partner in 2023, the latter became the former's sixth largest trading partner in the same year.

Semblance of Interdependence

A look at the long-term data series shows that trade between the two countries has remained largely symmetric. Also, 2021 appears to have been an unusual year in bilateral economic relations. To begin with, it witnessed a *greater-than-usual* spike in overall trade, as both countries expanded their exports and imports to each other. Secondly, the asymmetry in trade became wider in Russia's favour during the year, the effects of which became much more pronounced in 2022.



In quantitative terms, the China-Russia trade is largely symmetric. In fact, Russia has a surplus trade with China.

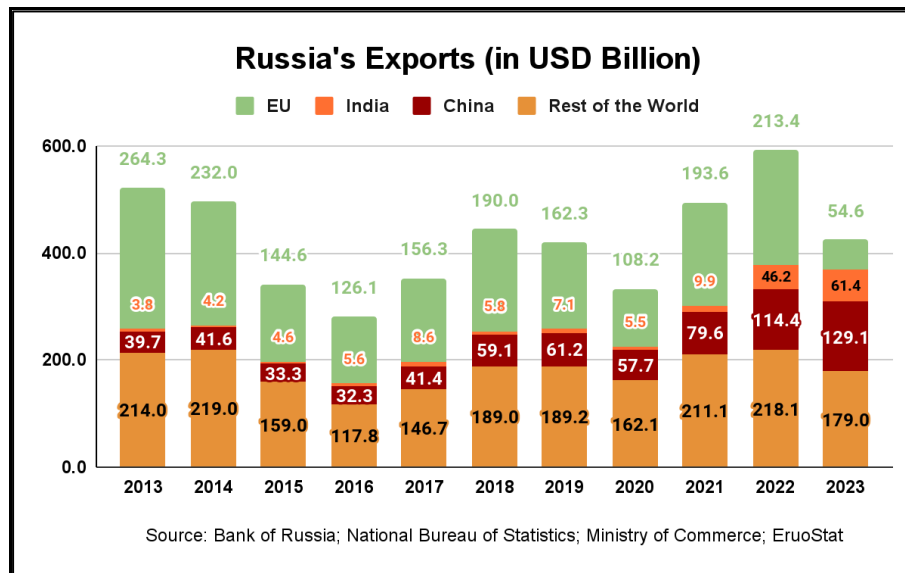
The massive increase in Russia's exports to China is attributable to the latter's significantly higher purchase of coal and oil at heavily discounted rates

following the EU sanctions and G7 price caps imposed on Russian fossil fuels. Additionally, China's import of Russian gas has also substantially increased since the inauguration of the Power of Siberia gas pipeline in 2019.⁵² The trend sustained in 2023, as bilateral trade continued to grow at a substantial rate. The year, however, also witnessed China reducing the growing asymmetry and cutting back the deficit down to \$18 billion from \$39 billion in 2022. Thus, a prima facie assessment of bilateral trade data reveals a case of a symmetric relationship between Russia and China. Russia's exports to China exceed its imports from it.

The Asymmetry runs deep

A dimension of quantitative asymmetry becomes apparent when the bilateral trade between the two countries is placed in the wider context of their overall trade. The following charts show China's share in Russia's overall exports and imports and vice-versa.⁵³

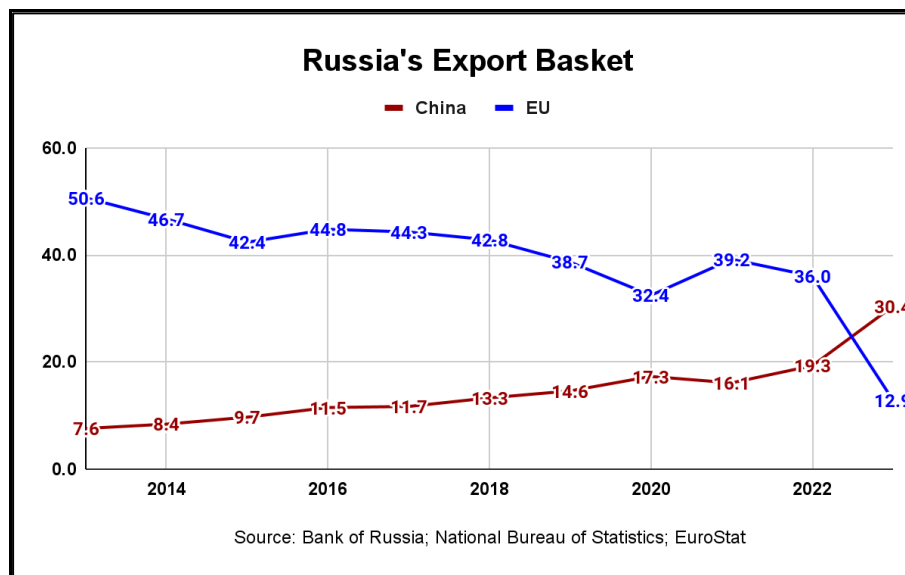
Russia's trade basket reveals that its overall trade has not drastically suffered despite stringent sanctions imposed by the EU — its biggest trading partner historically.



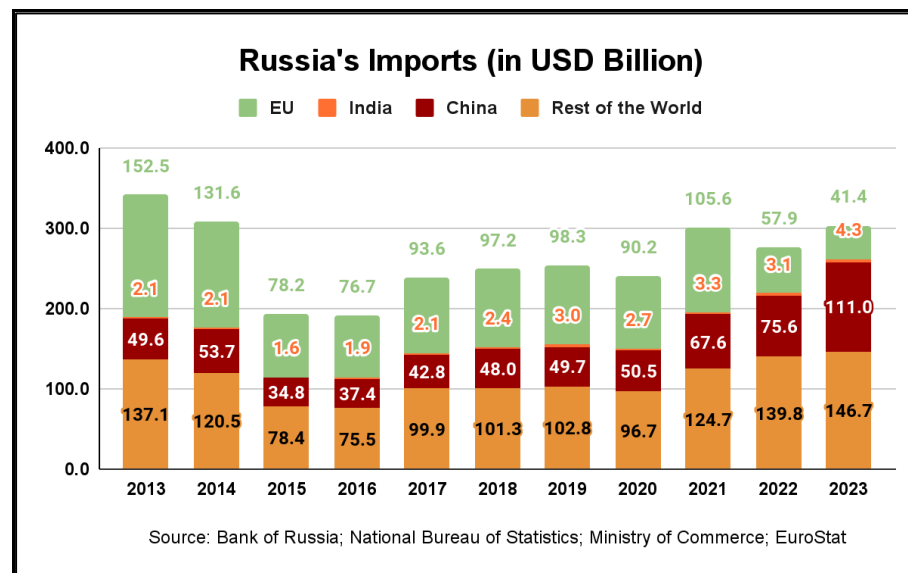
Despite losing the EU's massive market, Russia's export figures in 2023 have largely remained stable as compared to 2021.

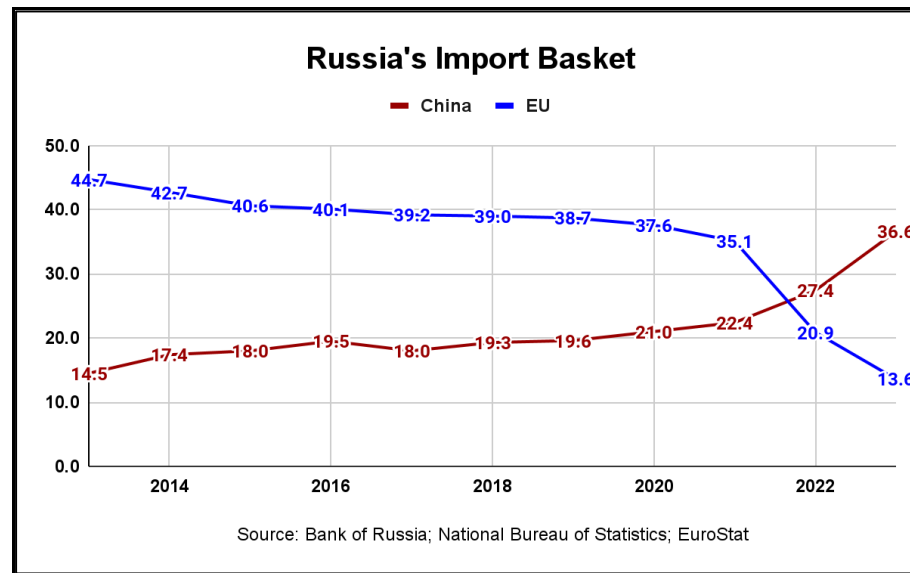
The year 2022 was an anomaly as the EU increased its energy imports from Russia before sanctions became active.

