

# Washington International Law Journal

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Volume 34  
Number 1 *A Critical Examination of  
"Decoupling" Symposium Issue*

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10-28-2024

## Imperial Collision: Future of China's Relations with Russia

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## Imperial Collision: Future of China's Relations with Russia

### Cover Page Footnote

\* Associate Professor of Law, University of Washington School of Law. I'd like to thank Washington International Law Journal, especially Mr. Miles K. Lee, for organizing this symposium on such a timely topic.

[1] Aamer Madhani, US Intelligence Finding Shows China Surging Equipment Sales to Russia to Help War Effort in Ukraine, Associate Press, Apr. 12, 2024, <https://apnews.com/article/united-states-china-russia-ukraine-war-265df843be030b7183c95b6f3afca8ec>.

[2] G7 Countries Slam Chinese Firms' Support for Russia's Defense Industry, Al Jazeera, Apr. 19, 2024, <https://www.aljazeera.com/news/2024/4/19/g7-countries-slam-chinese-firms-support-for-russias-defence-industry>. In July 2023, the U.S. intelligence reported similar issues. See Kanishka Singh & Michael Martina, US Intelligence Report Says China Likely Supplying Tech for Russian Military, Reuters, July 27, 2023, <https://www.reuters.com/world/us-intelligence-report-says-china-likely-supplying-tech-russian-military-2023-07-27/>; see also Sarah Anne Aarup, Sergey Panov & Douglas Busvine, China Secretly Sends Enough Gear to Russia to Equip an Army, Politico, July 24, 2023, <https://www.politico.eu/article/china-firms-russia-body-armor-bullet-proof-drones-thermal-optics-army-equipment-shanghai-h-win/>. Austin Ramzy & Jason Douglas, Booming Trade with China Helps Boost Russia's War Effort, *Wall St. J.*, Aug. 21, 2023, <https://www.wsj.com/world/china/booming-china-russia-trade-sends-trench-digging-machines-to-ukraines-front-lines-85f5b5ff>.

[3] E.g., Bonny Lin, The China-Russia Axis Takes Shape, *Foreign Policy* 45 (Sept. 2023); Hal Brands & John Lewis Gaddis, The New Cold War: America, China, and the Echoes of History, *Foreign Affairs* (Oct. 2021), <https://www.foreignaffairs.com/articles/united-states/2021-10-19/new-cold-war>; Elliott Abrams, The New Cold War, *Nat'l Rev.* (Mar. 2022), <https://www.cfr.org/blog/new-cold-war-0>; Michael Hirsh, We Are Now in a Global Cold War, *Foreign Policy* (Jun. 2022), <https://foreignpolicy.com/2022/06/27/new-cold-war-nato-summit-united-states-russia-ukraine-china/>; David E. Sanger, New Cold Wars: China's Rise, Russia's Invasion, and America's Struggle to Defend the West (2024); Cold War II: Niall Ferguson On The Emerging Conflict With China (May 2023) (video clip), <https://www.hoover.org/research/cold-war-ii-niall-ferguson-emerging-conflict-china>.

[4] Bertrand Benoit & Sha Hua, Europe Warms To China Outreach, *Wall St. J.*, Apr. 15, 2024. German direct investment in China rose by 4.3% to a record high of 11.9 billion euros (\$12.7 billion) in the year 2023. See Sarah Marsh, German Investment in China Rises to Record High, Reuters, Feb. 14, 2024, <https://www.reuters.com/markets/german-investment-china-rises-new-record-high-2024-02-14/>. President Emmanuel Macron's visit to Beijing in April 2023 was also widely criticized. See Roger Cohen, After Being Feted by Xi in China, Macron Is Roasted by His Allies, *N.Y. Times*, Apr. 12, 2023, A1.

[5] A poll by the New York Times and Siena College early in March 2024 found Biden was behind Trump. See Shane Goldmacher, Warning Lights Flash for Biden, *Times Poll Finds*, *N.Y. Times*, Mar. 3, 2024, A1.

[6] Gilbert Rozman, *The Sino-Russian Challenge to the World Order: National Identities, Bilateral Relations, and East versus West in the 2010s* (Stanford 2014); Bobo Lo, *Axis of Convenience: Moscow, Beijing and the New Geopolitics* (2008); *Russia-China Relations: Emerging Alliance or Eternal Rivals?* (Sarah Kirchberger, Svenja Sinjen & Nils Wörmer, eds. 2022).

# IMPERIAL COLLISION: FUTURE OF CHINA'S RELATIONS WITH RUSSIA

Dongsheng Zang\*

*Abstract:* In April 2024, Biden Administration officials revealed that in the year 2023, about 90% of Russia's microelectronics came from China, which Russia has used to make missiles, tanks, and aircraft. Nearly 70% of Russia's approximately \$900 million in machine tool imports in the last quarter of 2023 also came from China.<sup>1</sup> U.S. Secretary of State Antony Blinken recently stated at the G7 meeting that "[w]e see China sharing machine tools, semiconductors, [and] other dual-use items that have helped Russia rebuild the defense industrial base."<sup>2</sup> This demonstrates how far China is willing to go in defiance of the sanctions on Russia, seemingly vindicating an increasingly popular view characterizing China's relations with Russia as an alliance in the "New Cold War" (NCW) literature.<sup>3</sup> This essay aims to question this claim.

To its credit, the NCW provides a necessary correction to the naivete and wishful thinking of the 1990s during the globalization era—best exemplified by the Bill Clinton administration in the United States and the Gerhard Schröder chancellorship in Germany. However, learning the lessons takes more than a moment of intellectual reflection. Two years into the Russian invasion of Ukraine, Europe is caught by two fears related to decoupling: one is China's retaliatory measures<sup>4</sup> and the other is the possible second presidential term of Donald J. Trump in the United States.<sup>5</sup>

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\* Associate Professor of Law, University of Washington School of Law. I'd like to thank Washington International Law Journal, especially Mr. Miles K. Lee, for organizing this symposium on such a timely topic.

<sup>1</sup> Aamer Madhani, *US Intelligence Finding Shows China Surging Equipment Sales to Russia to Help War Effort in Ukraine*, ASSOCIATE PRESS, Apr. 12, 2024, <https://apnews.com/article/united-states-china-russia-ukraine-war-265df843be030b7183c95b6f3afca8ec>.

<sup>2</sup> *G7 Countries Slam Chinese Firms' Support for Russia's Defense Industry*, AL JAZEERA, Apr. 19, 2024, <https://www.aljazeera.com/news/2024/4/19/g7-countries-slam-chinese-firms-support-for-russias-defence-industry>. In July 2023, the U.S. intelligence reported similar issues. See Kanishka Singh & Michael Martina, *US Intelligence Report Says China Likely Supplying Tech for Russian Military*, REUTERS, July 27, 2023, <https://www.reuters.com/world/us-intelligence-report-says-china-likely-supplying-tech-russian-military-2023-07-27/>; see also Sarah Anne Aarup, Sergey Panov & Douglas Busvine, *China Secretly Sends Enough Gear to Russia to Equip an Army*, POLITICO, July 24, 2023, <https://www.politico.eu/article/china-firms-russia-body-armor-bullet-proof-drones-thermal-optics-army-equipment-shanghai-h-win/>. Austin Ramzy & Jason Douglas, *Booming Trade with China Helps Boost Russia's War Effort*, WALL ST. J., Aug. 21, 2023, <https://www.wsj.com/world/china/booming-china-russia-trade-sends-trench-digging-machines-to-ukraines-front-lines-85f5b5ff>.

<sup>3</sup> E.g., Bonny Lin, *The China-Russia Axis Takes Shape*, FOREIGN POLICY 45 (Sept. 2023); Hal Brands & John Lewis Gaddis, *The New Cold War: America, China, and the Echoes of History*, FOREIGN AFFAIRS (Oct. 2021), <https://www.foreignaffairs.com/articles/united-states/2021-10-19/new-cold-war>; Elliott Abrams, *The New Cold War*, NAT'L REV. (Mar. 2022), <https://www.cfr.org/blog/new-cold-war-0>; Michael Hirsh, *We Are Now in a Global Cold War*, FOREIGN POLICY (Jun. 2022), <https://foreignpolicy.com/2022/06/27/new-cold-war-nato-summit-united-states-russia-ukraine-china/>; DAVID E. SANGER, NEW COLD WARS: CHINA'S RISE, RUSSIA'S INVASION, AND AMERICA'S STRUGGLE TO DEFEND THE WEST (2024); COLD WAR II: NIALL FERGUSON ON THE EMERGING CONFLICT WITH CHINA (May 2023) (video clip), <https://www.hoover.org/research/cold-war-ii-niall-ferguson-emerging-conflict-china>.

<sup>4</sup> Bertrand Benoit & Sha Hua, *Europe Warms To China Outreach*, WALL ST. J., Apr. 15, 2024. German direct investment in China rose by 4.3% to a record high of 11.9 billion euros (\$12.7 billion) in the year 2023. See Sarah Marsh, *German Investment in China Rises to Record High*, REUTERS, Feb. 14, 2024, <https://www.reuters.com/markets/german-investment-china-rises-new-record-high-2024-02-14/>. President Emmanuel Macron's visit to Beijing in April 2023 was also widely criticized. See Roger Cohen, *After Being Feted by Xi in China, Macron Is Roasted by His Allies*, N.Y. TIMES, Apr. 12, 2023, A1.

<sup>5</sup> A poll by the *New York Times* and Siena College early in March 2024 found Biden was behind Trump. See Shane Goldmacher, *Warning Lights Flash for Biden, Times Poll Finds*, N.Y. TIMES, Mar. 3, 2024, A1.

Prompted by the urgency on the battlefields, the NCW offers reasons for unity between United States and Europe, in response to an emerging alliance between China and Russia. However, this essay argues that it jumps too quickly to claim a Russia-China alliance and, therefore, misses another aspect of Russia-China relations after the invasion of Ukraine: the imperial collision. This essay aims to provide a preliminary framework for examining the driving forces that work to divide and eventually undermine the Russia-China alignment.<sup>6</sup>

The essay starts in Part I by examining the anti-Western ideology shared by Presidents Putin and Xi Jinping. Despite their common objectives, shared values, and personal commitments, fundamental cracks in the ideology can still be detected – primarily due to the different approaches adopted by Russia and China. Part II examines the economic alignments between Russia and China following the invasion of Ukraine. The goal of this section is to contextualize the ideological cracks within three specific areas: trade, finance, and investment. While both Russia and China, on one hand, and NCW pundits, on the other, highlight the high level of economic complementation—either by celebrating or raising alarms—a closer look at the data reveals how ideological cracks translate into discontent and risks for both countries. Part III discusses the lack of institutions in the Russia-China relations that undermine stable and long-term cooperation. The essay will conclude with some remarks on the ramifications of the debates on decoupling or de-risking policy that this symposium is focused on.

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<sup>6</sup> GILBERT ROZMAN, *THE SINO-RUSSIAN CHALLENGE TO THE WORLD ORDER: NATIONAL IDENTITIES, BILATERAL RELATIONS, AND EAST VERSUS WEST IN THE 2010S* (Stanford 2014); BOBO LO, *AXIS OF CONVENIENCE: MOSCOW, BEIJING AND THE NEW GEOPOLITICS* (2008); *RUSSIA-CHINA RELATIONS: EMERGING ALLIANCE OR ETERNAL RIVALS?* (Sarah Kirchberger, Svenja Sinjen & Nils Wörmer, eds. 2022).

