

Strategic relationship between Russia & China have expanded from energy, economic, technology to military and aerospace domains after sanctions

On May 14-15, China hosted the very first Belt Road Forum (BRF) in Beijing. 29 heads of state, including special guest Russian President Vladimir Putin, attended the forum. The BRF is a major milestone of the four-year long development of Beijing's key foreign policy idea – the Belt Road Initiative (BRI). The Belt and Road Initiative proposed by China in 2013 consists of the Silk Road Economic Belt and the 21st-Century Maritime Silk Road. It aims to build a trade and infrastructure network connecting Asia with Europe and Africa along and beyond the ancient Silk Road trade routes.

Russia is considered to be a major partner and a key driver of the BRI. One of the economic result of the BRF for Moscow is the establishment of China-Russia Regional Cooperation Development Investment Fund “to promote cooperation between China's Northeast and Russia's Far East.” Russia-China cooperation under the Belt and Road Initiative will accelerate the development of bilateral relations and lead to global changes in Eurasia, said Valentina Matviyenko, Speaker of the Federation Council, or the upper house of the Russian parliament, at the third international conference “Russia-China: Taking on a New Quality of Bilateral Relations.”

Western sanctions on Russia over its role in the Ukraine crisis have fuelled the deepening ties between them. In

response to the annexation of Crimea and Sevastopol by Russia, the European Union, United States have introduced various trade sanctions against Russia which have been extended and further strengthened. The current official Western view is that sanctions are a way to punish Russia for violating the rules of the international order and to thereby correct its behavior in the future. The Russians believe the sanctions are designed to weaken Russia and reduce its ability to defend itself.

Since sanctions began to bite, and sharp decline in global oil and natural gas prices, Putin has reached out to China to fill the investment gap, drawing up a \$400bn gas supply deal, a potential \$230bn rail link, fighter jet sales and deals to bring China's UnionPay payment system to Russia's banks. According to the Chinese Ministry of Commerce, Chinese companies invested more than \$100 million in Russia between January and April this year. "We see a serious interest in Russia-China cooperation from business circles of both countries," said Vitaly Monkevich, president of the Russian-Asian Union of Industrialists and Entrepreneurs (RAUIE).

"China and Russia are facing renewed threats from their neighbors 70 years after the end of WWII. The two countries' past contributions in WWII have also been undermined by the West. There is a need for the two countries to unite and provide support to each other," said Wang Haiyun, former military attaché at the Chinese embassy in Moscow.

Another analyst, Xu Guangyu, a retired general, said China and Russia did not want to form a military alliance. Instead, they were developing their "all-round strategic partnership", which covered "political, economic, security and diplomatic" issues

Russia and China have established in recent years a relationship that is more than a simple strategic partnership, which will be further promoted, Russian President Vladimir

Putin said at his annual year-end press conference.

Russian and China cooperating on New Silk Road (One Belt, One Road) mega-project

China has made Russia a stakeholder in its New Silk Road (One Belt, One Road) mega-project. Russia and China working to merge the Russian-led Eurasian Economic Union and the Chinese-led Silk Road Project into a single whole as part of their joint "Greater Eurasia" project in which they ultimately want to involve Europe too.

President Xi Jinping of China, Vladimir Putin of Russia, and Elbegdorj Tsakhiaof Mongolia approved of the Russian, Chinese, Mongolian Tri-lateral Cooperation Plan: "On politics, we need to promote mutual trust, and unite our destinies. In terms of economic cooperation, the three sides must continue to join separate regions in collective collaboration. For society, the three sides should pay close attention to the populace and their communication and exchange. For international affairs, we must promote collaboration to sustain world peace and stability."

Chinese and Russian companies will be involved in the two countries' economic and trade cooperation, after Moscow and Beijing signed a joint statement on integrating China's Silk Road Economic Belt initiative with the building of the Russia-led Eurasian Economic Union (EEU) in 2016.

The aim of member-states of the EEU currently comprises Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan, which came into effect on January 1, 2015, is to ensure the free movement of goods, services, capital and workforce on their common turf. The EEU common market is of significance for the Silk Road Economic Belt, which calls for closer diplomatic

coordination, standardized trade facilities, and free trade zones.

Economic cooperation is the main priority and key point for all three sides involved. This means completing the Silk Road and further driving all of Eurasia's development. The road will help local regions and areas in each country grow each other's' economies.

Energy

Earlier in May Last year, Russia entered into a historic contract with China, an estimated \$400 billion gas deal to supply 38 billion cubic meters of gas annually over three decades starting in 2018. China, with its rapid economic growth, is already the world's largest energy consumer. As of 2016, China was also the world's largest net oil importer and a growing natural gas importer, ranked fifth in the world.