China, with some help from India, has absorbed most of Russia's losses emanating from the reduced trade with EU.



The decline in Russia's exports in 2023 as compared to 2021 (the years after and before its war with Ukraine commenced), stood at only \$74 billion. While Russia's exports have largely remained stable, its imports have witnessed a rise – the highest in the last nine years. For instance, exports to the EU dropped from 39 percent in 2021 to 13 percent in 2023 while imports from the EU fell from more than 35 percent in 2021 to below 14 percent in 2023. Yet, Russia's trade has largely remained steady.



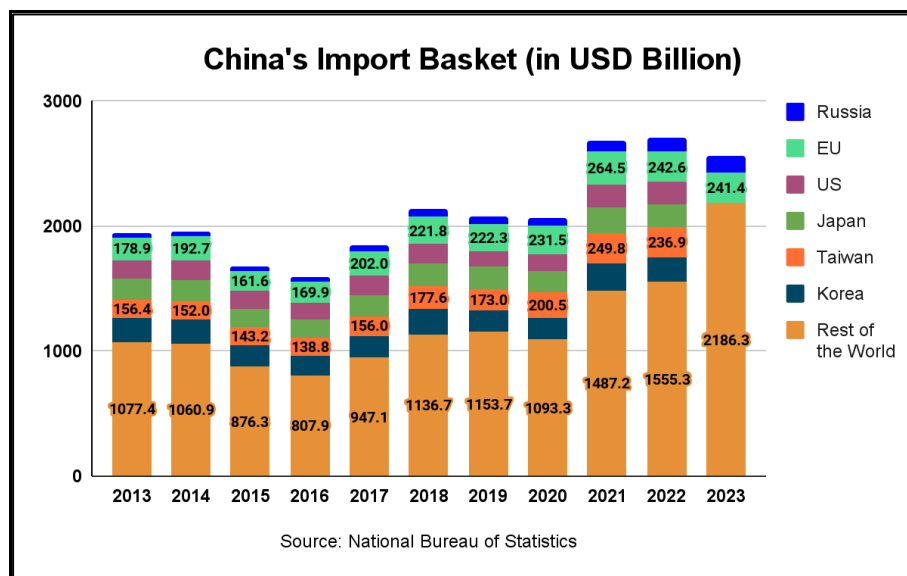


By 2023, Russia's imports from China have also increased by almost the same amount as the decline in imports from the EU.

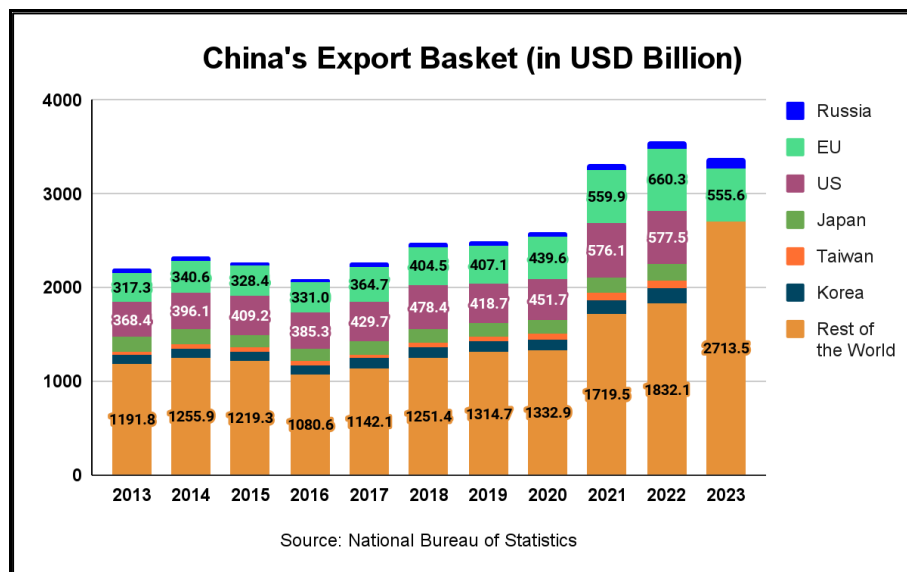
Thus, China has effectively replaced the EU for Russia. Today, the Russian economy is as integrated with China as it was with the EU before the invasion of Ukraine.

It is in this context that Russia's economic and trade relationship with China assumes great importance. China has emerged as the central factor in keeping Russia's trade figures stable. As of 2023, China accounted for 30.4 and 36.6 percent of Russia's overall exports and imports, respectively. Essentially, Beijing has replaced Europe in both aspects of trade with Moscow.

On the other hand, Russia accounted for only ~3 percent and ~5 percent of China's total exports and imports respectively. Thus, while the China-Russia economic relationship may appear symmetric on a bilateral front, there is a semblance of greater asymmetry when their bilateral trade is viewed in the context of their respective overall trade.

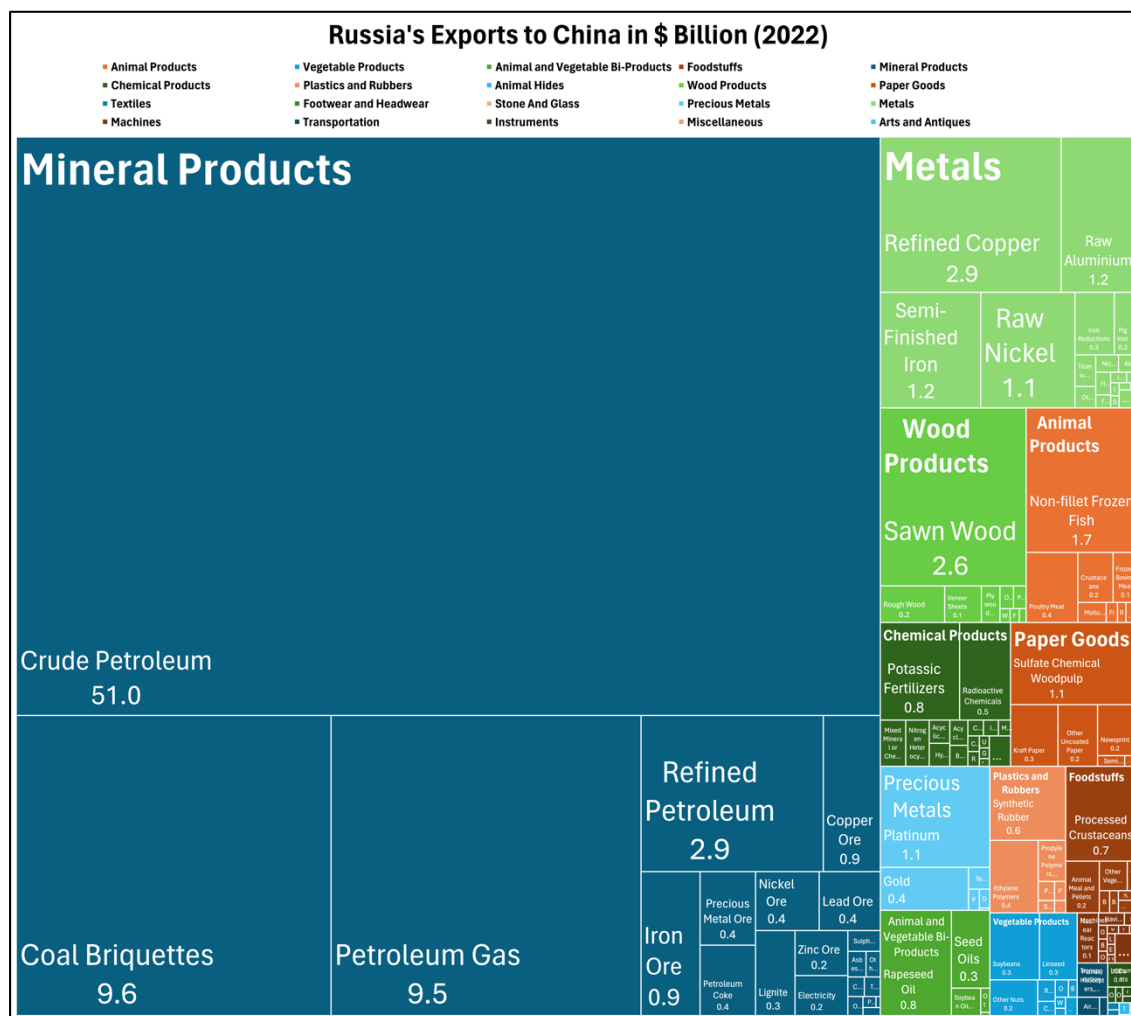


As of 2023, while China accounted for 30.4 percent and 36.6 percent of Russia's total exports and imports respectively, Russia accounted for only 3 percent and 5 percent of China's exports and imports respectively.