## I. IDEOLOGICAL UNITY AND CRACKS

### A. *Unity*

President Vladimir Putin and Chinese President Xi Jinping have much in common. Vladimir Putin came to power in December 1999 when he succeeded Boris Yeltsin and became the President of the Russian Federation.<sup>7</sup> He was re-elected in 2004. From 2008 to 2012, he was the prime minister.<sup>8</sup> From 2012 up to the recent election in March 2024, Putin served as the President of the Russian Federation.<sup>9</sup> Putin's second presidency coincided with Xi's rise to power in 2012 and 2013 when he became the Party Secretary General and then President of China.<sup>10</sup> Both leaders managed to amend their Constitutions to allow them to stay in power indefinitely—Putin amended the Russian Constitution in 2020,<sup>11</sup> and Xi the Chinese Constitution in 2018.<sup>12</sup>

Both Putin and Xi assigned themselves historic missions as heirs of great empires—Putin talked about the “spiritual renaissance” of Russia,<sup>13</sup> and Xi's “great rejuvenation” of China. On that point, they both embraced a particular taste for history. They both insisted on their own, distorted version of history and used it to justify aggressive claims—Putin's infamous speech on the eve of the invasion of Ukraine<sup>14</sup> and Xi's use of history to justify China's claims in the South China Sea and over Taiwan. They both despise their immediate predecessors. “Putin felt no alienation from the Soviet past,”<sup>15</sup> an observer of Russian politics commented. Putin

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<sup>7</sup> STEVEN LEE MYERS, *THE NEW TSAR: THE RISE AND REIGN OF VLADIMIR PUTIN* 169-73 (2015).

<sup>8</sup> *Id.*

<sup>9</sup> Paul Sonne, *Little Choice But for Putin to Win Huge*, N.Y. TIMES, Mar. 19, 2024, A1.

<sup>10</sup> CHUN HAN WONG, *PARTY OF ONE: THE RISE OF XI JINPING AND CHINA'S SUPERPOWER FUTURE* 13-56 (2023) (Chapter 1. Ascendant Xi—The Party Maketh the Man).

<sup>11</sup> Anna Shashkova, Michel Verlaine & Ekaterina Kudryashova, *On Modifications to the Constitution of the Russian Federation in 2020*, 8 RUSS. L.J. 60 (2020); Jakub Sadowski, *Amendments of 2020 to the Russian Constitution as an Update to Its Symbolic and Identity Programme*, 35 INT'L J. SEMIOTICS L. 723 (2022); Caroline von Gall, *The Concept of the “Living Constitution” in Russian Constitutional Theory and Practice*, 46 REV. CENT. & E. EUR. L. 416 (2021).

<sup>12</sup> The Chinese Constitution was amended in March 2018, which eliminated the two-term limit of presidency. Keith Hand, *Constitutional Supervision in China after the 2018 Amendment of the Constitution: Refining the Narrative of Constitutional Supremacy in a Socialist Legal System*, 23 ASIAN-PAC. L. & POL'Y J. 137 (2022) (providing discussion of the 2018 amendment).

<sup>13</sup> MICHEL ELTCHANINOFF, *INSIDE THE MIND OF VLADIMIR PUTIN* 79 (2018).

<sup>14</sup> Address by the President of the Russian Federation, Feb. 21, 2022, Moscow, English translation, <http://en.kremlin.ru/events/president/news/67828>. Anna Reid, *Putin's War on History: The Thousand-Year Struggle over Ukraine*, 101 FOREIGN AFF. 54 (2022) (The World after the War); Aman McLeod & Catherine Jean Archibald, *Putin's Version of History and Claims of Provocation: An International Law Perspective on Russia's Justifications for the Ukraine War*, 100 U. DET. MERCY L. REV. 501 (Spring 2023) (Fallout: The Legal Impact of the 2022 Russian Invasion of Ukraine).

<sup>15</sup> ARKADY OSTROVSKY, *THE INVENTION OF RUSSIA: FROM GORBACHEV'S FREEDOM TO PUTIN'S WAR* 270 (2015). See also MICHEL ELTCHANINOFF, *INSIDE THE MIND OF VLADIMIR PUTIN* 13 (2018) (“Yet Vladimir Putin fully shares the cardinal values of the Soviet society.”).

“had little respect for Gorbachev and saw him not as a man who had given Russia freedom but as one who had lost the country due to his weakness.”<sup>16</sup> Instead, Putin remains an admirer of Peter the Great.<sup>17</sup> Strikingly similar, Xi Jinping publicly humiliated his immediate predecessor Hu Jintao.<sup>18</sup> Xi has also not shown much respect for Deng Xiaoping,<sup>19</sup> the reformer who led the reform and open-door policy since 1978. Instead, Xi maintains his admiration for Mao.<sup>20</sup>

Both Putin and Xi consider themselves prophets. Putin talked about Europe in a state of economic decline and moral decadence.<sup>21</sup> In Xi’s vision for his great nation was the decline of America. His slogan, *dongsheng xijiang* (东升西降 “the East is rising and the West is declining”) reflects this.<sup>22</sup>

Putin and Xi also see strategic interests in each other. In 2012, Putin began distancing himself from Europe and turned to China.<sup>23</sup> The feeling was mutual. In March 2013, Xi chose Russia as the first visit abroad as the Chinese president.<sup>24</sup> During that visit, Xi upgraded the relationship with Russia to a “Comprehensive Strategic Partnership” (全面战略协作伙伴关系). Shortly before the visit, on January 5, 2013, Xi referred to the collapse of the Soviet Union as a historical tragedy in a speech to new members of the Central Committee.<sup>25</sup> “Why did the Soviet Union collapse? Why did the Soviet Communist Party lose its power?” Xi asked his audience, trying to encourage them to reflect on the lessons from the Soviet past so that the Chinese Communist Party can avoid the same mistakes.<sup>26</sup> Xi drew lessons from “historical nihilism,” meaning the Party gave in and loosened control in the ideological fight with Western powers. Xi might have been influenced by a documentary being circulated within the party at the time, *The Twentieth Anniversary of the Collapse of the Soviet Union: What the Russians Have to Say*

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<sup>16</sup> OSTROVSKY, *id.*

<sup>17</sup> MICHEL ELTCHANINOFF, *supra* note 13.

<sup>18</sup> Agnes Chang, Vivian Wang, Isabelle Qian & Ang Li, *What Happened to Hu Jintao?* N.Y. TIMES (Oct. 27, 2022), <https://www.nytimes.com/interactive/2022/10/27/world/asia/hu-jintao-congress-videos.html>.

<sup>19</sup> KEVIN RUDD, THE AVOIDABLE WAR: THE DANGERS OF A CATASTROPHIC CONFLICT BETWEEN THE U.S. AND XI JINPING’S CHINA 88 (2022) (“Xi wants to secure a place for himself in Chinese party history that is at least equal to Mao and greater than Deng.”). An example is the way Deng is treated in Xi’s propaganda. See Steven Lee Myers, *China’s Leader, Hogging Spotlight, Elbows Communist Titan Aside*, N.Y. TIMES, Nov. 6, 2018, A4.

<sup>20</sup> Lingling Wei, *China Is Looking to Move Ahead, But Xi Revives Mao-Era Playbook*, WALL ST. J. (Dec. 29, 2023); FRANÇOIS BOUGON, INSIDE THE MIND OF XI JINPING (2018).

<sup>21</sup> MICHEL ELTCHANINOFF, *supra* note 13, at 162.

<sup>22</sup> Chris Buckley, “East Is Rising,” *Xi Declares, Mapping China’s Post-Covid Path*, N.Y. TIMES, Mar. 4, 2021, A13.

<sup>23</sup> MICHEL ELTCHANINOFF, *supra* note 13, at 143.

<sup>24</sup> Kevin Rudd, *Sino-Russian Relations*, in THE CRISIS WITH RUSSIA 75-82 (Nicholas Burns & Jonathon Price eds. 2014).

<sup>25</sup> FRANÇOIS BOUGON, INSIDE THE MIND OF XI JINPING 39 (2018). The speech was published some years later in *Qiushi* [求是, *Seeking Truth*], the Party’s journal: Xi Jinping, 关于坚持和发展中国特色社会主义的几个问题 [Several Questions on Upholding and Developing Socialism with Chinese Characters], QIUSHI (2019, No.7).

<sup>26</sup> *Id.*

(2013).<sup>27</sup> In tracking the collapse of the Soviet Union, the documentary portrayed Russia as a victim of a Western conspiracy. The documentary was the product of a group of conservative intellectuals led by the Chinese Academy of Social Sciences (CASS) and backed by the Party's propaganda Department. The producers of the 2013 documentary were greatly encouraged by Xi's interest in their work and, in 2021 (the centennial of the Party), prepared a new edition by incorporating Xi's new term, *Historical Nihilism and the Fall of the USSR*.<sup>28</sup> It remained in circulation and even gained more influence among the Chinese elites in the wake of the Russian invasion of Ukraine.<sup>29</sup>

At the very core of the ideologies of Putin's Russia and Xi's China is nationalism. To rally domestic support for anti-Western values and policies, both Russia and China have carefully cultivated, fueled, and guided nationalism as a mobilizing tool. In doing so, Putin and Xi portray themselves as the resistance force against the "unipolar" world dominated by the West. In this aspect, the dominant ideology in Russia and China tends to unify the two countries. However, as will be shown in the next section, the same ideology also has the potential of splitting the two countries when the question comes to Putin and Xi's alternative visions and strategies.

## B. Cracks

In October 2011, then Prime Minister Vladimir Putin published an article in *Izvestia*, a major Russian newspaper, announcing that the Common Economic Space of Russia, Belarus, and Kazakhstan (CES), would kick off on January 1, 2012.<sup>30</sup> Putin considered CES a milestone "for the broader post-Soviet space," with the ultimate goal of building the "Eurasian Union" that would also include Kyrgyzstan and Tajikistan. While Putin denied that that he was not trying to revive the Soviet

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<sup>27</sup> FRANÇOIS BOUGON, *supra* note 25, at 40; Jeremy Page, *China Spins New Lesson from Soviet Union's Fall*, WALL ST. J. (Dec. 10, 2013), <https://www.wsj.com/articles/china-spins-new-lesson-from-soviet-union8217s-fall-1386732800>; Carry Huang, *Paranoia from Soviet Union Collapse Haunts China's Communist Party, 22 Years on*, SOUTH CHINA MORNING POST (Hong Kong) (Nov. 18, 2013), <https://www.scmp.com/news/china/article/1359350/paranoia-soviet-union-collapse-haunts-chinas-communist-party-22-years>. The 2013 documentary (苏联亡党亡国 20 年祭——俄罗斯人在诉说 [Sulian Wangdang Wangguo 20 nian ji— eluosi zai sushuo, The 20th Anniversary of the Collapse of the Soviet Union and the Soviet Communist Party—What the Russians Have to Say]) is available on YouTube: <https://www.youtube.com/watch?v=F87ZJ2bzXH8>.

<sup>28</sup> The documentary (历史虚无主义与苏联解体——对苏联亡党亡国三十年的思考 [Lishi xuwu zhuyi yu sulian jieti—dui sulian wangdang wangguo sanshinian de sikao, Historical Nihilism and the Fall of the USSR]) is available on YouTube (with English subtitles): <https://www.youtube.com/watch?v=lJCX5S9O4yg>.

<sup>29</sup> Chris Buckley, *Beijing Campaign Casts Russia as the West's Longtime Victim*, N.Y. TIMES, Apr. 5, 2022, A1.