In 2016, Russia became China's largest supplier of oil. As per EIA's base case projection, in 2035 Russia could satisfy about 85 percent of China's oil import requirements (8.1 of 9.7 million b/d) and all of China's needs for natural gas imports (6 Tcf).

The EIA estimates that as of 2015 Russia has proved reserves of 80 billion barrels of oil and 1,688 Tcf of natural gas (the world's largest reserves of gas). In 2015, it produced 11 million b/d of oil and 22.4 Tcf of gas, of which 7.5 million b/d of oil and 7.3 Tcf of gas were exported. By 2035, the EIA forecasts that Russian energy production will rise to 11.8 million b/d of oil and 29.3 Tcf of gas, of which 8.1 million b/d of oil and 12.3 Tcf of gas will be exported.

China shares a 4,179 kilometers (km) land border with Russia, so pipelines connecting Russian oil and gas fields to northeastern China would be secure and energy flows could not

be effectively shut down by the United States. China majority of oil and gas imports is over sea lines of communication (SLOCs) and through maritime choke points are controlled by U.S. navy and are susceptible to naval blockade.

Economic cooperation

China and Russia have seen rapid development in industrial, economic and technological cooperation, said Viktor Kladov, head of the Russian company's international cooperation department, in an interview with Beijing's Economic Observer. Putin discussed at SPIEF 2016 for the Eurasian Economic Union and China to conclude free trade agreements with each other.

Trade between China and Russia jumped 26.2 percent year-on-year to \$24.7 billion dollars in the first four months of 2017, according to China's General Administration of Customs. In addition to oil and gas, Russian analysts saw the possibility of expanding bilateral trade to more areas. "RAUIE members often turn to us with requests for export of sunflower oil, honey, ice cream, confectionery and alcohol ... We see a great potential for the development of exports other than raw materials," said Monkevich.

During the summits of the Shanghai Cooperation Organization (SCO) and the BRICS nations – Brazil, Russia, India, China and South Africa – held in the Russian city of Ufa in early July, the heads of state in both organizations also published "Vision 2025" and decided to start talks on trade, energy and technology cooperation. They also agreed to push for the creation of a development fund and a development bank under the SCO, said the report.

The development of transport facilities is one of the key problems Russia faces, given its vast territory and low quality of roads and railways. "Chinese investment and joint

projects will play a major role in the vast areas of Siberia and the Far East, as well as in other parts of Russia,” said Sergei Luzyanin, director of the Far Eastern Studies Institute of the Russian Academy of Sciences.

Russia and China signed a memorandum of cooperation on the development of a high-speed rail network in mid-October that included construction of a high-speed rail line from Moscow to Beijing. The planned high-speed railway stretching some 7,000 kilometers between

Moscow and Beijing will cost about 7 trillion rubles (\$153 billion) to build, over half of the sum, or 4 trillion rubles (\$87.5 billion), is expected to come from Chinese investors, said Alexander Misharin, who heads Russian Railways’ subsidiary High-Speed Rail Lines, news agency TASS reported.

Overall, in 2014, bilateral trade was worth \$95.3 billion and the intention is to raise this to \$100 billion as part of a plan to reach \$200 billion by 2020.

Space

Chinese are known to rely heavily on Russian liquid fuel technology for their rocket engines both for their ballistic missiles and for their space programme, which in general appears to rely heavily on Russian technology, even for design of space vehicles. CHINA and Russia are expected to formally announce a new deal that would see Beijing buy powerful rocket engines (RD-180) from Moscow, in a landmark agreement between the two world powers. If an agreement is reached, the engine would increase China’s lift capacity, which is needed for manned lunar and deep space missions.

Igor Komarov, director general of the Russian space agency Roscosmos, said: “We are speaking about practical spheres such as engines. Chinese partners are interested in such directions

as purchasing engines as well as creating perspective engines and carrier rockets including heavy-lift launch vehicles.”

Russia-China Moon Base

Both sides are actively discussing creating a lunar research station by 2024 jointly, as well as cooperation between Russia’s GLONASS navigation system, and China’s own homegrown version, called BeiDou, Russian news agency TASS reported. China was also keen to begin producing Russian space rockets on its own territory, news agency RIA Novosti reported.

“China is willing to develop cooperation in engine building [and] urges to consider the idea of setting up joint production. We are more interested in commercialization. We intend to sell engines,” Denis Kravchenko, deputy general director of the United Rocket and Space Corporation (URSC), told Sputnik.