However, a key point to note here is that while Russia accounts for a small share of China's trade basket, it is the only non-West-leaning entity among Beijing's top six trade partners.⁵⁴ The fact that all of China's top five trading partners are the closest allies and partners of the US enhances the possibility of concerted economic actions against Beijing during contingencies. To an extent, this limits China's room for coercion vis-a-vis Russia – its sole trusted trading partner. Moreover, Russia has emerged as a major destination for China's exports at a time when its products have faced threats of sanctions in the Western market. To a certain extent, this serves China's trade diversification strategy.

Nonetheless, the case for qualitative asymmetry is equally compelling given Russia's exports to China are dominated by oil and energy. As per the OEC database, crude petroleum accounted for as much as 47 percent of Russia's exports to China in 2020.⁵⁵ Refined petroleum and petroleum gas together accounted for another nine percent. By 2022, the share of crude oil export to China rose to over 50 percent while refined petroleum and gas made up another 14 percent of Russian exports.



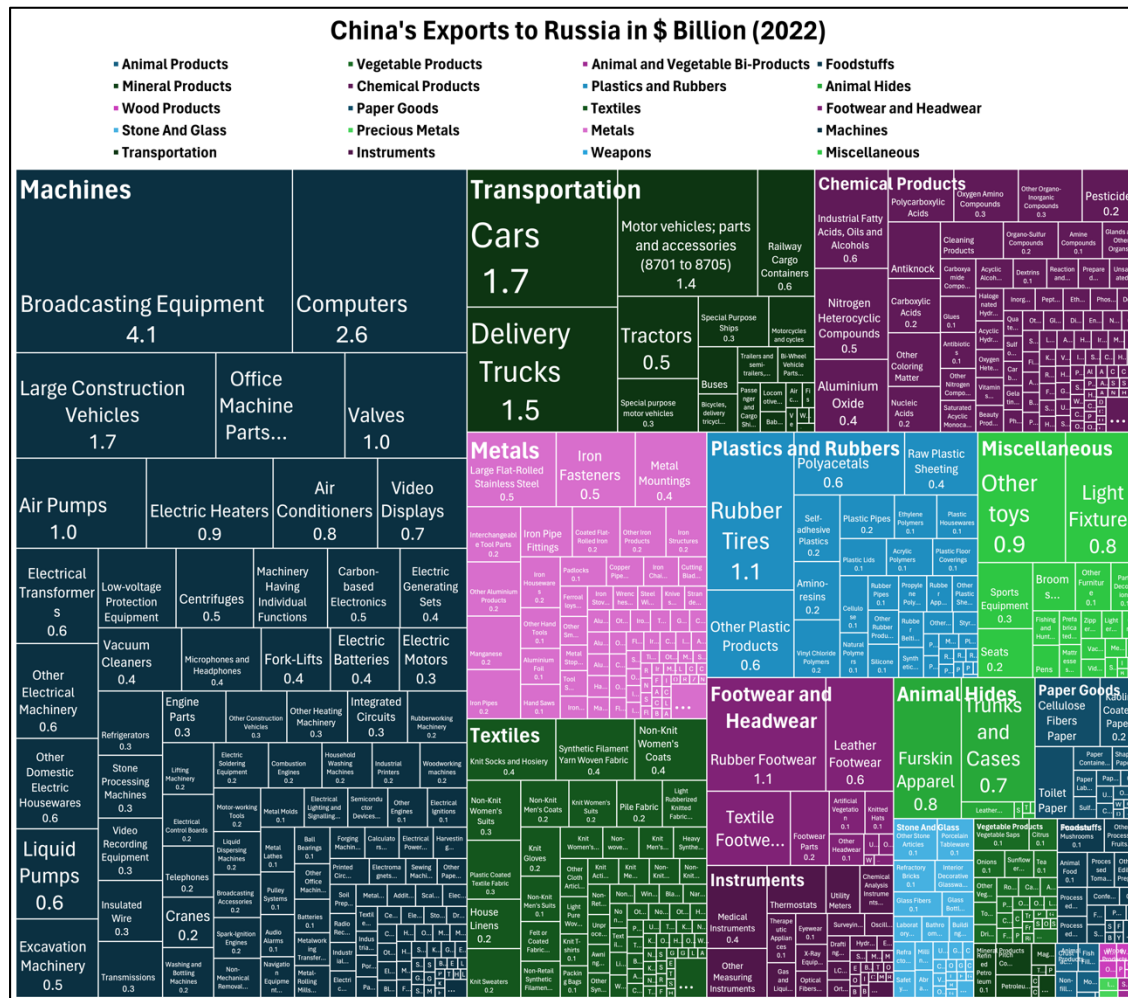
Source: OEC

In 2022, more than 50 percent of Russia's exports to China were crude oil. Refined petroleum and gas made up another 14 percent.

In contrast, China's exports to Russia are much more diversified and not dominated by any particular commodity. Even though machines and electronics make up for around 45% of China's exports to Russia, the most

traded commodity by value — broadcasting equipment — accounted for only a little over nine percent of the total exports in 2020. This share shrunk further to less than six percent in 2022.

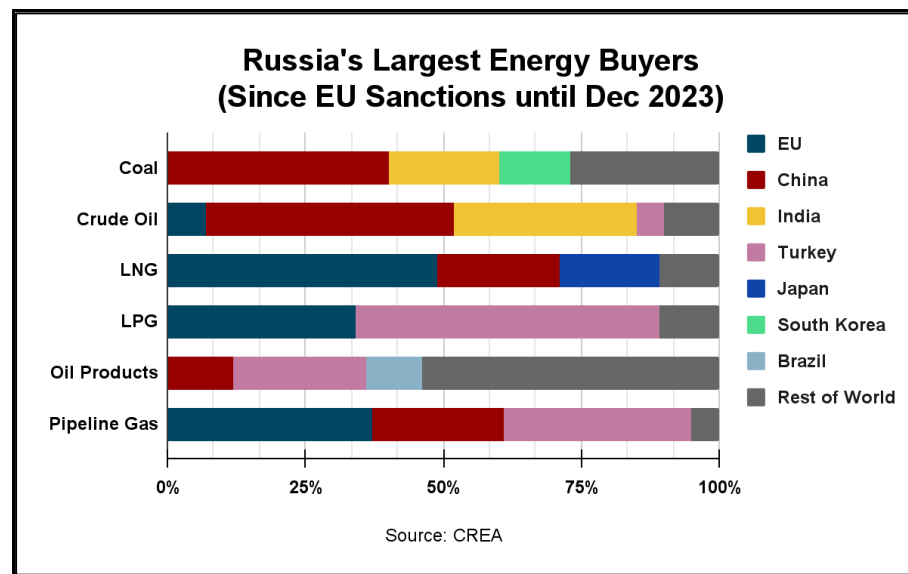
In contrast, China's exports to Russia are dominated by machines and electronics. In 2022, they accounted for around a third of China's total exports to Russia.