<sup>30</sup> Vladimir Putin, *A New Integration Project for Eurasia: The Future in the Making*, IZVESTIA [NEWS], Oct. 3, 2011, English translation, <https://russiaeu.ru/en/news/article-prime-minister-vladimir-putin-new-integration-project-eurasia-future-making-izvestia-3->.

Union, the Soviet nostalgia is obvious in Putin's rhetoric. Here, Putin was embracing an increasingly widespread populist ideology during the 1990s—Eurasianism.<sup>31</sup>

Eurasianism is a Russian far-right, nationalist doctrine that redefines Russia's identity as an empire, a non-Western civilization uniquely located in the geographical and cultural space that include Europe and Asia—Eurasia. Therefore, Russia from a Eurasian perspective is not limited to its Slavic-Orthodox core, but joined by other peoples, particularly peoples in Turkic Central Asia, in opposition to Western hegemony.<sup>32</sup> The Eurasian perspective was initially developed in the 1920s but reemerged in the 1990s and gained national popularity. Russia, under Boris Yeltsin, insisted on the notion of a “sphere of interest.”<sup>33</sup> In January 1996, the Council of Europe urged Russia to denounce as wrong the concept of treating former Soviet republics who have now become independent countries “as a zone of special influence called the ‘near abroad’.”<sup>34</sup> Alexander Dugin, the contemporary Eurasianist philosopher identified as “Putin's brain,”<sup>35</sup> published his book in 1997, *Foundations of Geopolitics*.<sup>36</sup> In his book, Dugin discussed Ukraine and its relationship to Russia, stating that, “[t]he existence of Ukraine in its current borders and with the current status of a ‘sovereign state’ is tantamount to a monstrous blow to Russia's geopolitical security, tantamount to an invasion of its territory.”<sup>37</sup>

This soon became more urgent as the “color revolution” in the former Soviet republics unfolded between 2003 and 2005.<sup>38</sup> For example, the result of the election

<sup>31</sup> CHARLES CLOVER, *BLACK WIND, WHITE SNOW: THE RISE OF RUSSIA'S NEW NATIONALISM* 255 (2016) (Putin may have taken an interest in Eurasianism as early as November 2000, when he stated “Russia has always perceived itself as a Eurasian country” during a visit to Kazakhstan).

<sup>32</sup> MARLENE LARUELLE, *RUSSIAN EURASIANISM: AN IDEOLOGY OF EMPIRE* (Mischa Gabowitsch trans. 2008). David Kerr, *The New Eurasianism: The Rise of Geopolitics in Russia's Foreign Policy*, 47 *EUROPE-ASIA STUD.* 977 (Sep. 1995, No.6); Charles Clover, *Dreams of the Eurasian Heartland: The Reemergence of Geopolitics*, 78 *FOREIGN AFF.* 9 (Mar.-Apr. 1999, No.2); TIMOTHY SNYDER, *THE ROAD TO UNFREEDOM: RUSSIA, EUROPE, AMERICA* (2018).

<sup>33</sup> WILLIAM H. HILL, *NO PLACE FOR RUSSIA: EUROPEAN SECURITY INSTITUTIONS SINCE 1989* 160 (2018) (“For much of the 1990s, the Russian Federation repeatedly expressed a special interest and asserted a *droit de regard* with respect to security questions in the former Soviet area.”).

<sup>34</sup> Parliamentary Assembly, *Russia's Request for Membership of the Council of Europe*, Opinion 193 (1996), adopted at the Assembly debate on 25 January 1996 (7th Sitting), para.10.11. See, Mark Kramer, *NATO, the Baltic States and Russia: A Framework for Sustainable Enlargement*, 78 *INT'L AFF.* 731, 735 (Oct. 2002, No.4) (In March 2001, Vladimir Putin used the term “near abroad” in talking about the Baltic states.).

<sup>35</sup> Anton Barbashin & Hannah Thoburn, *Putin's Brain: Alexander Dugin and the Philosophy behind Putin's Invasion of Crimea*, *FOREIGN AFF.* (Mar. 2014), <https://www.foreignaffairs.com/articles/russia-fsu/2014-03-31/putins-brain>. Marlene Laruelle, *Alexander Dugin and Eurasianism*, *KEY THINKERS OF THE RADICAL RIGHT: BEHIND THE NEW THREAT TO LIBERAL DEMOCRACY* 155-69 (Mark Sedgwick ed. Oxford 2019).

<sup>36</sup> ALEXANDER DUGIN, *FOUNDATIONS OF GEOPOLITICS: THE GEOPOLITICAL FUTURE OF RUSSIA* (trans.). See also John B. Dunlop, *Aleksandr Dugin's "Neo-Eurasian" Textbook and Dmitrii Trenin's Ambivalent Response*, 25 *HARV. UKRAINIAN STUD.* 91 (Spring 2001); CHARLES CLOVER, *supra* note 31, at 232-48.

<sup>37</sup> DUGIN, *id.*, at 370.

<sup>38</sup> *THE COLOUR REVOLUTIONS IN THE FORMER SOVIET REPUBLICS: SUCCESSES AND FAILURES* (Donnacha Ó Beacháin & Abel Polese eds. 2010); JULIA GERLACH, *COLOR REVOLUTIONS IN EURASIA* (2014); VALERIE BUNCE & SHARON WOLCHIK, *DEFEATING AUTHORITARIAN LEADERS IN POST-COMMUNIST COUNTRIES* (2011).



in Ukraine was interpreted as a humiliating defeat in Russia.<sup>39</sup> Steven Lee Myers noted that it was a “turning point” for Putin and Russia and stated, “[h]is initial instinct to bring Russia into closer cooperation with the West, if not an actual alliance, had faded as steadily as his political and economic power had grown.”<sup>40</sup> Putin began to show growing nostalgia for the glory of the Soviet Union, and the narrative that the collapse of the Soviet had become a “catastrophe.”<sup>41</sup> The color revolutions also influenced his attitudes toward the Russian Orthodox Church. According to French scholar Michel Eltchaninoff, “Putin turned more resolutely to traditional values as he felt himself surrounded by hostile powers. . . .”<sup>42</sup>

Based on that Eurasian vision, Putin’s empire-building projects have been focused on and limited to the Eurasian region: the Treaty on the Eurasian Economic Union (EAEU) was signed on May 29, 2014, by Belarus, Kazakhstan, and Russia.<sup>43</sup> Armenia was admitted to the Union the day after it came into force. Kyrgyzstan also acceded to the EAEU in August 2015.

Compared with Putin, Xi Jinping faced a very different context. China has been integrated into the world market since 2001, following China’s accession to the World Trade Organization (WTO). In 2008, China made the Summer Olympic Games in Beijing a spectacular show to the world, boasting of China’s success and prosperity. In 2009, China surpassed Japan and became the world’s second-largest economy, measured by GDP.<sup>44</sup> China became suspicious of the United States when the 2007-2008 Global Financial Crisis happened. Economically, Chinese leaders were concerned about its own economic stability and injected a stimulus package to revive the economy.<sup>45</sup> Rhetorically, Chinese leaders felt justified in blaming the United States for mismanaging the global economy;<sup>46</sup> some even started tossing the

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<sup>39</sup> MYERS, *supra* note 7, at 276.

<sup>40</sup> MYERS, *supra* note 7, at 277.

<sup>41</sup> MYERS, *supra* note 7, at 278. It is in this period that Putin began to embrace the ultranationalist philosophy of Ivan Ilyin (1883-1954), a Russian emigre who was arrested in August 1922 by the Bolsheviks and expelled from Russia—Lenin put Ilyin, among other intellectuals, on the “Philosophy Steamer” in September 1922 deported them. See LESLEY CHAMBERLAIN, *LENIN’S PRIVATE WAR: THE VOYAGE OF THE PHILOSOPHY STEAMER AND THE EXILE OF THE INTELLIGENTSIA 2* (2006); see MICHEL ELTCHANINOFF, *supra* note 13, at 43-56 (Chapter 3. The President’s First Philosophical Love) (discussing Putin’s embracement of Ilyin); TIMOTHY SNYDER, *THE ROAD TO UNFREEDOM: RUSSIA, EUROPE, AMERICA* (2019).

<sup>42</sup> MICHEL ELTCHANINOFF, *supra* note 13, at 60.

<sup>43</sup> Treaty on the Eurasian Economic Union, Astana, May 29, 2014, 3042 U.N.T.S. I-52764, entered into force on August 12, 2015 (Prior to the Eurasian Economic Union, In 2000 Belarus, Kazakhstan, Russia, Kyrgyzstan and Tajikistan established the Eurasian Economic Community (EurAsEC) which Uzbekistan joined in 2006. A Treaty on a Single Economic Space by Belarus, Kazakhstan, Russia and Ukraine was signed in 2003 and ratified in 2004, but the process was stalled after the “Orange revolution.”).

<sup>44</sup> David Barboza, *China Overtakes Japan to Become No. 2 Global Economic Power*, N.Y. TIMES, Aug. 16, 2010, B1.

<sup>45</sup> David Barboza, *China Unveils \$586 Billion Stimulus Plan*, INT’L HERALD TRIBUNE, Nov. 10, 2008. NICHOLAS R. LARDY, *SUSTAINING CHINA’S ECONOMIC GROWTH AFTER THE GLOBAL FINANCIAL CRISIS* (2012); CHINA AND THE GLOBAL ECONOMIC CRISIS (Yongnian Zheng & Sarah Y. Tong eds. 2010).

<sup>46</sup> Edward Wong, *A Booming China Faults U.S. Policy on the Economy*, INT’L HERALD TRIBUNE, Jun. 17, 2008.

idea of the Renminbi displacing the U.S. dollar.<sup>47</sup> By March 2010, Google had shut down its operation in China.<sup>48</sup> China began to diverge from a pro-Western orientation. Xi, who came to power in 2012, did not invent all these trends but amplified them and made them central to his policy since he was in full control. The China under Xi become more autocratic in domestic politics and assertive on the global stage.<sup>49</sup> Domestically, this included anti-West campaigns, increased Party control, and promoting state-owned enterprises. On the international stage, Xi adopted an aggressive style of diplomacy characterized by “wolf warrior” diplomacy, more aggressive actions in the South China Sea, and defying the 2016 ruling of the Permanent Court of Arbitration at the Hague.<sup>50</sup>

Xi’s response to Western hegemony on world stage was the Belt and Road Initiative (BRI), a massive investment policy for securing energy and raw materials.<sup>51</sup> BRI was conceptually kick-started when Xi started talking about reviving the “Silk Road” in 2013 and it became his hallmark policy in 2015. Unlike Putin’s Eurasian projects, Xi’s BRI is global, in terms of geographical reach. More fundamentally, Xi’s BRI is built on the premise that China should remain at the center of the global supply chain and be a manufacturing hub that is deeply connected with its main markets (Europe, the United States, and Japan) and raw materials suppliers (Africa, Latin America, the Middle East, etc.). Thus, the core of Xi’s empire is not Chinese culture, race, or religion, not even ideology, but market force. At the very foundation of Xi’s empire is China’s continued access to—and *dependence on*—the Western markets.

For the Eurasian ideologues, Xi’s empire would be a problem. Alexander Dugin, for example, recognized China as a continental power, along with Germany, and

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<sup>47</sup> MELISSA MURPHY & WEN JIN YUAN, IS CHINA READY TO CHALLENGE THE DOLLAR? INTERNATIONALIZATION OF THE RENMINBI AND ITS IMPLICATIONS FOR THE UNITED STATES—A REPORT OF THE CSIS FREEMAN CHAIR IN CHINA STUDIES (Oct. 2009). SONG HONGBING, THE CURRENCY WAR (2007); *China Bestseller Sees Plots and Profit in Financial Crisis*, REUTERS (Sept. 21, 2009), <https://www.reuters.com/article/idUSTRE58K0RR/>; DESMOND SHUM, RED ROULETTE: AN INSIDER’S STORY OF WEALTH, POWER, CORRUPTION, AND VENGEANCE IN TODAY’S CHINA (2021).

