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China-Russia Strategic Partnership Enhancement Attracts Attention in a Divided World

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On March 21, Chinese President Xi Jinping and his Russian counterpart Vladimir Putin held talks in Moscow and issued a joint statement that emphasized the enhancement of their countries' collaboration and cooperation and their unity to counter the U.S.-led Western bloc. "The China-Russia Comprehensive Strategic Partnership of Coordination for a New Era has reached the highest level in history and continues to move forward," said the joint statement. It reaffirmed the promotion of cooperation not only in security but also in the comprehensive economic area including trade, finance, energy, minerals and technology/innovation. As Xi visited Moscow for the first time since Russia's military invasion into Ukraine, the talks between the leaders of China and Russia enhancing their cooperation to counter the Western bloc were attracting global attention. The world focused attention on what the two leaders who represent one pole of the divided world would discuss and achieve at their talks.

"The formation of a multi-polar international pattern is accelerating," said the joint statement, clarifying the two countries' attitude of being united to counter the United States that leads the current international order. In a world where division has deepened under the Ukraine crisis, China and Russia indicated their determination to enhance their strategic partnership to counter Europe and the United States. On the Ukraine war, the statement indicated responsible talks as the best way to find a sustainable solution, while checking the Western bloc, which has stepped up military support for Ukraine. It also raised objection to unilateral economic sanctions on Russia, demonstrating the China-Russia group's stance on the international situation over the Ukraine crisis.

The world was also watching whether there would be any development regarding a Ukraine peace plan that China announced in February, but no remarkable development was seen. The Russian side appreciated the 12-point plan as mostly similar to the Russian stance and becoming a base for peace efforts if the West and Ukraine make relevant preparations. However, the Russian side criticized the West and Ukraine for failing to be prepared for peace talks and indicating an attitude of fighting against Russia thoroughly. China's potential mediation between Russia and Ukraine became a focus of attention just after China successfully brokered a deal between Saudi Arabia and Iran to normalize their relations. If China plays a key role as a mediator to end the Ukraine crisis, its presence may increase further. In this respect, the Western bloc might have been closely watching and nervous about the China-Russia summit.

It has been important for Russia to secure China's support for the continuation of the war in Ukraine and avoid its international isolation. The joint statement noted that "China needs a strong and successful Russia." In this respect, the two countries called for promoting an eight-point comprehensive economic cooperation plan. A joint statement on economic cooperation cited (1) bilateral trade expansion, (2) enhanced financial cooperation, (3) long-term energy cooperation, (4) long-term reciprocal supply of mineral resources and (5) cooperation in the technology and innovation

area. For Russia, where gross domestic product contracted under enhanced Western economic sanctions, economic cooperation with China is growing more important. Thanks to energy price spikes, Russian energy export revenue in 2022 increased even under the Western economic sanctions. While energy exports have contributed to narrowing the economic contraction from earlier forecast levels, economic sanctions have been dealing a body blow to the Russian economy. While economic cooperation with China is growing more important for Russia, it is strategically important for China to avoid the weakening of Russia as its key partner to counter the West.

The promotion of economic cooperation is thus important for both China and Russia. In the energy area, which is the most important for their economic cooperation, bilateral trade has expanded substantially. In particular, crude oil trade expansion has been remarkable. China's crude oil imports from Russia in 2022 increased by 8% from the previous year to 86.25 million tons, according to Chinese statistics. Russia was the second largest crude oil exporter to China, following Saudi Arabia, which exported 87.49 million tons in crude oil to China in 2022. China's total crude oil imports in 2022 decreased by 0.9% to 508.28 million tons. Imports from Saudi Arabia in 2022 remained almost unchanged from the previous year.

The substantial increase in China's crude oil import from Russia apparently indicates that Russian crude oil prices became cheaper than international market prices under the Western economic sanctions, allowing China to secure energy supply on advantageous conditions. For Russia, the expansion of oil exports to China is important for securing sales channels and maintaining oil revenue at a time when Russian oil is excluded from traditional sales channels under the Western economic sanctions. Russia thus increases its dependence on China for oil revenue under the Western economic sanctions, apparently meaning that as China gains the upper hand on Russia as the buyer of Russian oil, the bilateral balance of power tilts in favor of China. In fact, however, Russia has no choice but to increase its dependence on China and India to secure oil sales channels and revenue. Russian oil exports to China have increased sharply since the second half of last year, when Russia was required to secure oil sales channels in the face of decreases in oil sales to Europe. China's termination of its zero-COVID policy late last year might have stimulated the Chinese economy and helped to expand oil imports from Russia. Some media reports say that China's oil imports from Russia in January hit a record monthly high above the past record in April 2022 and would increase further in March.

In value, China's imports from Russia in 2022 soared by 44% from the previous year to \$58.3 billion for crude oil, by 2.6-fold to \$3.9 billion for natural gas and by 2.4-fold to \$6.7 billion for liquefied natural gas. Russia thus got \$68.9 billion in energy export revenue from China. Bilateral trade relations have thus deepened remarkably, focusing on energy trade.

At the same time, however, China-Russia energy relations face various challenges from the long-term viewpoint. First, the economic sanctions may reduce Russian energy supply and production capacity gradually. Traditionally, cooperation with European and U.S. energy companies has been required for oil and gas development in frontier regions and technologically difficult areas (including unconventional oil development) to maintain and expand Russian oil and gas production. China and India may enhance engagement and cooperation in Russian energy development. However, whether China and India can replace European and U.S. energy companies to help Russia to develop energy sources is uncertain. China's long-term engagement and participation in the Russian energy sector still includes unclear points. To make up for a substantial decline in money-making gas pipeline exports to Europe, Russia may have to build a new pipeline (or expand LNG exports) to increase exports to China. In addition to the currently operating "Power of Siberia" Pipeline, "Power of Siberia 2" Pipeline may have to be built. This might have been a topic at the latest China-Russia summit. While the Russian

side described all bilateral agreements as coordinated, the Chinese side provided no specifics.

While China and Russia demonstrate their unity to counter the Western bloc, their relations include many complex elements. How China-Russia strategic cooperation would work as a key bilateral relationship that has led to the division of the world should be watched closely as one of the key factors to move the world.

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