Source: OEC

Further, not only are Russia's exports to China dominated by energy, but a majority of Russia's global energy exports are also concentrated in China. CREA statistics show that until December 2023, China accounted for 40 percent and 45 percent of all Russian coal and crude oil exports, respectively, since the December 05, 2022 ban by the EU.⁵⁶ In contrast, India imported 20% and 33% of Russian coal and oil, respectively. The EU has so far not imposed sanctions on imports of LNG shipments and pipeline gas from Russia. Consequently, the EU was Russia's largest purchaser of LNG (49%) and pipeline gas (37%), respectively. China, on the other hand, emerged as the second-largest and third-largest buyer of Russian LNG (22%) and pipeline gas (24%). China is also the second largest importer of Russian oil products (12%) after Turkey (24%).

Not only are Russia's exports to China dominated by energy, but a majority of Russia's global exports are also concentrated in China.



China, the EU and Turkey are the three largest buyers of Russian energy.

The EU has not imposed sanctions on LNG shipments and pipeline gas. Consequently, it continues to be the largest buyer in the two segments.

The Center on Global Energy Policy finds that between 2021 and 2023, China alone has completely absorbed Russia's losses from the EU's suspension of coal imports.⁵⁷ During the same period, Russia also managed to find alternative markets – primarily China, India and Turkey, to completely offset its losses from the EU's reduced oil imports. China's LNG imports from Russia have also soared in conjunction with the EU's share.

China, Turkey and India have significantly increased energy imports from Russia under various categories. Together, this has offset Russia's losses arising from the EU's sanctions on Russian energy.

The irreversible slump for the Russians, however, appeared in their export of pipeline gas. This occurred despite the EU refraining from imposing sanctions on Russian pipeline gas and primarily because Russia chose to halt the supplies through the Nord Stream. While China has increased its import of pipeline gas from Russia since the inauguration of the Power of Siberia-I pipeline, its current intake is too small to compensate for Moscow's losses from the EU. Russia is, therefore, insistent on concluding the Power of Siberia-II Pipeline agreement with China immediately so that it can export its excess capacity.

China has more levers to pull

China benefits from cheap Russian oil, which otherwise would be costly given the sanctions on some of the largest oil-producing countries (Iran and Venezuela) and constant price increases by OPEC. Additionally, supplies from Russia are the safest considering the vulnerability of maritime routes in the event of a conflict. Oil and gas pipelines via Russia are probably China's most effective answer to its Malacca Dilemma.

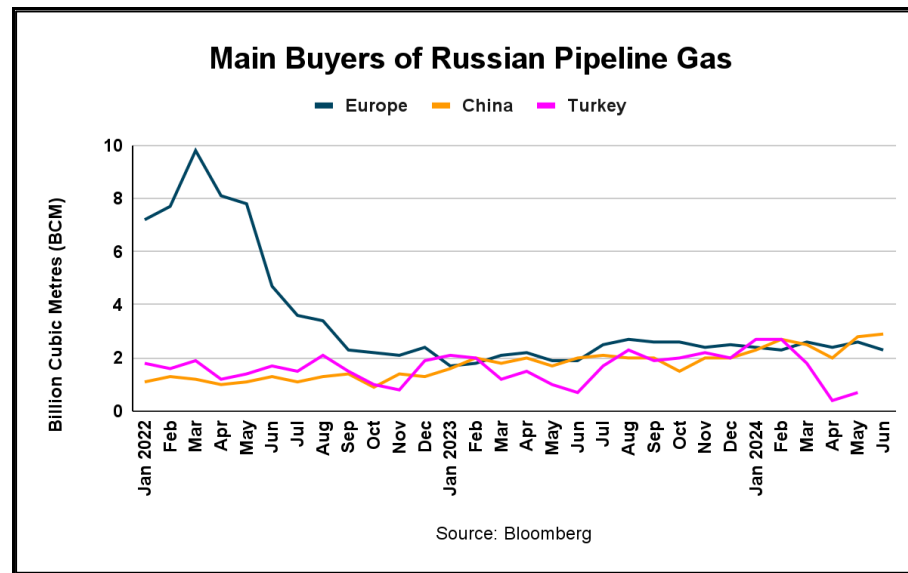
Second, burgeoning trade with Russia has allowed China to increasingly trade in the renminbi. Remarkably, the two countries have phased out trade in dollars almost completely. In 2023, over 90% of the settlements were made in either Renminbi or Ruble. A similar arrangement with Saudi Arabia or other OPEC countries would be difficult to reach given they prefer to trade mainly in dollars.⁵⁸ Chinese President Xi Jinping reportedly proposed the use of the renminbi in trading oil with the OPEC countries when he visited Saudi Arabia in 2022. However, OPEC's response so far has been rather lukewarm.⁵⁹

However, Russia may have its share of minor grievances vis-a-vis the Chinese. Similar to political divergences, there are minor irritants that plague the China-Russia economic partnership. The Russian economy is heavily dependent on revenues from oil and gas sales. The revenues have accounted for between 30 to 50 percent of total federal budget revenue over the past decade.⁶⁰ Besides, the Russian oil and gas sector contributes about 20 percent of the country's GDP on average.⁶¹ Thus, oil and gas exports are critical to Russia which has taken a hit since its invasion of Ukraine.

The fact that China has emerged as one of Russia's biggest export destinations equips Beijing with leverage. Beijing can potentially resort to coercion through delays, pauses, payment disruptions, and re-negotiations with Moscow.

Russian economy is heavily dependent on revenues from oil and gas sales. The revenues have accounted for between 30 to 50 percent of total federal budget revenue over the past decade.

Besides, the Russian oil and gas sector contributes about 20 percent of the country's GDP on average.



Glimpses of this have already become apparent of late. During Putin's May 2024 visit to Beijing, two points topped the agenda in his meeting with Xi. The first entailed sealing the deal on the Power of Siberia-II Pipeline. The deal has assumed extreme significance for the Russians in the wake of falling supplies to Europe which has historically been its biggest buyer.⁶² China, with its vast energy demands, has the capacity to absorb Russia's losses from Europe to some extent. However, the Chinese have left the Russians hanging and an agreement on the pipeline could not be concluded, as Beijing is reported to have pushed for further reduction in prices on an already discounted offer.⁶³

China has been delaying the deal on Power of Siberia II pipeline which Russia is insistent on.

Reportedly, Beijing is pushing for further reduction in prices on an already discounted offer.

The second irritant that topped the agenda during the recent Putin–Xi summit emanates from the delay in cross-border payment settlement between the two countries. As mentioned earlier, Russia has been insistent on putting in place alternative payment mechanisms to settle cross-border trade with China which has otherwise become extremely difficult owing to stringent SWIFT sanctions. Consequently, the Chinese financial institutions have withheld transactions worth tens of billions of yuan owing to the fear of being sanctioned from the SWIFT messaging system.⁶⁴ However, the Chinese response has been lukewarm on this front too, with Putin not getting any concrete assurances from Xi.

At a time when Russia is engaged in a war with Ukraine which has the support of the West, energy exports and foreign exchange assume critical significance to its war efforts. This makes Russia disproportionately dependent on China.

Fearing secondary SWIFT sanctions, the Chinese financial institutions have withheld transactions worth tens of billions of yuan with Russia.

This has severely hit the China-Russia trade in 2024.