<sup>48</sup> Miguel Helft & David Barboza, *Google Closes Search Service Based In China*, N.Y. TIMES, Mar. 23, 2010, A1.

<sup>49</sup> Elizabeth C. Economy, *China’s Imperial President: Xi Jinping Tightens His Grip*, 93 FOREIGN AFF. 80 (Nov./Dec. 2014, No.6); ELIZABETH C. ECONOMY, THE THIRD REVOLUTION: XI JINPING AND THE NEW CHINESE STATE (2018).

<sup>50</sup> Republic of the Philippines v. People’s Republic of China, PCA Case No.2013-19, Award, Jul. 12, 2016; see Jane Perlez, *China Flexes Its Muscles in Protest of Sea Ruling*, N.Y. TIMES, Jul. 14, 2016, A11 (China immediately launched a campaign denouncing the arbitral award); see, Isaac B. Kardon, *China Can Say “No”*: Analyzing China’s Rejection of the South China Sea Arbitration: Toward a New Era of International Law with Chinese Characteristics, 13 U. PA. ASIAN L. REV. 1 (2018) (for China’s position on South China Sea in the broader context); BILL HAYTON, THE SOUTH CHINA SEA: THE STRUGGLE FOR POWER IN ASIA (2014).

<sup>51</sup> NADÈGE ROLLAND, CHINA’S EURASIAN CENTURY? POLITICAL AND STRATEGIC IMPLICATIONS OF THE BELT AND ROAD INITIATIVE (2017); JONATHAN E. HILLMAN, THE EMPEROR’S NEW ROAD: CHINA AND THE PROJECT OF THE CENTURY (2020).

France,<sup>52</sup> but as a potential foe, not an ally. Dugin considered a Moscow-Berlin alliance,<sup>53</sup> even a Moscow-Tokyo axis,<sup>54</sup> but not a Russia-China alliance.<sup>55</sup> This is because Dugin regarded China as a member the other side. Writing in 1997, Dugin considered China's reform in the 1980s had made China too close to the opposite camp.<sup>56</sup>

There is no doubt that China's perestroika, which began in the 1980s, was the final turn from the Maoist period to the pro-Atlantic model, which should have definitely sealed China's break with the USSR and its orientation towards the West.<sup>57</sup>

If Dugin shows certain hostility toward China, the feeling is certainly mutual from the Chinese side. The initial reception of Dugin in China was cold. An article published in 2012 in the *Journal of International Studies*—a prestigious academic journal based in Peking University—found chauvinism and ultra-nationalism in Dugin's work.<sup>58</sup> This cold reception of Dugin's work reveals that, before Xi took control of China's foreign policy, the Chinese policy circle did not find great inspiration from the Russian ideology.

With Putin and Xi in control, the two countries did manage to find some reconciliation. China found value in Dugin's attacks on the West. In November 2018, Dugin was invited by the Chinese ultra-nationalist scholar Zhang Weiwei of Fudan University in Shanghai for a series of lectures. The visit was successful, and Dugin became an affiliated researcher at Fudan.<sup>59</sup> In December 2018, Dugin was invited to Beijing, where he visited the CITIC Foundation and delivered a lecture at Peking University. Not surprisingly, Dugin changed his views on China. In 2020,

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<sup>52</sup> ALEXANDER DUGIN, *supra* note 36.

<sup>53</sup> ALEXANDER DUGIN, *supra* note 36, at 219 (“Germany today is an economic giant and a political dwarf. Russia is, to the contrary, a political giant and an economic cripple. The Moscow-Berlin axis will cure the ailment of both partners and lay the foundation for the future prosperity of a Great Russia and a Great Germany”).

<sup>54</sup> ALEXANDER DUGIN, *supra* note 36, at 221-29.

<sup>55</sup> ALEXANDER DUGIN, *supra* note 36.

<sup>56</sup> *Id.*

<sup>57</sup> ALEXANDER DUGIN, *supra* note 3636, at 224 (Dugin changed his position on China, as least from 2005, as Vladimir Shlapentokh, who interviewed Dugin, commented: “Among nationalists, Alexander Dugin, the champion of the Eurasian ideology, represents a visible exception as a consistent supporter of China. He sees the country as an important part of the alliance of ‘the South,’ which includes Muslim countries, against ‘the North’ (Europe and the United States).”); Vladimir Shlapentokh, *China in the Russian Mind Today: Ambivalence and Defeatism*, 59 EUROPE-ASIA STUD. 1, 15 (Jan. 2007, No.1).

<sup>58</sup> 葛汉文[Ge Hanwen], 冷战后俄罗斯的地缘政治思想 [Lengzhan hou erluosi de diyuan zhengzhi sixiang, Geopolitical Thoughts in Post-Cold War Russia], 国际政治研究 [Guoji zhengzhi yanjiu, Journal of International Studies] 125-42 (2012, No.2).

<sup>59</sup> “杜金從仇中到親中的轉變,” [Dujin cong chouzhong dao qinzhong de zhuanbian, The Transition of Dugin's Position from Anti-China to Pro-China] 亞洲週刊 [Yazhou zhoukan, ASIA WEEKLY], May 2022, No. 18, <https://www.yzzk.com/article/details/%E5%B0%81%E9%9D%A2%E5%B0%88%E9%A1%8C/2022-18/1651117724032/%E6%9D%9C%E9%87%91%E5%BE%9E%E4%BB%87%E4%B8%AD%E5%88%B0%E8%A6%AA%E4%B8%AD%E7%9A%84%E8%BD%89%E8%AE%8A>.

for example, Dugin lavishly praised the BRI,<sup>60</sup> a complete reversal of his earlier position. While this reconciliation shows some flexibility for the hardline ideologues on both sides, so far as they found common interests in challenging the Western hegemony. However, it does little to address the fundamental differences in their visions for the future. On the contrary, this reconciliation highlights the arbitrary nature of these ideologies and, therefore, cultivates little confidence in the long-term unity and stability of the relationship. The remainder of this essay will look into the divergent interests and strategies that China and Russia have in their economic and political relationship.

## II. THE ECONOMIC ALIGNMENTS AND RISKS

In the years after the invasion of Ukraine, Russia and China increased their mutual trade, investment and financial collaboration. In certain areas, China became a substitute for the European Union as Russia's primary trading partner. However, China's alignment with Russia undercuts China's global ambitions in trade, investment and growth because of rising geopolitical tensions with the United States. China's overcapacity problem—namely, that China produces far more than what its domestic market can absorb—remains unaddressed simply because Russian economy is too small, and it doesn't have what China needs in terms of capital and technology. From the Russian side, as Gilbert Rozman has reminded us, the dream of large-scale industrial sales to the growing Chinese market during the 1990s has failed to materialize.<sup>61</sup> For Russia, not only does the asymmetrical relationship continue,<sup>62</sup> but a higher level of dependence on China poses serious risks.

### A. Trade

China's trade with Russia can be characterized as a trade-off—it gains in trade with Russia but loses big in its trade with the West. After the invasion of Ukraine in February 2022, the United States, European Union, Great Britain, and Japan (the West) imposed sanctions on Russia. As a result, between 2021 and 2023, trade between Russia and the West decreased by US\$184.1 billion.<sup>63</sup> On the other hand, however, Russia's trade with BRICS countries (Brazil, China, India, South Africa), Indonesia, and Turkey increased by US\$124.4 billion,<sup>64</sup> offsetting the sanctions.

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<sup>60</sup> Alexander Dugin, *The Belt and Road Initiative: A Eurasian Road*, 1 *Belt & Road Initiative Quarterly* 6-18 (2020, No.4), <https://briqjournal.com/en/russian-strategist-dr-alexander-dugin-the-belt-and-road-initiative-eurasian-road>.

<sup>61</sup> Gilbert Rozman, *Russia in Northeast Asia: In Search of a Strategy*, in *RUSSIAN FOREIGN POLICY IN THE TWENTY-FIRST CENTURY AND THE SHADOW OF THE PAST* 343, 373 (Robert Legvold ed. 2007).

<sup>62</sup> Wong, *supra* note 46.

<sup>63</sup> 分断 G20、ロシアの成長許す [Bundan G20, Roshia no seichō yurusu, Divided G20 Lets Russia Grow], 日本経済新聞 [Nihon Keizai Shimbun, Japan Economic News], Mar. 1, 2024, at 3.

<sup>64</sup> *Id.*

Among them, Brazil's trade with Russia increased by 80%, India by 70%, and China by 60%.<sup>65</sup>

Trade between China and Russia increased substantially after the invasion.<sup>66</sup> In the year 2023, China-Russia trade exceeded US\$200 billion.<sup>67</sup> Such strong trade relations with Russia cost China its trade relations with the United States. China's trade relations with the United States have declined significantly since this China-Russia trade boom. In fact, President Xi's visit to the United States occurred in the midst of China's continued decline in export to the United States.<sup>68</sup> By July 2023, China had dropped to the third place among U.S. trading partners.<sup>69</sup> This is a drastic change from the years before—when China was the top trading partner for the United States. China is now drifting toward a volatile and contentious relationship with the United States.<sup>70</sup>

*Oil and Natural Gas.* On March 8, 2022, President Biden issued Executive Order 14066,<sup>71</sup> prohibiting importation of Russian crude oil and petroleum products.<sup>72</sup> On June 3, 2022, the EU imposed a ban on crude oil and petroleum products from Russia.<sup>73</sup> In September 2022, G7 imposed a price cap on Russian oil in order to cut its revenue.<sup>74</sup> In the year 2022, however, China, along with India, Turkey, Brazil increased importation of oil, posing a challenge to the sanctions.<sup>75</sup> In 2023, Russian export of natural gas to China reached 22 billion cubic meters,<sup>76</sup> and the goal was to reach 38 billion cubic meters by 2025. China's plan for the Siberia 2 pipeline was to supply 50 billion cubic meters by 2027.<sup>77</sup> However, this is far from the 150 billion

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<sup>65</sup> *Id.*

<sup>66</sup> Keith Bradsher, *War in Ukraine Has China Cashing In*, N.Y. TIMES, Dec. 21, 2023.

<sup>67</sup> *China-Russia Trade Tops \$200bn a Year Ahead of Schedule*, NIKKEI ASIA, Dec. 8, 2023, <https://asia.nikkei.com/Economy/Trade/China-Russia-trade-tops-200bn-a-year-ahead-of-schedule>.

<sup>68</sup> Stella Yifan Xie, *Chinese Exports Fall for a Fourth Month*, WALL ST. J., Sept. 8, 2023, A7.

<sup>69</sup> Ken Roberts, *After 14 Years On Top, China Now Ranks Third for U.S. Imports*, FORBES (July 11, 2023), <https://www.forbes.com/sites/kenroberts/2023/07/11/after-14-years-on-top-china-now-ranks-third-for-us-imports/?sh=78640f727a41>.

<sup>70</sup> Anshu Siripurapu & Noah Berman, *The Contentious U.S.-China Trade Relationship*, Council on Foreign Relations (September 26, 2023), <https://www.cfr.org/backgrounder/contentious-us-china-trade-relationship>.