Deputy Russian Prime Minister Dmitry Rogozin said that both parties share “deep mutual understanding and mutual interests” in space-related projects.

Military Cooperation

Russian and Chinese military forces cooperate on a regular basis within the framework of the Shanghai Cooperation Organization. Collaboration on security issues would benefit both sides. Russia in fact is seeking foreign investment because of the sanctions imposed by the international community following the crisis in Ukraine. China instead hopes to obtain up-to-date weapons, to mark its status as a world power.

In 2016, the Russian share of Chinese arms imports grew to over 64 percent, but remained well below levels achieved at

the height of Russia's arms sales to China. In recent years, China has acquired Russian engines for its newest fighters and bombers, as they are more reliable and have better performance than Chinese versions. According to Dr. Kashin, all three of China's indigenous fourth-generation* fighter lines use Russian engines, and China appears to be interested in outfitting its prototype fifth-generation† J-31 fighters with next-generation Russian engines.

Russian aerospace and military industry, have decided to purchase electronic components worth several billion dollars from China Aerospace Science and Industry Corporation (CASIC), reversing earlier decision of not using components produced in China, according to Izvestia, referencing a source close to Roscosmos, Russia's Federal Space Agency.

China's military-industrial complex is the most promising sector for cooperation with Russia, as its defense complex is more diversified, said Vasily Kashin, senior research fellow at the Institute of Far Eastern Studies of the Russian Academy of Sciences. Kashin raised the example of a joint-venture project of LED production in cooperation between Russia's state-run hi-tech company Ruselectronics and China Electronics Technology Group Corp. He also mentioned a strategic cooperation agreement between Russian mining and energy company En+ Group and China North Industries Group Corporation.

Joint Military Drills

In May 2015, China and Russia began their first joint naval drill in the Mediterranean Sea. The ten-day exercise displayed their power and cooperation in the American-dominated Mediterranean, around which neither Russia nor China has any coastline.

The exercise involved anti-submarine, air defense, and anti-ship missile simulation exercises to prepare the navies against attacks from the air and sea, according to Zhang Junshe, a research fellow at the Chinese Naval Research Institute, China News Service reported.

Russia and China are planning joint military exercises in the waters and airspace of the Sea of Japan. The exercises are a part of increasing defense collaboration between the countries. The drills will “aim to improve China and Russia’s capacity in coping with maritime security threats,” the Chinese state news agency Xinhua quoted Yang saying. “Navies of the two countries will join forces to simulate anti-submarine combat, air defense and other relevant missions.”

During a visit to Beijing in September 2015, Russian Defense Minister Sergei Shoigu said, “The most important issue of the Russian-Chinese military cooperation are the ... military exercises. They contribute to improving combat training of the Armed Forces of [the] two countries, and demonstrate our readiness to counteract modern threats.”

Earlier China and Russia held their first computer-assisted missile defense drill at the Central Research Institute of Air and Space Defence in the Russian capital. “The exercise will aim to practice combined operations of Russian and Chinese air and missile defense task forces to provide protection from accidental and provocative attacks of ballistic and cruise missiles,” it adds. The Russian defense ministry also noted that the drill is not directed against a third country.

Vasily Kashin, an expert on China’s military at the Higher School of Economics in Moscow said, “The ability to share information in such a sensitive area as missile launch warning systems and ballistic missile defence indicates something beyond simple co-operation.” They have also issued a statement urging the United States and South Korea to desist from stationing the so-called Terminal High Altitude Area Defense

(THAAD) system on the Korean Peninsula.

Modernized Mi-26 Helicopter

Russia and China to jointly modernize Russia's Mi-26 heavy-transport helicopter. The new helicopter would be a lighter version of the heavy-transport helicopter, but would be able to carry the same 15-ton load. The final product would be mostly used by China, but could find its way into Russia's air fleet.

Joint production of the first prototype is scheduled to occur in China within two years , and over 200 helicopters could be built by 2040. Before the intergovernmental agreement was signed, a deputy chief engineer at Avicopter, AVIC's helicopter wing, indicated China would be responsible for the avionics systems and materials, with Russia working on the design, transmission, and de-icing equipment. The helicopter will improve the PLA's ability to conduct transport and evacuation operations in extreme terrain and weather conditions

S-400 Missile System

China to become the first foreign country to purchase Russia's advanced S-400 anti-aircraft missile system, overcoming latter fears that Beijing would simply copy the technology for a domestic analogue. In April 2015 Russia confirmed the \$3 billion sale of four to six S-400 SAM system battalions to China, and plans to deliver them no earlier than 2018. The S-400 can engage multiple airborne targets at a range of 400 kilometers.