IV. Defence and Military Ties

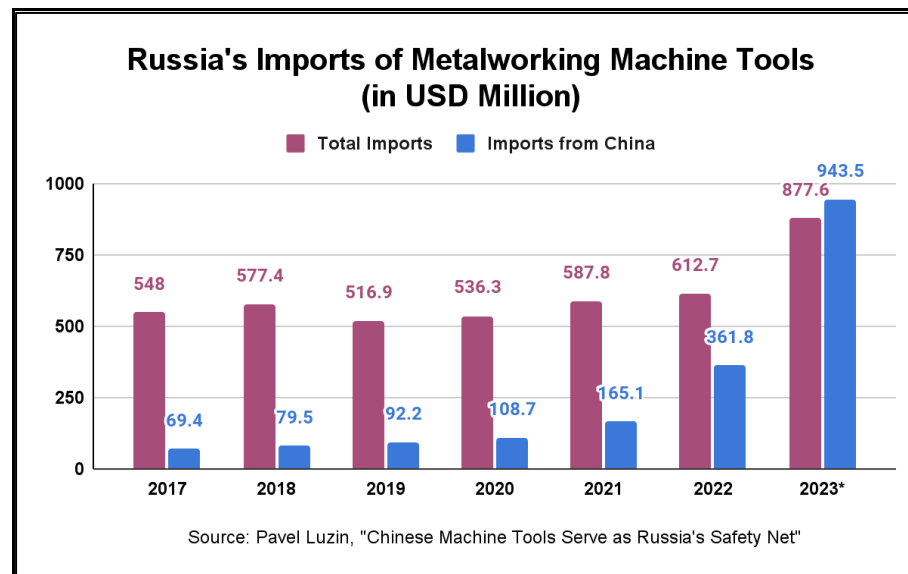
China-Russia military ties have come under even greater scrutiny as the Russia-Ukraine war has intensified. The West believes that China has “become a decisive enabler of Russia’s war against Ukraine.”⁶⁵ Analysts argue that despite Beijing’s lip service to the cessation of hostilities, it has been instrumental in aiding Moscow’s war efforts.⁶⁶

Russia’s growing dependence on dual-use goods from China

Some of the accusations levelled by the observers in the West aren’t without substance. Latest studies show that Russia’s imports of high-priority goods from China have exponentially increased.⁶⁷ High-priority items refer to “50 dual-use products that are essential for manufacturing weaponry like missiles, drones, and tanks.”⁶⁸ The war in Ukraine has significantly enhanced the importance of the metalworking industry critical to producing machine tools necessary for arms manufacturing. Russia’s domestic capabilities are fairly limited in this segment; it has thus far relied on a range of suppliers to meet its demands. However, following its invasion of Ukraine in 2022, the West has imposed several export restrictions curtailing Russia’s access to high-priority or dual-use goods. Consequently, its traditional suppliers which

included the Netherlands, Germany, Japan, Italy, Poland, Korea, France, the US, and even Kazakhstan have halted supplies.

As per 2022 trade data, Russia depended on imports for over 50 per cent of its requirement for metalworking machine tools.⁶⁹ The drying up of supplies thus threatened to sabotage Russia's combat and warfare capabilities against an adversary that was being heavily supported by the US-led West.



In 2023, Russia imported around 90 percent of high-priority goods from China.

China's share in Russian imports of critical machine tools has increased from 28 percent in 2021 to 59 percent in 2022. In 2023, almost all of Russia's requirements were sourced from China.

The latest trade data shows that China has stepped up to fill in for Russia's demands. Compared to 2021, when high-priority goods from China accounted for 32 percent of Russia's import needs, China's share soared to 89 percent in 2023.⁷⁰ Additionally, China's share in Russian imports of critical

machine tools has increased from 28 percent in 2021 to 59 percent in 2022. In 2023, almost all of Russia's requirements were sourced from China.⁷¹ Beijing's assistance during Moscow's time of need has proved nothing short of a lifeline.

China depends on Russia for Military modernisation

Dependence in China-Russia ties is not unidirectional. For decades, China has depended on Russia to supplement its arms inventory with sophisticated weapon systems. China's reliance on Russia began in the Cold War years when the Soviet Union assisted China with advanced aircraft, bombers, naval vessels and various other military technologies.⁷² The Sino-Soviet split in 1969 however put a break on the bilateral military-to-military cooperation and trade. After a hiatus of around 20 years, bilateral military cooperation resumed in 1989. After the dissolution of the Soviet Union, Russia continued its military aid and assistance to China. The big purchases in the post-Cold War period included Su-27 and Su-30 aircraft, Kilo-class diesel-electric submarines, Sovremenny-class destroyers, and S-300 Surface-to-Air Missiles (SAM).⁷³

Over the years, Moscow also helped Beijing in developing its homegrown defence industrial base through licencing and technology transfer. However,

contrary to what has been pointed out in the latest reports,⁷⁴ this has not led to a decline in China's dependence on Russian arms sales and military assistance.

A few key trends become apparent when analysing SIPRI's data on China's arms import.⁷⁵ One, China has traditionally been one of the top importers of arms worldwide. It has consistently figured in the world's top five arms importers in the Stockholm International Peace Research Institute (SIPRI) database for over a decade except for in 2023 when it slipped to the tenth position. Two, China's share as a percentage of global arms imports since 2011 hasn't changed much (~4.5 percent) until 2023. This means that China's import of arms has been increasing over the years since the percentage has stayed stable while the global arms trade figures have risen. Third, Russia has been the largest arms exporter to China. Lastly, Russia's share in China's arms imports has consistently increased until 2023. Thus, a combined reading of these trends suggests that not only has China's import of arms been increasing, but Russia's share in China's imports has also increased. Thus, China has grown more dependent on Russia even as it has cut its dependence on others.

The aerospace sector is probably one domain where China's dependence on Russia is significant. Beijing has long relied on Moscow for the supply of aircraft engines to power its domestic fighter jets such as Chengdu J-20 and Shenyang J-35/FC-31. Data compiled by CSIS shows that between 2017-

China is the second largest importer of Russian arms and weapons.

Beijing's purchase of Russian arms and weapons has been consistently increasing.

Over the years, China's dependence on Russian arms and weapons has increased, contrary to popular reports in the media.

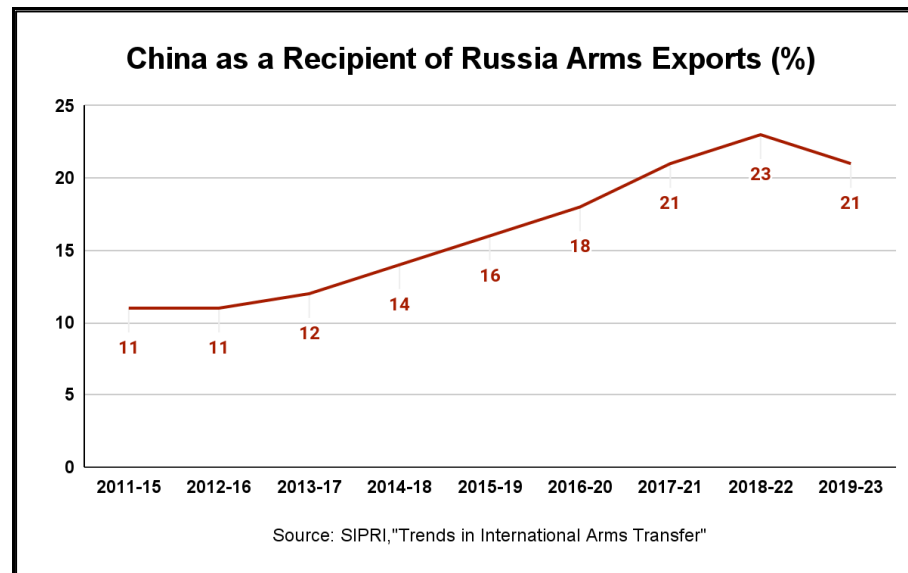
2023, aircraft engines constituted more than 50% of China's arms imports, and an overwhelming majority of these engines were Russian-made.⁷⁶ The CSIS data further shows that between 2011–2021, Russia delivered over 1000 aircraft engines to China that the latter used to equip its fighter jets, bombers, multirole aircraft and transport aircraft.⁷⁷



Russia's share in China's total imports has been consistently increasing before dropping in 2023.

This decrease was largely owed to Russia's failure to service the deal owing to its engagement in Ukraine.

The 2023 SIPRI *Trends in International Arms Transfer* shows that China's share of global arms imports shrunk to 2.9 percent (44 percent decrease) in the 2019–2023 period from 4.6 percent in the 2018–2022 period.⁷⁸ Reading this data in conjunction with preceding five-year periods suggests that this decrease in China's share is only possible on account of a massive drop in imports in 2023.



Reports have contended that this decrease is attributable to China's increasing domestic capabilities and its active efforts to cut its foreign dependence.⁷⁹ However, such a massive decline in a year is difficult to explain through China's rapid advances in homegrown capabilities, especially as any indications of such a transition making a dent in imports are absent in the preceding years. Alternatively, it is quite probable that Moscow's engagement in Ukraine has prevented it from servicing some of its orders to China, thereby bringing down the latter's share in global arms imports. That Russia's share dropped for each of its traditional arms importers, including India, further attests to the likelihood of Moscow's failure to service its orders as the probable reason for Beijing's reduced imports as a percentage of global arms imports.⁸⁰ Thus, contrary to popular perception, China's dependence on

A decline in China's share of its arms imports in 2023 cannot be attributed to its indigenisation efforts. Instead, Russia's failure to service the commitments in 2023 was responsible for the decline.