<sup>71</sup> Executive Order 14066 of March 8, 2022, Prohibiting Certain Imports and New Investments with Respect to Continued Russian Federation Efforts to Undermine the Sovereignty and Territorial Integrity of Ukraine, 87 Fed. Reg. 13625 (No. 47, Mar. 10, 2022).

<sup>72</sup> See, Andrew Restuccia & Josh Mitchell, *U.S. Bans Import of Russian Oil*, WALL ST. J., Mar. 9, 2022, A1 (showing that about 8% of U.S. imports of oil and refined products came from Russia the year before).

<sup>73</sup> Council Regulation (EU) 2022/879 of 3 June 2022 Amending Regulation (EU) No 833/2014 concerning Restrictive Measures in View of Russia's Actions Destabilizing the Situation in Ukraine, O.J. L153/53.

<sup>74</sup> G7 Finance Ministers' Statement on the United Response to Russia's War of Aggression against Ukraine, Berlin, Sept. 2, 2022.

<sup>75</sup> *Economic Warfare: Sanctions, What Sanctions?*, ECONOMIST 61-63 (Feb. 24, 2024).

<sup>76</sup> ロシアから EU へのガス供給、6 割減 [Roshia kara EU e no gasu kyōkyū, 6 warigen, Russian gas supplies to EU fall by 60%], 日本経済新聞 [Nihon Keizai Shimbun, Japan Economic News], Dec. 26, 2023, at 13.

<sup>77</sup> *Id.*

cubic meters that Russia had supplied the European market prior to the invasion of Ukraine.<sup>78</sup>

*Automobiles.* On March 15, 2022, the EU prohibited the exportation of certain automobiles and vehicles to Russia.<sup>79</sup> Most Western carmakers ceased their productions in Russia, including Audi, BMW, Mercedes-Benz, Toyota, Mazda, Land Rover, Mitsubishi, and General Motors.<sup>80</sup> However, the sanctions were not effective because of parallel imports.<sup>81</sup> On June 23, 2023, EU took new measures to prevent circumvention.<sup>82</sup> These measures created a vacuum for China's automobile exports to Russia. The year 2023 was a milestone for China's auto industry—it topped global exports by selling 5.26 million made-in-China vehicles.<sup>83</sup> Among these exports, Russia accounted for 800,000. In May 2023, China surpassed Japan to become the largest exporter of automobiles.<sup>84</sup> In the first half of 2023, according to the *Economist*, Russia imported nearly 300,000 Chinese cars worth US\$4.5 billion, a six-fold increase from imports in 2022.<sup>85</sup> In July 2023, Chinese cars accounted for nearly 80% of imports in Russia, according to Autostat, an analytics firm.<sup>86</sup>

However, China's gain in market share in Russia is accompanied by increasing challenges in the global market. One example is the electric vehicle (EV) market. In September 2023, Chinese EV manufacturers shocked the European automakers at the Munich Auto Show by the number of new EV models that the Chinese makers were able to display.<sup>87</sup> In the fourth quarter of 2023, Chinese manufacturer BYD surpassed Tesla in EV sales, selling more than 526,000 fully electric vehicles, compared to Tesla's 485,000 sales during the same period.<sup>88</sup> Overall, BYD was only

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<sup>78</sup> *Id.*

<sup>79</sup> Council Regulation (EU) 2022/428 of 15 March 2022, amending Regulation (EU) No 833/2014 concerning Restrictive Measures in View of Russia's Actions Destabilizing the Situation in Ukraine, O.J. L87 I/13, which prohibited exportation of passenger vehicles exceeding value of EUR 50,000.

<sup>80</sup> Leave Russia, KSE INSTITUTE, <https://leave-russia.org/leaving-companies>.

<sup>81</sup> *Vehicle Imports to Russia Increase Despite Legal Grey Zone*, AUTOMOTIVE LOGISTICS, Jan. 17, 2023, at 17.

<sup>82</sup> Council Regulation (EU) 2023/1214 of 23 June 2023, amending Regulation (EU) No 833/2014 Concerning Restrictive Measures in View of Russia's Actions Destabilizing the Situation in Ukraine, OJ L 159 I/1; Council Regulation (EU) 2023/1215 of 23 June 2023, amending Regulation (EU) No 269/2014 Concerning Restrictive Measures in Respect of Actions Undermining or Threatening the Territorial Integrity, Sovereignty and Independence of Ukraine, O.J. L 159I/330.

<sup>83</sup> Seina Cheng, *China Surges to Top in Car Exports*, WALL ST. J., Jan. 10, 2024, A1.

<sup>84</sup> Michael Harley, *China Overtakes Japan as the World's Biggest Exporter of Passenger Cars*, FORBES, May 22, 2023, <https://www.forbes.com/sites/michaelharley/2023/05/22/china-overtakes-japan-as-the-worlds-biggest-exporter-of-passenger-cars/?sh=33d1eea32c4f>.

<sup>85</sup> *How China Became a Car-exporting Juggernaut*, ECONOMIST, Aug. 12, 2023, [https://www.economist.com/graphic-detail/2023/08/10/how-china-became-a-car-exporting-juggernaut?utm\\_medium=cpc.adword.pd&utm\\_source=google&ppccampaignID=17210591673&ppcadID=&utm\\_campaign=a.22brand\\_pmax&utm\\_content=conversion.direct-response.anonymous&gad\\_source=1&gclid=ds](https://www.economist.com/graphic-detail/2023/08/10/how-china-became-a-car-exporting-juggernaut?utm_medium=cpc.adword.pd&utm_source=google&ppccampaignID=17210591673&ppcadID=&utm_campaign=a.22brand_pmax&utm_content=conversion.direct-response.anonymous&gad_source=1&gclid=ds).

<sup>86</sup> *Id.*

<sup>87</sup> Melissa Eddy, *In Munich, China's Cars Outperform Germany's*, N.Y. TIMES, Sept. 5, 2023, B1.

<sup>88</sup> Rebecca Elliott, *Tesla Falls Behind Rival in Quarter*, WALL ST. J., Jan. 3, 2024, A1.

second to Tesla in 2023, taking 16.% of the world EV market, with Tesla taking 19.3%.<sup>89</sup> China also became the top auto exporter in the world by selling 5.26 million vehicles in the overseas markets.<sup>90</sup> The *People's Daily* described China as an “Auto Powerhouse Nation” (*qiche qiangguo*, 汽车强国).<sup>91</sup> President Xi Jinping, in his 2024 New Year Message, called the new energy vehicle, together with lithium battery and solar panels as “new bright color” (*xinliangse*, 新亮色) in Chinese economy.<sup>92</sup> Xi likely felt that one of his strategies for China’s growth had been finally fulfilled. Ten years prior, in May 2014, he visited a major auto maker in Shanghai and stated that new energy cars were the path to an “Auto Powerhouse Nation.”<sup>93</sup> Ten years later, a hope emerged in China that auto exports would reignite the engine of Chinese exportation, which the country had enjoyed prior to the Covid-19 pandemic.<sup>94</sup>

During their auto market expansion, China faced resentment from Western markets. In October 2023, the European Commission initiated an anti-subsidy investigation on Chinese EVs.<sup>95</sup> Market demand in Europe declined by March 2024.<sup>96</sup> Similarly, on December 4, 2023, the U.S. Internal Revenue Service (I.R.S.) decided to exclude Chinese-made EVs from the US\$7,500 consumer subsidy provided by the Inflation Reduction Act.<sup>97</sup> On February 29, 2024, President Biden ordered the Commerce Department to open an investigation into foreign-made software in cars, alleging Chinese technology was a potential national security risk.<sup>98</sup> These trade measures were part of the geopolitics after the Russian invasion of

<sup>89</sup> EV 協業、巨額投資めざす [EV kyōgyō, kyogaku toshi mezasu, EV Collaboration Aiming for Big Investment], 日本経済新聞 [Nihon Keizai Shimbun, Japan Economic News], Mar. 17, 2024, at 7.

<sup>90</sup> Selina Cheng, *China Surges to Top in Car Exports*, WALL ST. J., Jan. 10, 2024, A1.

<sup>91</sup> 汽车强国建设迈上新起点 [Qiche qiangguo jianshe maishang xin qidian, New Starting Point for the Automobile Industry], 人民日报 [Renmin Ribao, People's Daily], Jan. 12, 2024.

<sup>92</sup> President Xi Jinping's 2024 New Year Message, Dec. 31, 2023 (website of Ministry of Foreign Affairs), [https://www.mfa.gov.cn/zyxw/202312/t20231231\\_11215589.shtml](https://www.mfa.gov.cn/zyxw/202312/t20231231_11215589.shtml).

<sup>93</sup> 习近平：发展新能源汽车是迈向汽车强国的必由之路 [Xi Jinping: fazhan xin nengyuan qiche shi maixiang qiche qiangguo de biyouzhilu, Xi Jinping: New Energy Automobile Is the Required Step towards an Automobile Powerhouse Country], May 24, 2014, [http://www.xinhuanet.com/politics/2014-05/24/c\\_1110843312.htm](http://www.xinhuanet.com/politics/2014-05/24/c_1110843312.htm).

<sup>94</sup> 新能源汽车出海步伐加快 [Xin nengyuan qiche chuhai bufa jiakuai, Accelerating Exportation of New Energy Automobiles], 人民日报 [Renmin Ribao, People's Daily], Jan. 17, 2024, at 18.

<sup>95</sup> European Parliament, *EU Anti-subsidy Probe into Electric Vehicle Imports from China* (Oct. 18, 2023), [https://www.europarl.europa.eu/thinktank/en/document/EPRS\\_ATA\(2023\)754553](https://www.europarl.europa.eu/thinktank/en/document/EPRS_ATA(2023)754553).

<sup>96</sup> Selina Cheng, River Davis & Raffaele Huang, *EV Maker BYD Stumbles Overseas*, WALL ST. J., Mar. 13, 2024, B1.

<sup>97</sup> Department of the Treasury Internal Revenue Service, *Section 30D Excluded Entities*, 88 Fed. Reg. 84098 (Dec. 4, 2023, No.231) (The exclusion was based on Section 30D of the Inflation Reduction Act, Pub. L. 117-169, 136 Stat. 1818, Aug. 16, 2022); see Andrew Duehren, *China Role in EV Market Hinges on Tax-Credit Rules*, WALL ST. J., Nov. 30, 2023 (discussing the broader context of the decision). China challenged the measure at the WTO in March 2024, *United States—Certain Tax Credits under the Inflation Reduction Act: Request for Consultation by China*, WT/DS623/1, Mar. 28, 2024.

<sup>98</sup> Fact Sheet: Biden-Harris Administration Takes Action to Address Risks of Autos from China and Other Countries of Concern (Feb. 29, 2024), <https://www.whitehouse.gov/briefing-room/statements-releases/2024/02/29/fact-sheet-biden-harris-administration-takes-action-to-address-risks-of-autos-from-china-and-other-countries-of-concern/>.

Ukraine, due to China's implicit support to Russia. As a result of the growing trade tensions, China's exports continued to decline in 2023.<sup>99</sup> Though Chinese official media proudly reported the China-Russia trade reached a record level of US\$240 billion in 2023, surpassing EU exports in 2021,<sup>100</sup> the question remains as to whether that is worthwhile for China. China's exports to Russia accounted for US\$111.0 billion,<sup>101</sup> less than one fourth of Chinese exports to the United States in 2023.<sup>102</sup>

## B. Finance

Financial services by Chinese banks provided crucial support to the Russian economy, but they also posed greater risks to each other. Shortly after the invasion of Ukraine, the West took drastic measures to impose financial sanctions on Russia. Two of the most significant measures were announced on February 26, 2022, when leaders of the European Commission, France, Germany, Italy, the United Kingdom, Canada, and the United States issued a joint statement.<sup>103</sup> The European Commission announced that Russian banks were removed from the SWIFT (Society for Worldwide Interbank Financial Telecommunication) network, and that some US\$300 billion of Russia's foreign reserves held by the Central Bank of Russia was frozen. Western banks and financial institutions like Visa and Mastercard suspended operations in Russia. In response, Russia quickly looked to China for a solution.