The S-400 will increase the range of China's SAM force from the S-300's 300 kilometers (approximately 186 miles) to 400

kilometers (approximately 249 miles)—enough to cover all of Taiwan, parts of the East China Sea, and parts of the South China Sea. In addition to an extended range, the S-400 features more advanced radar than the S-300 (currently China's most advanced SAM system), can track more targets at once, and is increasingly resistant to jamming and other countermeasures used against it. The S-400 also could be used to help enforce China's East China Sea Air Defense Identification Zone (ADIZ).

Russian Su-35 fighter jets

The purchase of 24 Russian Su-35 in the amount of about \$2 billion is the second largest transaction between the Russian and Chinese militaries, the Carnegie Moscow Center wrote. "The Chinese Air Force will not only get new jets that could affect the balance of power in the Taiwan Strait, but may also allow the Chinese military to assess the progress and development of J-11."

Su-35 utilizes passive electronically scanned array radar, added stealth capability, improved avionics, a pair of AL-117S turbofan engines with three-dimensional thrust vectoring technology* (allowing for added maneuverability), and potent jamming capabilities.

"For Russia, the successful delivery of the fighter jets to China will further improve its position in foreign markets. It is expected that the next buyer of the Russian Su-35 may be Indonesia," wrote Sputnik

LADA-class diesel electric submarines

In December 2012, Russia and China reportedly agreed on the framework for joint production of four LADA-class submarines (two to be produced in Russia and two in China), and signed

the official agreement in March 2013 just prior to President Xi's visit to Moscow—his first foreign trip since taking office.⁹⁸ Since then, the deal has evolved.

According to the U.S. Department of Defense, China is pursuing a joint design and production program with Russia for a new advanced conventional submarine based on the LADA-class. These submarines would help advance the PLA Navy's underwater combatant fleet, as LADA-class submarines make less noise than China's quietest submarines, the KIL0-class, and have more advanced sensors and combat systems. In addition, China's defense industry could absorb certain advanced Russian technologies and integrate them into the development of current and future Chinese systems.

Technology Cooperation

In October 2014, China Aerospace Science and Technology Corporation signed an agreement with Rostec to promote joint development and production of dual-use technology, including electronic components, information technology, and new materials.

In November 2014 at China's Zhuhai Airshow, Chinese defense firms AVIC, China Aerospace Science and Industry Corporation, and two subsidiaries of China Electronics Technology Group Corporation signed four agreements with Russian defense firm Russia Technologies (Rostec). The agreement between AVIC and Rostec covers potential collaboration in fixed-wing and helicopter manufacturing, engine production, aircraft materials, avionics, and other areas

Passenger Plane '2020'

Russia and China are joining forces to create a new aircraft that they say will rival Boeing and Airbus planes. Russia's United Aircraft Corporation (UAC), a huge state-owned airplane manufacturer, announced last year that it planned to build a long-haul, wide-bodied airliner with Commercial Aircraft Corporation of China, or COMAC.

In late March, UAC chief Yury Slyusar told newspaper Vedomosti that the plane would enter serial production by 2025 and hold between 250 and 280 passengers. He estimated the project's cost at \$13 billion. Officials have said they expect the bulk of the investment to come from China.

The 18 representatives of 12 CASIC institutions engaged in the development and production of electronic components will visit Moscow to take part in a special workshop for Russian manufacturers in August. A parallel workshop will be held in St. Petersburg. "Establishing large-scale cooperation with Chinese manufacturers could become the first step toward forming a technology alliance involving BRICS member states," Izvestia reported, quoting Andrei Ionin, chief analyst at GLONASS Union.

Russian state firm Rostec pushing for tech cooperation with China

Rostec also works with several Chinese companies on the modernization of China's chemical industries, building equipment used in natural gas pipelines being built between the two countries and mining and petrochemical operations in Russia's Far East region, Kladov added.

In addition, Rostec signed five strategic agreements with Chinese state-owned enterprises – China Poly Group, China Electronics Technology Group, China Aerospace Science and

Industry Corp., China Aerospace Science and Technology Corp. and CATIC International Holdings – for joint projects in areas, such as energy-efficient technology, aircraft manufacturing and communications systems.

Constructive relations between Russia and China are important for international stability and security, the head of Russia's General Staff of the Armed Forces, Valery Gerasimov, said after talks with his Chinese counterpart Fang Fenghui and Vice Central Military Commission Chairman Fan Changlong in Beijing Wednesday.

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