Russian arms and weapons has likely not declined. There is, however, a slowdown for now. Furthermore, the slowdown in Russian supplies might be impacting China's capabilities and its modernisation efforts.

Another factor that may keep China invested in deeper military-to-military ties with Russia could be the latter's war experiences in dealing with US weapons systems in Ukraine. The US has been the largest supplier of weapons to Ukraine in the last two years. Russian forces have at times been at the receiving end of American equipment wielded by Ukrainians. Any knowledge on dealing with American military equipment would greatly enhance China's battle preparedness given the US is also the largest arms supplier to Taiwan. China may eventually have to face American weapon systems if Beijing resolves to take Taiwan by force. Further, repeated face-offs in the South China Sea may also warrant learning from the Russian experience to strengthen the operational readiness of the Chinese PLA.

In this light, joint military exercises assume great significance. The two countries have stepped up their interactions in the past decade. Given that the primary objectives of such exercises are interoperability, adoption of best practices, knowledge sharing, and skill show, it is only reasonable that China seeks to learn from Russian experiences to strengthen its capabilities.

V. How do the Chinese and the Russians view each other?

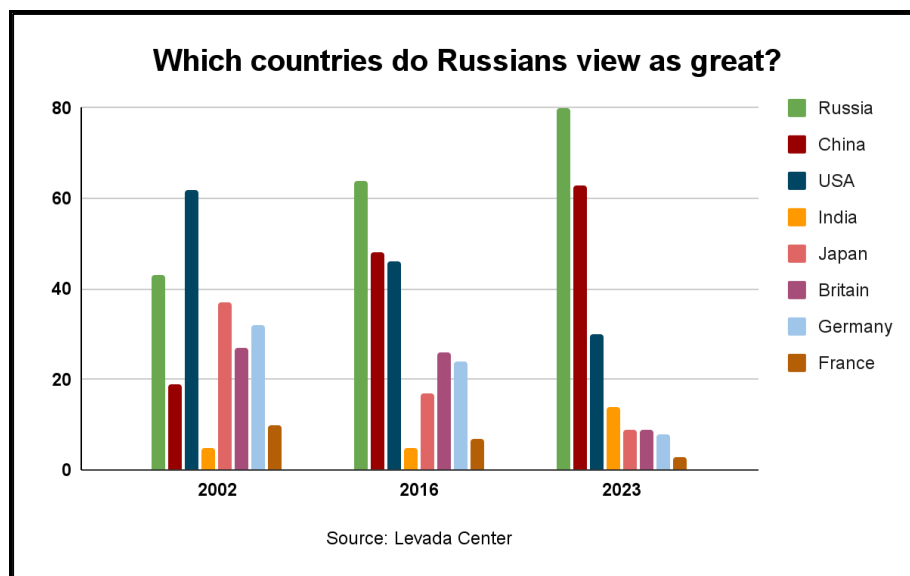
The Russia-China relationship has largely been driven by political elites. Putin and Xi have invested significant energy and effort in forging closer and deeper bilateral ties. A vacancy at any of the two leadership positions could slow down the momentum in bilateral ties.. In this light, it becomes imperative to assess popular perceptions in both countries to assess levels of trust and confidence. Effectively, such an assessment would serve as a metric to gauge the depth of the relationship beyond government-to-government-level bonhomie.

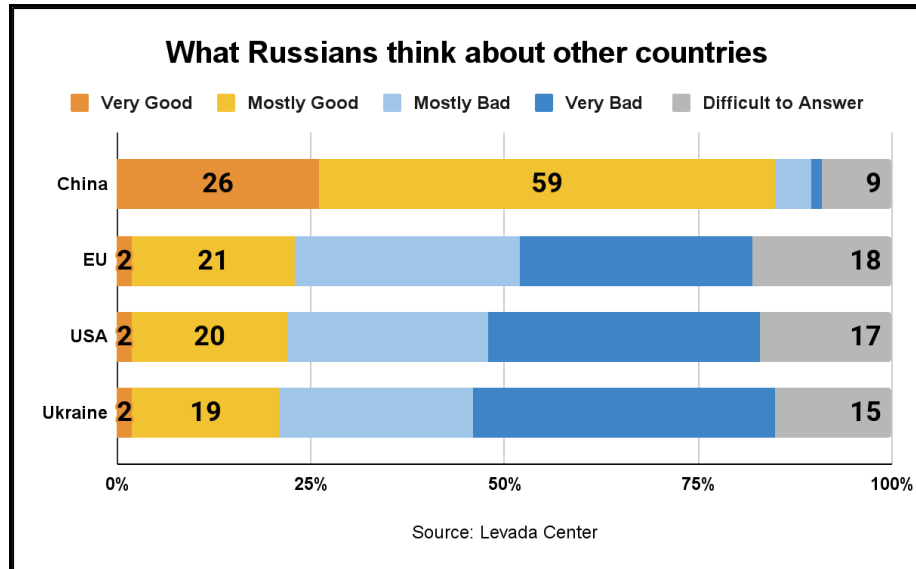
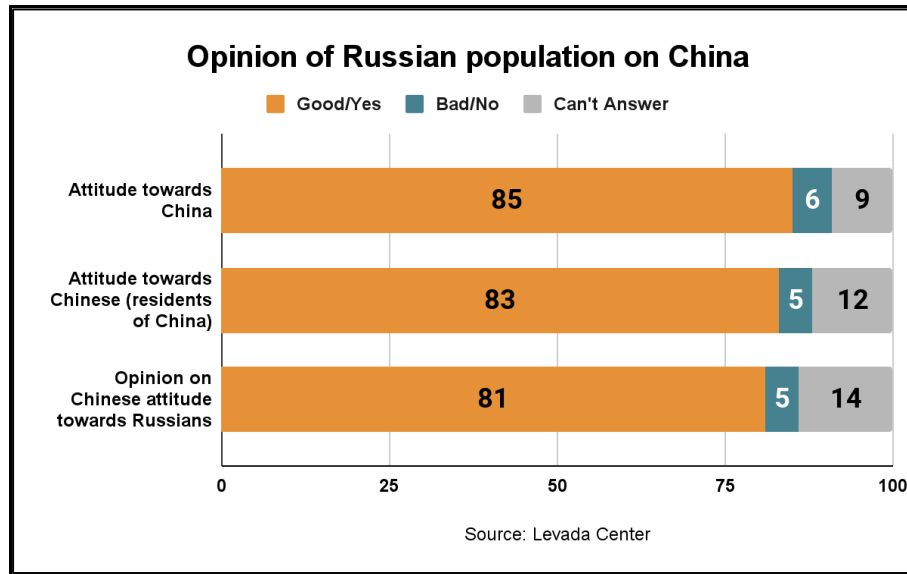
Russia's perception of China and its people