Russian banks started working with China and issuing credit cards powered by China's Union Pay.<sup>104</sup> In March 2023, one year after the invasion, Russia turned to Chinese Yuan. In the year 2022, Russian companies issued bonds denominated in yuan worth more than US \$7 billion; Russian banks offered savings accounts in Chinese Yuan, and Russian households held almost US \$6 billion worth of yuan deposits at the end of 2022; the share of Russian exports paid for in yuan rose to 14% by September, up from 0.4% before the invasion.<sup>105</sup> Chinese banks provided

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<sup>99</sup> Stella Yifan Xie, *Chinese Exports Fall for a Fourth Month*, WALL ST. J., Sept. 8, 2023, A7.

<sup>100</sup> Georgi Kantchev, *Russia Finds Many Ways Around Sanctions*, WALL ST. J., Feb. 26, 2024, A18.

<sup>101</sup> 中国海关总署: 2023 年中俄贸易额达到创纪录的 2401.1 亿美元, 同比增长 26.3% [Zhongguo haiguan zongshu: 2023 nian zhongge maoyie dadao chuangjilu de 2401.1 yi meiyuan, tongbi zengzhang 26.3%, Chinese Customs: 2023 China-Russia Trade Value Hits Record High of US\$240.11 Billion, Increasing 26.3% from Last Year.], *Soho.com* (January 15, 2024), [https://www.sohu.com/a/751902015\\_121123902](https://www.sohu.com/a/751902015_121123902).

<sup>102</sup> *Total Value of U.S. Trade in Goods with China 2014-2023*, Statista Research Department (March 13, 2024), <https://www.statista.com/statistics/277679/total-value-of-us-trade-in-goods-with-china-since-2006/>.

<sup>103</sup> Press Release, *Joint Statement on Further Restrictive Economic Measures*, The White House (Feb. 26, 2022), <https://www.whitehouse.gov/briefing-room/statements-releases/2022/02/26/joint-statement-on-further-restrictive-economic-measures/>. This was followed by Council Regulation (EU) 2022/345 of 1 March 2022, O.J. L63/1.

<sup>104</sup> Patricia Kowsmann & Alexander Osipovich, *Russian Banks Cut off from West Turn to China*, WALL ST. J., Mar. 7, 2022, A9.

<sup>105</sup> Chelsey Dulaney, Evan Gershkovich & Victoria Simanovskaya, *Russia Turns to Yuan in Effort to Ditch the Dollar*, WALL ST. J., Mar. 1, 2023.



the financial services.<sup>106</sup> According to *Nikkei* (日本経済新聞), during the fourteen months between February 2022 and March 2023, the Chinese banks increased their financing from US\$2.2 billion to US\$9.7 billion. By the end of 2023, the share of Yua-Ruble transactions reached 40% on the Moscow Stock Exchange, the highest point in history.<sup>107</sup>

Growing dependence on the Chinese Yuan and the Chinese banks, however, also exposed Russia to financial risks, such as Yuan's potential volatility.<sup>108</sup> In December 2023, President Joe Biden issued Executive Order 14114, which authorized sanctions on any foreign financial institution that "conducted or facilitated any significant transaction" in Russia.<sup>109</sup> Soon after, Chinese banks slowed their activities in Russia.<sup>110</sup> By the end of April 2024, the United States threatened to continue cutting off Chinese banks from the SWIFT network.<sup>111</sup> Along with sanctions, the stability of the Yuan poses another risk. The drastic decline in Chinese exports and the outflow of foreign capital in the year 2023 further strained the value of the Yuan.<sup>112</sup> Consequently, Russia's continued dependence on Chinese Yuan inevitably exposes it to the volatility of the Yuan.<sup>113</sup>

### C. *Investment*

China's investment in Russia remains small despite all the rhetoric that stated otherwise. Until 2022, the total amount of Chinese foreign direct investment (FDI) to Russia was very low, compared to the amount given in 2022. Before 2022, the peak of annual Chinese FDI in Russia was in 2015 when it reached US\$2.96 billion.<sup>114</sup> By the end of 2021, China's accumulated FDI in Russia over several years was US \$10.64 billion, accounting for only 0.38% of China's overall FDIs.<sup>115</sup>

<sup>106</sup> 中国四大銀、対ロシア融資 4 倍 [Chūgoku shidaigin, tai Roshia yūshi 4-bai, China's Big Four Banks Quadrupled Lending to Russia], 日本経済新聞 [Nihon Keizai Shimbun, Japan Economic News], Sept. 13, 2023, at 12.

<sup>107</sup> ドル資産凍結、もろ刃の剣 [Doru shisan tōketsu, moroha no ken, Freezing Dollar-denominated Assets: A Double-edged Sword], 日本経済新聞 [Nihon Keizai Shimbun, Japan Economic News], Feb. 27, 2024, at 7.

<sup>108</sup> Alexandra Prokopenko, *The Risks of Russia's Growing Dependence on the Yuan*, CARNEGIE POLITIKA (Feb. 2, 2023), <https://carnegieendowment.org/politika/88926>.

<sup>109</sup> Executive Order 14114, Taking Additional Steps with Respect to the Russian Federation's Harmful Activities (Dec. 22, 2023); 88 Fed. Reg. 89271 (Dec. 26, 2023, No.246).

<sup>110</sup> John Feng, *Russian Traders Reel from China Payment Problems*, NEWSWEEK, Mar. 12, 2024.

<sup>111</sup> Ian Talley & Alan Cullison, *U.S. Weighs Penalties on Chinese Banks Over Russia War Aid*, WALL ST. J., Apr. 24, 2024, A1.

<sup>112</sup> Frances Yoon & Weilun Soon, *China Faces Dilemma on Economy, Yuan*, WALL ST. J., Aug. 17, 2023, B10; Catlin McCabe, *Weak Economic Data Pressure Chinese Yuan*, WALL ST. J., Sept. 8, 2023, B11.

<sup>113</sup> Alexandra Prokopenko, *supra* note 108.

<sup>114</sup> C. Textor, *Annual Flow of Foreign Direct Investments from China to Russia from 2012 to 2022*, STATISTA, Nov. 3, 2023, <https://www.statista.com/statistics/720589/china-outward-fdi-flows-to-russia/>.

<sup>115</sup> 和振伟: 中俄投资合作前景广阔 [He Zhenwei: Zhonghe Touzi Hezuo Qianjing Guangkuo, He Zhenwei: The Future of Sino-Russia Cooperation in Investment Looks Promising], [http://www.china.com.cn/opinion/think/2023-04/03/content\\_85208501.htm](http://www.china.com.cn/opinion/think/2023-04/03/content_85208501.htm).

In contrast, China has acquired stakes in Russia's energy sector, the Power of Siberia, by adding lines 2 and 3 since Russia's invasion of Ukraine in 2022.<sup>116</sup> Moreover, China also increased investment in mining, transport and port development projects in the Russian Far East.<sup>117</sup> Prithvi Gupta, a researcher at ORF, estimated that from February 24, 2022, to May 1, 2023, Chinese state entities invested US\$3.44 billion in those projects alone, a significant increase of US\$500 million from previous years.<sup>118</sup> Chinese investments in Russia are heavily promoted and encouraged by the very top leaders through the Inter-governmental Russian-Chinese Commission on Cooperation and Development of the Russian Far East and Northeast China. On the Russian side, Deputy Prime Minister Yury Trutnev (in his capacity as Presidential Plenipotentiary Envoy to the Far Eastern Federal District) and Prime Minister Mikhail Mishustin are actively involved in Chinese investment promotions.<sup>119</sup>

However, even with the unprecedented political promotion, Chinese total overseas direct investment (ODI) in Russia was US \$31.8 billion in 2023—only a small fraction of the US\$130.1 billion that China invested in its Belt and Road partner countries.<sup>120</sup> By contrast, in the year of rising geopolitics between China and the West, the top three of China's ODI destinations were Canada, the United States and Great Britain.<sup>121</sup>

This is consistent with recent history, characterized by heavy political promotions with minimal effects. In October 2011, during a visit by then Prime Minister Putin, China's sovereign wealth fund, China Investment Corporation (CIC), agreed to invest US \$1 billion in Russia Direct Investment Fund in order to spur foreign investment in Russia.<sup>122</sup> In June 2012, the Russia-China Investment Fund (FCIF) was formed as the operational vehicle to carry out investment plans. By May 2014,

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<sup>116</sup> Aizhu Chen & Andrew Hayley, *China's Energy Investments in Russia*, REUTERS, Mar. 20, 2023.

<sup>117</sup> Prithvi Gupta, *China's Steadily Expanding Investments in Russia since the Ukraine Conflict*, OBSERVER, RESEARCH FOUNDATION (July 26, 2023), <https://www.orfonline.org/expert-speak/chinas-steadily-expanding-investments-in-russia-since-the-ukraine-conflict#:~:text=Russia%20has%20become%20China's%20top,average%20of%20US%2485.23%20Fb>.

<sup>118</sup> This is significantly lower than the numbers announced by Russian Prime Minister Mikhail Mishustin in March 2023. See *Russia-China Inter-governmental Investment Commission Has 79 Projects for over \$165 bln*, TASS (Mar. 21, 2023), <https://tass.com/economy/1591931> (The disparity indicates that either Mishustin has inflated the numbers for political purposes or most the projects did not materialize by the end of the year).

<sup>119</sup> E.g., Yury Trutnev Holds Meeting of the Co-chairs of the Intergovernmental Russian-Chinese Commission on Cooperation and Development of the Russian Far East and Northeast China (Dec. 15, 2023), <http://government.ru/en/news/50428/>.

<sup>120</sup> Loletta Chow, *Overview of China Outbound Investment 2023*, ERNEST YOUNG (Feb. 5, 2024), [https://www.ey.com/en\\_cn/china-overseas-investment-network/overview-of-china-outbound-investment-of-2023#:~:text=In%202023%2C%20China's%20overall%20ODI,%2C%20up%2022.6%25%20\(RMB224](https://www.ey.com/en_cn/china-overseas-investment-network/overview-of-china-outbound-investment-of-2023#:~:text=In%202023%2C%20China's%20overall%20ODI,%2C%20up%2022.6%25%20(RMB224).

<sup>121</sup> *Id.*

<sup>122</sup> Brian Spegele, *China to Invest in Russian Fund*, WALL ST. J. (Oct. 12, 2011), <https://www.wsj.com/articles/SB10001424052970203499704576624542421302596>.

the FCIF invested in four projects with a total amount of US\$1 billion.<sup>123</sup> Areas of investment included infrastructure, agriculture and timber sectors in Russia.<sup>124</sup> By contrast, China's net ODI in 2014 reached US \$123 billion.<sup>125</sup>

After the annexation of Crimea in March 2014, Russia faced Western sanctions, which included limiting access to Western financial markets and services by Russian state-owned enterprises.<sup>126</sup> Russia turned to China for investment. In May 2015, President Xi Jinping visited Moscow and issued a joint declaration with Putin, joining the Silk Road Economic Stripes and Russia's Eurasian Union.<sup>127</sup> Russia and China signed a financing agreement for US\$25 billion from Chinese banks.<sup>128</sup> China's investment in Russia jumped in July 2017, when Xi Jinping and Putin met in Moscow and signed a series of agreements, accounting for US\$12 billion of investment.<sup>129</sup> FCIF was also expanded.<sup>130</sup> However, compared with China's US\$158 billion net ODI in 2017,<sup>131</sup> this was still a tiny fraction.

