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Xi's Visit to Russia: Beginning of a New Era?

By Chris Cheang

Synopsis

Bilateral relations between China and Russia have been strengthened with President Xi Jinping's latest state visit to Moscow. However, growing links with China will not change Russia's entrenched Eurocentric orientation.

Commentary

PRESIDENT XI JINPING'S state visit to Russia predictably focused on raising the level of the bilateral relationship, judging by the contents of the joint press statements of both residents on 5 June 2019. President Xi was also guest of honour at the annual St Petersburg International Economic Forum (SPIEF) on 6-8 June.

The accent on the bilateral relationship was to be expected. Since Russia's "pivot" to the East became obvious in the wake of the annexation of the Crimea in 2014, the strengthening of Russo-Chinese relations has been Putin's objective to balance links with the European Union and the United States and to break-out of the isolation that the West has been trying to impose on Russia.

Why China Looks to Russia

For China, Russia is important as a source of energy and military hardware, and a much-needed geopolitical balance to the US. The trade war with the US might also see China having to look more closely to the Russian market or to move production facilities to Russia.

In his press statement, President Vladimir Putin stressed the close political links between the two countries, noting that both sides had signed the Joint Statement on Developing Comprehensive Partnership and Strategic Interaction Entering a New Era, which he noted “sets new ambitious goals and long-term benchmarks for cooperation”.

In turn, President Xi noted that this was his first state visit during his second term as head of state of China and his eighth visit to Russia since 2013, while both leaders have met almost 30 times. That was “the best reflection of the high level of bilateral relations and close strategic cooperation between China and Russia”.

Trade and Economic Links

China has become Russia’s leading trade partner reaching US\$108 billion in 2018, an increase of 25%. To reduce currency fluctuations and instability (and dependence on the US dollar), both countries plan to “develop the practice of conducting financial transactions in our national currencies”. President Putin added that there was “tangible success” in investment with about 30 projects worth a total of \$22 billion underway.

Energy cooperation was encouraging. President Putin noted that Russia leads in oil distribution to China: last year 67 million tonnes of raw materials were sent to China. In the gas sector, the Power of Siberia pipeline to China is expected to enter into service in December 2019. In May 2014, both sides signed a 30-year \$400 billion agreement for 38 billion cubic metres per year.

China’s investment in Russia’s LNG sector was also emphasised. China owns almost 30 per cent of the Yamal LNG project. In April 2019, two Chinese state oil companies acquired each a 10% stake in the Arctic LNG 2 project, according to Intellinews report dated 6 June 2019. President Putin welcomed Chinese cooperation in this project.

Russia is also building nuclear power plants in China. Planned cooperation in other sectors include projects in aircraft and helicopter manufacturing, space exploration, biotechnology, pharmaceuticals and other knowledge-intensive industries.

Noteworthy is Huawei's agreement with MTS, a Russian telecoms company, to develop a 5G network in Russia. According to Chinese automaker, Great Wall Motor, its production plant in the Tula region, with a manufacturing capacity of 80,000 cars a year, rising to 150,000 cars by 2020, is "the largest investment project of the Chinese manufacturing industry in Russia", estimated at \$500 million. President Putin mentioned this investment in his press statement, adding that he and President Xi would visit the plant.

Foreign Policy Issues

Both leaders referred to foreign policy crises in a very pro forma fashion in their joint press statement. They emphasised both sides' position that "any attempts to destroy the existing system of agreements on arms control, disarmament and non-proliferation are unacceptable".

Both countries had "identical assessments" of the situation on the Korean Peninsula, and would continue working "to reduce tensions there and enhancing security in Northeast Asia as a whole". Both sides would also work for the peaceful settlement of the crisis in Syria, favour stabilisation in Venezuela, and were committed to the full implementation of the Joint Comprehensive Plan of Action on Iran's nuclear programme.

Both countries would "continue our efforts to link the EAEU integration processes with the Chinese Silk Road Economic Belt Initiative with a view to forming greater Eurasian partnership in the future". The Russian-led EAEU concluded an FTA with China in May 2018.

Russia's Eurocentric Orientation

For several reasons Russia's growing links with China will not affect its Eurocentric orientation.

First, Russia's geographical proximity, cultural, ethnic, religious, language, historical and traditional links with Europe cannot simply be set aside in favour of China, a totally different civilisation.

Second, as a whole, the EU remains Russia's main trading partner; Russia's trade with the EU in 2018 totalled \$292.2 billion or 42.8% of Russia's entire turnover; the volume of accumulated investments from the EU into Russia in the same year amounted to 300 billion euros.

Third, there are strong internal forces which do not appear to be too enamoured of China. President Putin's Press Secretary made this point clear on the eve of President Xi's visit. In an interview with RT (Russia Today) **Dmitry Peskov emphasised that** "China is not our partner number one yet. Still, the EU countries are number one for us and I cannot agree with those who say that Russia is turning eastward".

His subsequent remark was just as telling: "No, I hope Russia will never turn eastward. The Russian eagle looks to both sides – to the West and to the East, that's the nature of every policy of Russia, be it political and diplomatic or economic activities." Moreover, in Siberia and the Russian Far East, there are local political forces which do not look kindly upon Chinese investment.

Fourth, the current close relationship between Russia and China appears to be very personality-based, with both presidents leading the charge. This is not a durable basis for a long-term strategic relationship between these two countries which have no unifying links like culture and ethnicity and a history of bad blood in recent history.

Finally, common opposition to the US is also not a strong foundation for their relationship in the long-term. Putin might lose interest in China were a new American president to adopt a different policy towards Russia.

Impact on ASEAN

A strong and close Russo-Chinese relationship would be in ASEAN's interest if that were to bring more stability in the Asia-Pacific region and lead to increased investments and trade to the region from both great powers.

However, were such a relationship to upset the current balance of power in the region (between the US and China), ASEAN would not benefit. That would lead to increased pressure and reduced room for manoeuvre. But it is still much too early to make an assessment either way.

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