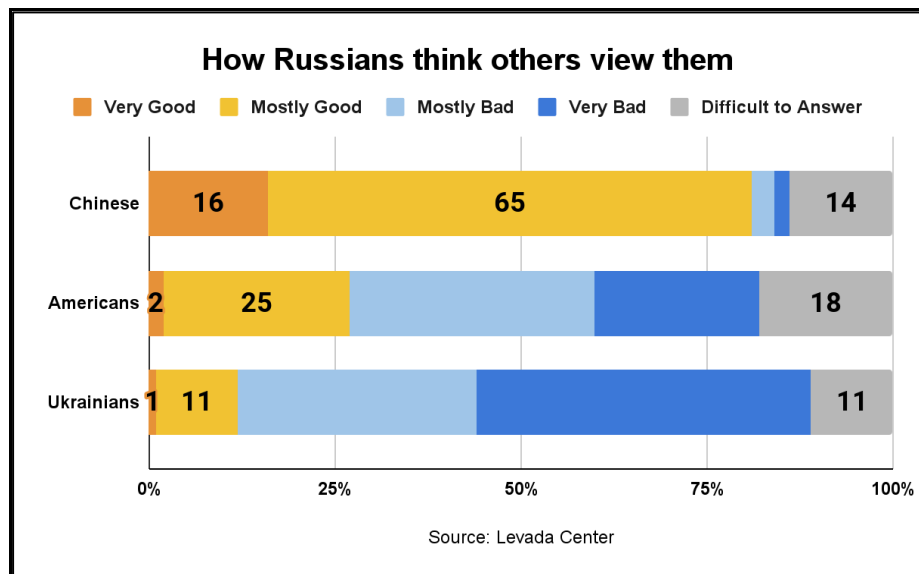
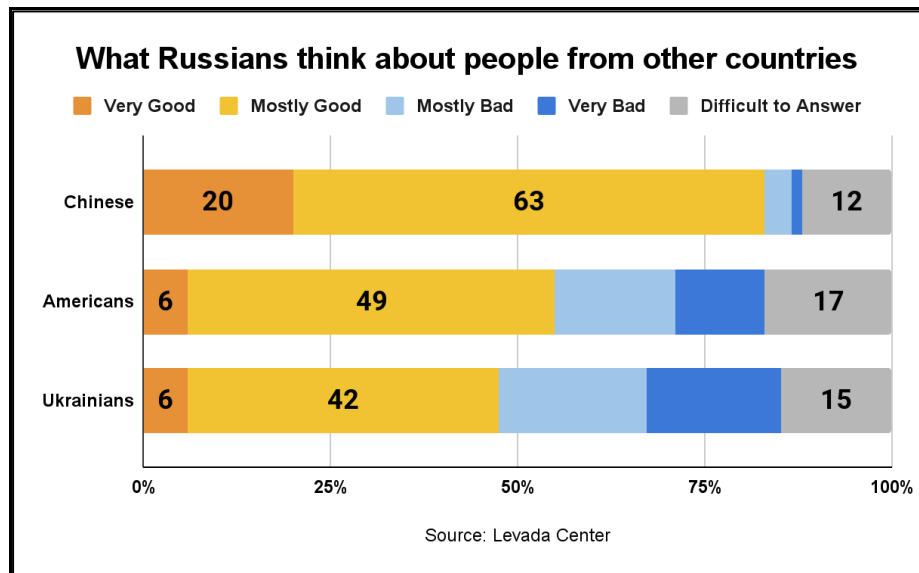
According to the latest 2023 survey conducted by the Levada Center, Russians view China and the Chinese (residents of China) quite favourably as compared to any other country.⁸¹

In 2023, over 60 percent of the respondents thought of China as a great country, second only to Russia. Secondly, 85 percent of the respondents held a favourable view of China, while 83 percent held a favourable view of the Chinese (residents of China). Responding to questions on the opinion of the

Chinese about the Russians, 81 percent believed that the Chinese viewed Russians favourably.



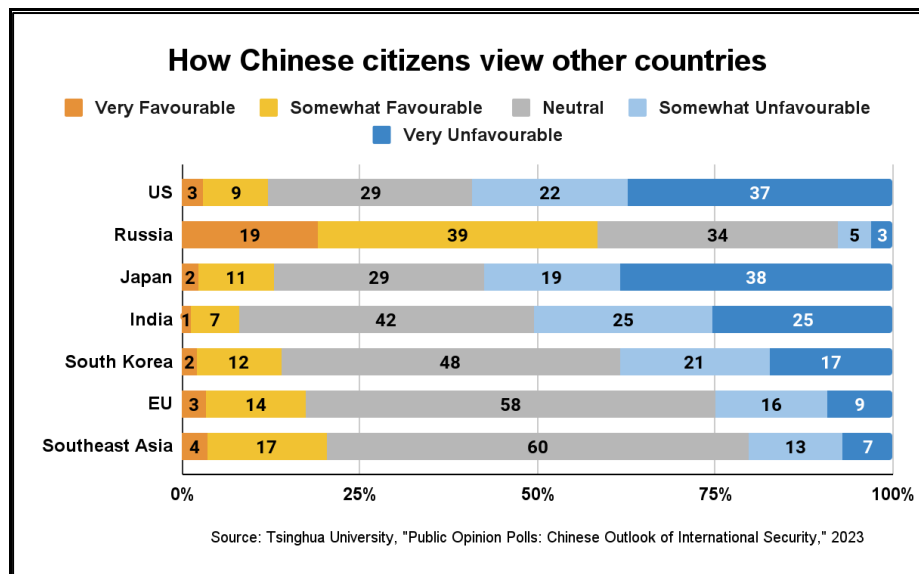
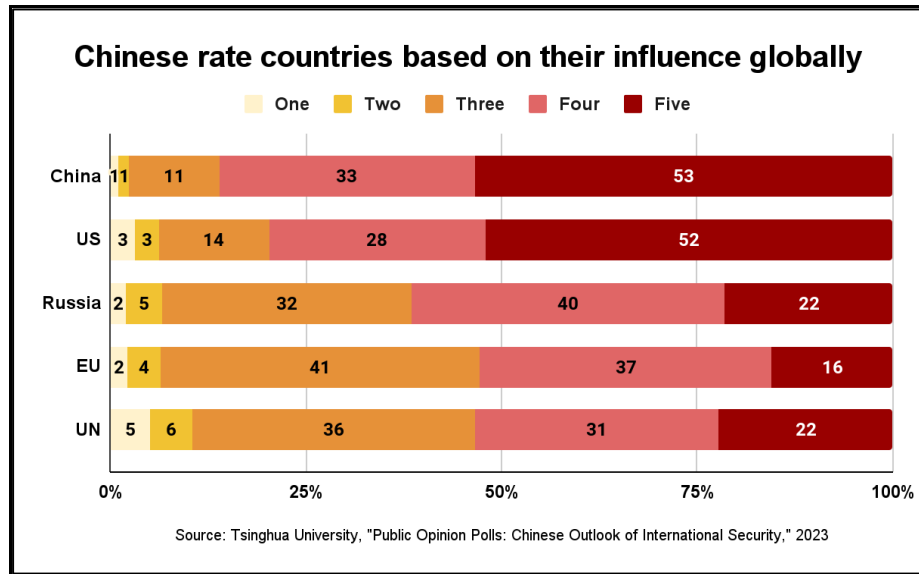


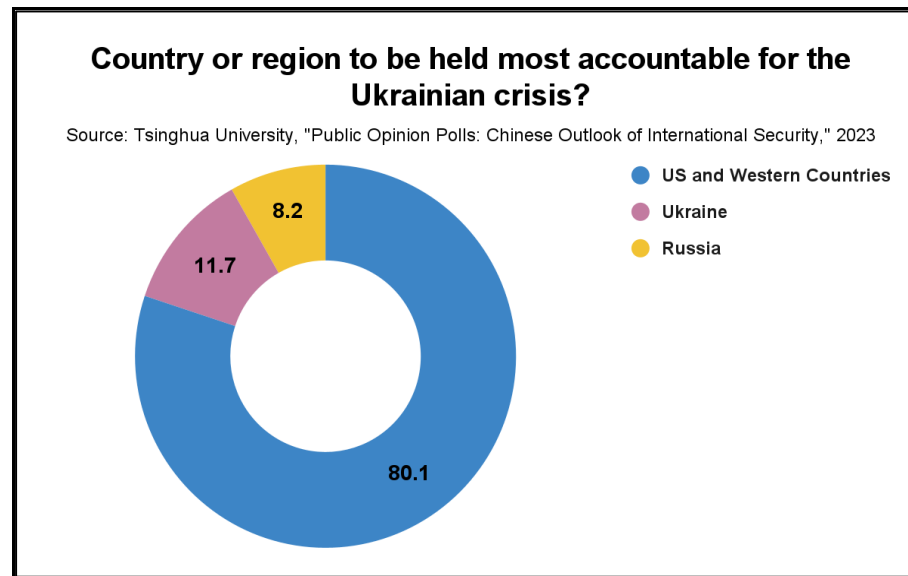


Legitimate questions with respect to the reliability and credibility of data can be raised. However, an important counterintuitive result from the study may be highlighted to argue otherwise. Assuming the data was rigged with respect to responses relating to China, it is puzzling as to why such an effort wasn't reflected in responses relating to the US and India. Given India's importance as a key Russian partner, only 14 percent of the respondents viewed India as a great country. In contrast, 30 percent viewed the USA as a great country.