Vita Spivak, a researcher based in Milan, Italy, found during her field work at Vladivostok, that the special economic zones (SEZs) created during 2014-2015 in the Russia Far East attracted few investments from China.<sup>132</sup> Worse still, many of the promised investments were not actual, but "contracted."<sup>133</sup> In 2015-2018, the

<sup>123</sup> 中俄投资基金再投四项目总投资规模接近 10 亿美元 [Zhonghe touzi jijin zai tou si xiangmu zong touzi guimo jiejin 10 yi meiyuan, The Russia-China Investment Fund Invests in Four More Projects, Making Total Investment Close to US\$1 Billion], 《第一财经日报》[First Finance Daily], May 20, 2014, <https://m.yicai.com/news/3833615.html>.

<sup>124</sup> See Ji Siqi, *First China-Russia Railway Bridge Set for August Opening*, SOUTH CHINA MORNING POST, Apr. 15, 2022, A6 (One of these projects was the first railway bridge crossing Amur River (Heilong River), connecting Tongjiang to Nizhneleninskoye in the eastern Jewish Autonomous Oblast of Russia. In April 2022, the 2.2km bridge was completed).

<sup>125</sup> MINISTRY OF COMMERCE OF THE PEOPLE'S REPUBLIC OF CHINA, ET AL., 2014 STATISTICAL BULLETIN OF CHINA'S OUTWARD FOREIGN DIRECT INVESTMENT 85 (Beijing: 2015).

<sup>126</sup> Article 5, Council Regulation (EU) No.833/2014 of July 31, 2014, Concerning Restrictive Measures in View of Russia's Actions Destabilizing the Situation in Ukraine, O.J. L229/1. This was strengthened by Council Regulation (EU) No.960/2014 of September 8, 2014, Amending Regulation (EU) No. 833/2014, O.J. L271/3. In the United States, President Barack Obama issued Executive Order 13662, March 20, 2014, Blocking Property of Additional Persons Contributing to the Situation in Ukraine, 79 Fed. Reg. 16169 (No.56, Mar. 24, 2014); Peter Baker & Andrew Higgins, *New Round of Sanctions Target Energy in Russia*, N.Y. TIMES, Sept. 13, 2014, A4.

<sup>127</sup> 《中华人民共和国与俄罗斯联邦关于丝绸之路经济带建设和欧亚经济联盟建设对接合作的联合声明》[Zhonghua remmin gongheguo yu eluosi lianbang guanyu sichouzhilu jingjidai he ouya jingji jianshe duijie hezuo de lianhe shengming, People's Republic of China and Russian Federation Joint Statement on Connecting the Silkroad Economic Belt and the Euroasian Economic Union], May 8, 2015, Moscow.

<sup>128</sup> Andrey Ostroukh, *Russia, China Boost Economic Ties*, WALL ST. J., May 9, 2015, A8.

<sup>129</sup> 中俄新签 120 亿美元投资协议 [Zhonghe xin qian 120 yi meiyuan touzi xieyi, China and Russia signed a new agreement for US\$12 billion investment], 21 世纪经济报道 [21-century Economic Report], Jul. 7, 2017, <https://m.21jingji.com/article/20170707/61657182e9140ef711ba5bbd830d7cea.html>.

<sup>130</sup> Max Seddon & Kathrin Hille, *China and Russia Strike \$11 bn Funding Deal*, FINANCIAL TIMES, Jul. 4, 2017.

<sup>131</sup> C. Textor, *Annual Outflow of Foreign Direct Investment (FDI) from China between 2012 and 2022*, STATISTA (Jul. 13, 2023), <https://www.statista.com/statistics/858019/china-outward-foreign-direct-investment-flows/>.

<sup>132</sup> Vita Spivak, *Why Russia's Special Economic Zones Fail to Attract Chinese Investors*, INSTITUTE FOR INTERNATIONAL POLITICAL STUDIES (Nov. 4, 2019), <https://www.ispionline.it/en/publication/why-russias-special-economic-zones-fail-attract-chinese-investors-24316>.

<sup>133</sup> *Id.*

total amount of real Chinese investments in the Russian Far East only reached US\$38 million. The reasons for this lack of interest from Chinese investors are familiar ones: red tape, poor infrastructure, corruption, etc.<sup>134</sup> In other words, despite the ideological unity between the leadership on the top, Chinese investors expect the same thing as Western investors—rule of law, transparency and fair dealing. Ideological unity remains an empty promise until it helps clear hassles in the field.

### III. INSTITUTIONAL INCAPACITY

The proceeding two parts of this essay have demonstrated that, despite all the ideological unity between the two countries, significant differences exist between the interests of China and Russia. The seemingly cooperative collaborations through trade, finance, and investment also bring risks and discontents to each of them. To maintain and manage their alignment, Russia and China need effective institutions. However, Part III argues there is no such institution at the moment. Worse still, the ideological cracks discussed in Part I will likely prevent the creation of any effective institutions between the two countries because these ideological differences keep dividing them and preventing them from developing institutions.

#### A. *How History Divides*

The fact that Vladimir Putin and Xi Jinping have particular interests in history may pose a serious challenge to Russia and China's unity when it comes to Vladivostok—the Russian Far East city that used to be called Haishenwei when it was a Chinese territory during the Qing dynasty prior to 1860. Now Vladivostok is filled with Chinese tourists, migrant labors, merchants, and investors,<sup>135</sup> China alone accounts for three-quarters of imports through the port in Vladivostok. Furthermore, starting in May 2023, China began using the Vladivostok port as a domestic terminal to ship goods from landlocked provinces in Northeastern China.<sup>136</sup> The trouble, however, is that many of its Chinese tourists remember Vladivostok by its Chinese name and believe that it is still Chinese territory.<sup>137</sup>

That is the worst concern for Eurasian pundits like Alexander Dugin, who considers China dangerous to Russia as a “country of increased demographic density

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<sup>134</sup> Spivak, *supra* note 132; Jonathan E. Hillman, *China and Russia: Economic Unequals*, CSIS (July 2020), <https://www.csis.org/analysis/china-and-russia-economic-unequals>.

<sup>135</sup> *Vladivostok: A Window into Wartime Russia*, *ECONOMIST* 42-44 (Mar. 16, 2024).

<sup>136</sup> Frédéric Lemaître & Benoît Vitkine, *Beijing Greenlit to Use Russian Port of Vladivostok for Its Domestic Trade*, *LE MONDE* (May 26, 2023), [https://www.lemonde.fr/en/international/article/2023/05/26/beijing-now-free-to-use-russian-port-of-vladivostok-for-its-domestic-trade\\_6028059\\_4.html](https://www.lemonde.fr/en/international/article/2023/05/26/beijing-now-free-to-use-russian-port-of-vladivostok-for-its-domestic-trade_6028059_4.html).

<sup>137</sup> *E.g.*, Andrew Higgins, *Vladivostok Lures Chinese (Many Think It's Theirs)*, *N.Y. Times*, Jul. 24, 2016, A9.

in search of ‘no man’s land.’”<sup>138</sup> Dugin imagines that China may “make a desperate dash northwards into Kazakhstan and Eastern Siberia.”<sup>139</sup> He reminds his readers that “[i]n the realm of continental strategy, it is foolish to expect other nations to stop their territorial expansion into Russian lands only out of respect for the ‘identity of Russian culture.’”<sup>140</sup> On this topic, Dugin speaks for generations of Russians who worry about losing Vladivostok and other territories in the Russian Far East to China.<sup>141</sup>

This fear is only getting more intensive as the Chinese and Russian economies get closer to each other. Since the late 1980s, the Russian Far East regions have had rich resources, a declining population, inexpensive consumer goods, and a surplus of Chinese laborers. However, the almost unregulated flow of migrants, as well as the poor quality of consumer goods brought in by the “shuttle trade,” led to growing resentment in the local communities and negative coverage in the local press.<sup>142</sup> Old fears emerged among local residents and nationalists in Moscow who were concerned about China’s inevitable expansion into the Russian Far East regions.<sup>143</sup> This concern continued to escalate. By the early 2000s,<sup>144</sup> China’s invasion into Russia became a national security concern.<sup>145</sup> Public opinion polls conducted in 2005 showed that “[t]he idea that the Far East and Eastern Siberia (and for some the whole Asian part of the country) are drifting away from Russia is practically universally accepted in the Russian mind.”<sup>146</sup> The economic cooperation between Russia and China is “mostly perceived negatively by the population and businesspeople, particularly in Siberia and the Far East, where people greatly benefit from the activity.”<sup>147</sup>

As the Ukraine invasion drags on, Vladivostok and the Russian Far East will be more intensively trapped in fear and anxiety. This is because the continued war in Ukraine and a much weakened Russian economy forces Putin to divert more

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<sup>138</sup> ALEXANDER DUGIN, *supra* note 36, at 353.

<sup>139</sup> ALEXANDER DUGIN, *supra* note 36, at 165.

<sup>140</sup> ALEXANDER DUGIN, *supra* note 36, at 165.

<sup>141</sup> PHILIP SNOW, *CHINA AND RUSSIA: FOUR CENTURIES OF CONFLICT AND CONCORD* (2023).

<sup>142</sup> Eric Hyer, *Dreams and Nightmares: Chinese Trade and Immigration in the Russian Far East*, 10 J. EAST ASIAN AFF. 289 (Summer/Fall 1996, No. 2); Alexander Lukin, *The Image of China in Russian Border Regions*, 38 ASIAN SURVEY 821 (Sep. 1998, No.9); Elizabeth Wishnick, *Prospects for the Sino-Russian Partnership: Views from Moscow and the Russian Far East*, 12 J. EAST ASIAN AFF. 418 (Summer/Fall 1998, No.2).

<sup>143</sup> Lewis H. Siegelbaum, *Another “Yellow Peril”: Chinese Migrants in the Russian Far East and the Russian Reaction before 1917*, 12 MODERN ASIAN STUD. 307 (Apr. 1978, No. 2) (discussing Russian efforts in controlling Chinese migration between 1860s and 1917).

<sup>144</sup> Mikhail A. Alexseev, *Economic Valuations and Interethnic Fears: Perceptions of Chinese Migration in the Russian Far East*, 40 J. PEACE RESEARCH 85 (Jan. 2003, No.1).

<sup>145</sup> Mikhail A. Alexseev & C. Richard Hofstetter, *Russia, China, and the Immigration Security Dilemma*, 121 POL. SCI. Q. 1 (Spring 2006, No.1); Tsuneo Akaha, *Cross-border Migration as a New Element of International Relations in Northeast Asia: A Boon to Regionalism or a New Source of Friction?* 28 ASIAN PERSP. 101 (2004).

<sup>146</sup> Vladimir Shlapentokh, *supra* note 57, at 11.

<sup>147</sup> *Id.*, at 15.

resources to European Russia; the local governors and elites in the Russian Far East would have to play the “nationalist card” more aggressively in order to get attention and support from Putin.<sup>148</sup> In the meantime, the much-increased Chinese presence in the Russian Far East not only reminds the Chinese that Vladivostok was theirs, but also breeds the confidence that they have the capability to reclaim it.

### B. *How Strategy Divides*

Another crack in China-Russia relations is on the global stage, as seen in their diverging strategies in managing trade relations. This is best demonstrated by the fact that China and Russia took opposite positions on a WTO rule—Article XXI(b) of the General Agreement on Tariffs and Trade (GATT) 1994, which allows member countries to depart from regular norms in trade “which it considers necessary for the protection of its essential security interests.”<sup>149</sup>

For a long time, in part because of its vague language, the security exception under Article XXI(b) was not frequently used.<sup>150</sup> This language was changed when former United States President Donald J. Trump took office and began launching trade wars. China and Russia responded differently. Russia followed the Trump Administration’s disruptive attitude and embraced an extreme interpretation of Article XXI(b)—insisting that the security exception is self-judging and the WTO has no role to play. By contrast, China, having an interest in defending the WTO, argued for a narrower interpretation of Article XXI(b).

On August 22, 2022, after eighteen years of negotiations, the Russian Federation became the 156th WTO member.<sup>151</sup> From 2000 to 2003, President Vladimir Putin

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<sup>148</sup> Gilbert Rozman, *supra* note 61, at 382 (“In the Russian Far East, local initiative largely takes the form of regional governments stirring nationalist sentiments against potential dangers from outside Russia or of economic turf wars with Moscow.”); Mikhail A. Alexseev, *Societal Security, the Security Dilemma, and Extreme Anti-migrant Hostility in Russia*, 48 J. PEACE RESEARCH 509 (Jul. 2011, No.4).

<sup>149</sup> Article XXI(b) of the GATT 1994 provides:

Nothing in this Agreement shall be construed  
(b) to prevent any contracting party from taking any action which it considers necessary for the protection of its essential security interests

(i) relating to fissionable materials or the materials from which they are derived;

(ii) relating to the traffic in arms, ammunition and implements of war and to such traffic in other goods and materials as is carried on directly or indirectly for the purpose of supplying a military establishment;

(iii) taken in time of war or other emergency in international relations.

Article XXI(b), GATT 1994.

<sup>150</sup> Dapo Akande & Sope Williams, *International Adjudication on National Security Issues: What Role for the WTO*, 43 VA. J. INT’L L. 365 (Winter 2003, No.2); Michael J. Hahn, *Vital Interests and the Law of GATT: An Analysis of GATT’s Security Exception*, 12 MICH. J. INT’L L. 558 (Spring 1991, No.3).

<sup>151</sup> Protocol on the Accession of the Russian Federation to the Marrakesh Agreement Establishing the World Trade Organization, Done at Geneva on 16 December 2011—Notification of Acceptance and Entry into Force, WLI/100 (Jul. 25, 2012), [https://www.wto.org/english/thewto\\_e/acc\\_e/a1\\_russie\\_e.htm](https://www.wto.org/english/thewto_e/acc_e/a1_russie_e.htm). See, Report of the Working Party on the Accession of the Russian Federation to the World Trade Organization, WT/ACC/RUS/70, WT/MIN(11)/2 (Nov. 17, 2011) (discussing the process of the accession negotiation).

made Russia's WTO accession one of his key priorities. However, his interest wavered after he failed to reach the self-imposed deadline of 2003.<sup>152</sup> The accession negotiation was filled with compromises and concessions from the West, including the Europe Union's own miscalculations.<sup>153</sup> By the time it joined the WTO, Russia, under Putin, had lost interest in complying with the rule-based system.<sup>154</sup>

In March 2014, Russia's annexation of Crimea increased tension between Russia and Ukraine.<sup>155</sup> In January 2016, Russia took measures to block the traffic in transit by road and rail from Ukraine for the transportation of Ukrainian goods to Kazakhstan.<sup>156</sup> Ukraine brought the dispute to the WTO, alleging violation of WTO rules. In its effort to deny application of WTO rules, Russia argued for a broad interpretation of Article XXI(b) by insisting that the WTO panel lacked jurisdiction to consider the dispute.<sup>157</sup> The United States, as a third party, embraced Russia's position.<sup>158</sup> China, also as a third party, embraced Ukraine's position that the WTO panel had jurisdiction and should follow the principle of good faith.<sup>159</sup> The WTO panel found, after examination of the text, context, purposes, and history of negotiation, Article XXI(b) "is not totally 'self-judging' in the manner asserted by Russia."<sup>160</sup> Therefore, the Panel stated, "Russia's argument that the Panel lacks jurisdiction to review Russia's invocation of Article XXI(b)(iii) must fail."<sup>161</sup>

China took its pro-jurisdiction position on Article XXI(b), despite its ideological unity with Russia. China took this position because China had its own legal battle with the United States regarding Article XXI(b). Between March and August 2018, President Trump issued a series of presidential proclamations, declaring tariffs on

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<sup>152</sup> Anders Aslund, *Russia's WTO Accession* (Testimony at the Hearing on EU Economic and Trade Relations with Russia, Committee on International Trade, European Parliament, Brussels, PETERSON INSTITUTE FOR INT'L ECON'S (PIIE) (Nov. 21, 2006), [https://www.piie.com/commentary/speeches-papers/russias-wto-accession?gad\\_source=1](https://www.piie.com/commentary/speeches-papers/russias-wto-accession?gad_source=1); Anders Aslund, *Why Doesn't Russia Join the WTO?* 33 WASH. Q. 49 (Apr. 2010, No.2).

<sup>153</sup> Hubert Zimmermann, *Realist Power Europe: The EU in the Negotiations about China's and Russia's WTO Accession*, 45 J. COMMON MKT. STUD. 813 (2007). Jeremy R. Regal, *Russia in the WTO: How Russia's Institutional Idiosyncrasies May Impede Its Ability to Abide by the WTO's Governing Cornerstones*, 9 UCLA J. INT'L L. & FOREIGN AFF. 97 (2004).

<sup>154</sup> UNITED STATES TRADE REPRESENTATIVE, REPORT ON WTO ENFORCEMENT ACTIONS: RUSSIA 3 (June 2014) (In his report to Congress in June 2014, Michael B. Froman, the United States Trade Representative observed: "Reflecting on Russia's first year as a WTO Member, USTR has grown increasingly concerned about Russia's implementation of its commitments, as well as its dedication to the goals of the WTO with respect to trade liberalization, rule of law, and transparency.")

<sup>155</sup> See, Thomas D. Grant, *Annexation of Crimea*, 109 AM. J. INT'L L. 68 (2015) (discussing the annexation of Crimea.).

<sup>156</sup> WTO Panel Report, *Russia—Measures concerning Traffic in Transit*, WT/DS512/R, April 5, 2019 (hereinafter, *Russia—Traffic in Transit*), para.7.1.

<sup>157</sup> *Id.*, para.7.27.

<sup>158</sup> *Id.*, para.7.51.

<sup>159</sup> *Id.*, para.7.41.

<sup>160</sup> *Id.*, para.7.102.

<sup>161</sup> *Id.*, para.7.103.

foreign steel and aluminum products based on national security concerns.<sup>162</sup> China led the efforts to initiate WTO proceedings against the United States by requesting consultations on April 5, 2018.<sup>163</sup> A WTO panel was established in January 2019,<sup>164</sup> and it held its first meeting in October 2019.<sup>165</sup> During this period, China publicized two white papers; one in September 2018<sup>166</sup> and the other in June 2019.<sup>167</sup> These white papers accused the United States' trade policy of being "America First," protectionist, and unilateralist. It presented a narrative that the United States was an "economic hegemonic" and bully, while presenting itself as a defender of multilateralism. In November 2018, China's Ministry of Commerce publicized a statement titled "China's Position Paper on WTO Reform."<sup>168</sup> It suggests three basic principles of WTO reform: (1) preserve the core values of the multilateral trading system; (2) developing countries; and (3) consensus in decision-making. On May 13, 2019, China submitted the "Proposal on WTO Reform" to the WTO.<sup>169</sup> According to China, the WTO was facing an "unprecedented existential crisis": "The abuse of national security exception, unilateral measures inconsistent with the WTO rules, as well as misuse or abuse of existing trade remedy measures have severely damaged the rules-based, free and open international trade order."

One may argue that China's position on Article XXI(b) was out of convenience rather than conviction, because China is equally guilty of engaging in protectionism and trade wars.<sup>170</sup> China's position was clearly more rhetorical and symbolic than sincere. However, China's position still reveals its desperate need for an

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<sup>162</sup> Fed. Reg.

<sup>163</sup> WTO, *United States—Certain Measures on Steel and Aluminum Products, Request for Consultations by China*, WT/DS544/1, G/L/1222 (April 9, 2018). The European Union followed by the same request less than two months later in WTO, *United States—Certain Measures on Steel and Aluminum Products, Request for Consultations by the European Union*, WT/DS548/1, G/L/1243 (June 6, 2018). Norway filed the request on June 19 (DS552), Switzerland on July 12 (DS556), and Turkey on August 15, 2018 (DS564).

<sup>164</sup> WTO, *United States—Certain Measures on Steel and Aluminum Products, Constitution of the Panel Established at the Request of China*, WT/DS544/9 (January 28, 2019).

<sup>165</sup> WTO Panel Report, *United States—Certain Measures on Steel and Aluminum Products*, WT/DS544/R (December 9, 2022) (hereinafter, *United States—Steel and Aluminum Products*), para.1.10.

<sup>166</sup> Information Office of the State Council, "Facts and China's Position in China-U.S. Trade Friction" (Sept. 2018) [关于中美经贸摩擦的事实与中方立场 (2018年9月)], <https://language.chinadaily.com.cn/a/201809/25/WS5ba99f4aa310c4cc775e7ea5.html>.

<sup>167</sup> Information Office of the State Council, "China's Position on the China-U.S. Economic and Trade Consultations" (Jun. 2019) [关于中美经贸磋商的中方立场 (2019年6月)] <https://language.chinadaily.com.cn/a/201906/03/WS5cf47231a3104842260bf165.html>.

<sup>168</sup> PRC Ministry of Commerce, *China's Position Paper on WTO Reform* (Nov. 23, 2018), <http://www.mofcom.gov.cn/article/jiguanzx/201812/20181202817611.shtml>.

<sup>169</sup> "China's Proposal on WTO Reform" WT/GC/W/773, WTO (May 13, 2019), [https://docs.wto.org/dol2fe/Pages/FE\\_Search/FE\\_S\\_S009-DP.aspx?CatalogueIdList=254127&CurrentCatalogueIdIndex=0](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-DP.aspx?CatalogueIdList=254127&CurrentCatalogueIdIndex=0).

<sup>170</sup> See Julia Ya Qin, *WTO Reform: Multilateral Control over Unilateral Retaliation—Lessons from the US—China Trade War*, 12 TRADE L. & DEVELOP. 456 (2020) (China's self-claimed multilateralism is contradicted by its tit-for-tat trade war with the U.S. outside of the WTO framework during the same period of time); Mark Wu, *The China, Inc.: Challenge to Global Trade Governance*, 57 HARV. INT'L L.J. 261 (Spring 2016).



international institution in dealing with a major trading partner like the United States. It would need the same institutional framework in dealing with Russia too. This is determined by its economic strength and interests as a trading and manufacturing powerhouse compared with Russia. Putin's habitual defiance of "Western" values and norms constantly frustrate Chinese investors too, and will eventually crack the unity between the Russia and China.

#### IV. CONCLUSION

The alignment between Russia and China is not as solid as the "New Cold War" theory suggests. On the contrary, as the war in Ukraine becomes a war of attrition, and as Russia and China move closer to each other, tensions between them will grow too. Those tensions will eventually greatly weaken their alignment and undermine any possible alliance. Empires don't work with each other, they collide.