China's perception of Russia and its people

Russia too appears to be favourably viewed by the Chinese. A survey conducted by Tsinghua University in 2023 found that the Chinese regard Russia as the third-most influential country behind China and the US.⁸² Similarly, when asked about their impression of various countries, about 60 percent of the respondents held a favourable view of Russia. Lastly, more than 80% of respondents believe that the US and the Western countries are responsible for the war in Ukraine while less than nine percent blamed Russia for the crisis in Ukraine.





Data Visualisation by Author

Moreover, the opinion of Chinese citizens regarding Moscow vis-a-vis the war with Ukraine sheds further light on how they view Russia and its people. In this regard, three broad factors appear to influence China's popular opinion of Russia: history, propaganda and geopolitics. These factors also determine their attitude towards Russia.

The history of the Sino-Russo relationship is fraught with conflict and disputes that have often ended with unfavourable terms imposed on the Chinese. The most significant among them include the *Treaty of Aigun* (1858) and *Treaty of Peking* (1860) which forced China to forfeit territories to the left of the river Amur (present-day Amur Oblast) and the east of

Ussuri River (present-day Primorsky Krai) respectively to Russia. The area, collectively referred to as Outer Manchuria, roughly totalled more than 6,00,000 square kilometres.⁸³

Given the place that history, especially the century of humiliation presupposes in CPC's narrative, Russia's *historical injustice* and *unequal treaties* forced upon China are difficult to eradicate from the minds of the people. Consequently, there exists a narrative among Chinese people which regards Russia as a "historic rival" and "direct military threat."⁸⁴ Some Chinese netizens even drew a parallel between Russia and Japan, which is significant given the negative image the latter holds in people's historical memory. There are recurrent calls to take back or annex China's "lost territories" from Russia.

This section recognises that a strong Russia is not in China's interest and therefore it is important for them that Russia loses the war with Ukraine. Of the 5000 Chinese citizens RIWI surveyed, only 26 percent believe that Russia is China's ally.⁸⁵ Interestingly, the proportion of Russians who think of China as an ally is also low – 32 percent. A subsection of this group also sympathises with Ukraine. For instance, according to the RIWI survey, nine percent said China should provide weapons to Ukraine against Russia. This is particularly intriguing given only 16 percent felt that China should provide weapons to Russia to aid its war efforts against Ukraine. Moreover, 13 percent of the

Chinese respondents believed that China should condemn Russia's invasion of Ukraine. However, this pool does not enjoy a numerical majority.

Propaganda is a second factor that influences the perception of Chinese citizens vis-a-vis Russia. The party controls the nature of the information disseminated to the population. Much of the propaganda propagated by the state media is designed to suit the Russian narrative.⁸⁶ For instance, according to the RIWI survey, 70 percent of Chinese respondents believed that Russia discovered a US-funded biological weapons laboratory in Ukraine, a narrative that is popular in Chinese social media. Similarly, the translation of Putin's pre-war mobilisation speech made it to Weibo's hot search list and received 1.1 billion views in 24 hours. Chinese netizens found it "amazing" and a "model for war mobilisation."

Several existing sub-narratives within the larger discourse underline the resolve of the Russian people and the great history of Russia. Discourse on social media indicates that Putin is "believed to be cunning, wise, and heroic, but also kind and well-meaning."⁸⁷ He is often referred to as "Pujing Dadi", i.e. Putin the Great or Emperor Putin.⁸⁸ Putin is "esteemed as a strongman (qiang ren) and people believe that Russia is invincible under Putin's leadership."⁸⁹ The propaganda around Putin is also used to justify and advocate strongman rule in China (support for Xi). This section of the Chinese netizens also believe that Russians are *zhandou minzu* or "fighting people,

who do not know fear nor are they afraid to bring sacrifices in fighting the enemy.”⁹⁰

Geopolitical reality emerges as the third significant factor that has influenced a majority of the Chinese population. This group believes that Russia is a strategic ally of China. Further, they believe that Beijing should stick with Moscow in order to prevail in the current geopolitical landscape. Even though they admit that Russia could pose a threat to China, they are convinced that the West is the primary enemy. Hōbepappel’s analysis brings attention to the adaptation of Chinese folklore by the netizens that compares Russia and China with the two tigers on a mountaintop fighting the lions of Europe and the US. The study found that there exists a sense of gratitude towards Russia for taking the fight with the US upon themselves. A certain amount of anxiety exists within this group with respect to a future where Russia loses and the US emerges victorious. Some also express concern over Russia’s integration with the West and NATO. Thus, it becomes imperative for them to support Russia in its crusade against the West. The RIWI survey found that 75 percent of the voters believed that China’s support for Moscow is in China’s interest.⁹¹ Further, in response to a question that asked what could be the best course of action for China in response to the Russian invasion, 61 percent believed providing moral support to Russia is the best response while 16 percent thought “providing weapons to Russia” as the best possible response.⁹²

VI. Conclusion

A growing strategic alignment exists between China and Russia. This ever-increasing convergence is primarily a result of their mutual antipathy to the Western-dominated and US-led world order. The China-Russia relationship, however, is not without its divergences, such as varying time horizons for changing the global governance and financial architectures (Russia is more impatient here than China), competition in Central Asia (China's increasing economic influence in the region is challenging Russia's position in its strategic "backyard"), and policy over North Korea (the conclusion of Cold-war style Mutual Defence treaty between North Korea and Russia harms China's strategic interests). Yet, these divergences are unlikely to create faultlines in China-Russia ties as they are too small in comparison to their overarching mutual interests and strategic goals.

However, while there exists deep convergence between China and Russia, they are separated by huge capability differential to give effect to their geopolitical designs. Russia's diplomatic and economic resources are dwarfed by China's, effectively rendering Moscow dependent on Beijing to do the heavy-lifting.

On the economic front, there is a growing strategic co-dependence between the two countries. For Russia, China has replaced the EU as its largest trading partner, thereby absorbing almost all of Moscow's losses arising from

economic sanctions by the EU. Thus, China has helped Russia cushion the impacts of mounting Western sanctions. Beijing on the other hand, has benefited from heavy volumes of cheap and discounted energy imports from Moscow. However, despite witnessing a symmetric gain in bilateral trade ties, China holds greater leverage over Russia owing to the shrinking export markets for the latter. This asymmetry in the Sino-Russo relationship has given rise to minor irritants such as China's deliberate delay in closing the gas deal with Russia (China is reportedly demanding further discounts) and its reluctance to set up an alternative payment settlement system to help Russia circumvent SWIFT sanctions. After losing its biggest export market (EU) and the source for forex in consonance with China's emergence as its biggest export market, Russia's dependence on China is significant. This in turn renders Moscow completely devoid of any leverage vis-à-vis China.

China has also assumed greater significance for Russia's military. In addition to being its second-largest export market for arms and weapons, China has also emerged as Russia's major supplier of critical machinery tools and dual-use goods, thereby sustaining its military-grade industrial capacity in the backdrop of stringent sanctions and stretched domestic capabilities. However, in so far as their defence ties are concerned, Russia continues to hold some leverage as China depends on Russia for some of the most sophisticated defence technologies such as jet engines and air defence missiles. Further, China benefits from joint military exercises with the Russian army, which is

relatively much more battle-hardened and experienced than the Chinese PLA. Thus, there exists a symmetry in China-Russia defence ties.

Nevertheless, dependence characterises Russia's relations with China. India must watch above developments closely for this endangers the India-Russia relationship. Despite all the goodwill that exists in the India-Russia relationship, Kremlin's geopolitical goals align more closely with Beijing's than New Delhi's. Further, trade between India and Russia constitutes only a miniscule percentage of the expanding China-Russia trade.

Thus, India's lack of convergence on key geopolitical issues with Russia, and its inability to rival China's economic appeal for Russia threatens cooperation between Kremlin and New Delhi. As the power asymmetry between China and Russia rapidly expands, the room for Russia's strategic autonomy vis-à-vis India shrinks at an equally rapid pace. Hence, the question is no longer about Russia willingness, but its capability to resist China's pressure.

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