

REPORT



№ 87 / 2023



Russian International  
Affairs Council



**INSTITUTE OF CHINA  
AND CONTEMPORARY ASIA**  
OF THE RUSSIAN ACADEMY OF SCIENCES



## Russian – Chinese Dialogue: The 2023 Model

Kirill Babaev  
Andrey Kortunov  
Igor Denisov  
Ivan Zuyenko  
Yury Kulintsev  
Alexander Larionov  
Vladimir Matveyev  
Vladimir Petrovsky  
Sergey Sazonov  
Elena Safronova

Sergey Uyanayev  
Yulia Melnikova  
Feng Yujun  
Gao Jixiang  
Liu Huaqin  
Liu Qian  
Ma Bin  
Xu Changzhi  
Zhao Long  
Sheng Shiliang

**RUSSIAN INTERNATIONAL AFFAIRS COUNCIL**  
**INSTITUTE OF CHINA AND CONTEMPORARY ASIA**  
**OF THE RUSSIAN ACADEMY OF SCIENCES**  
**INSTITUTE OF INTERNATIONAL STUDIES OF FUDAN UNIVERSITY**

**MOSCOW 2023**

**Russian International Affairs Council  
Institute of China and Contemporary Asia of the Russian Academy of Sciences  
Institute of International Studies at Fudan University**

**Authors:**

*From Russia:*

Kirill Babaev, Dr. of Philological Sciences (Head); Andrey Kortunov, Ph.D. in History (Head); Igor Denisov; Ivan Zuyenko, Ph.D. in History; Yury Kulintsev, Ph.D. in Political Science; Alexander Larionov, Ph.D. in Political Science and Ph.D. in Economics; Vladimir Matveyev, Ph.D. in Economics; Vladimir Petrovsky, Dr. of Political Science; Sergey Sazonov, Ph.D. in Economics, Elena Safronova, Ph.D. in Economics, Sergey Uyanayev, Ph.D. in History, Yulia Melnikova.

*From China:*

Feng Yujun, Dr. of Law (Head); Gao Jixiang, Dr. in Economics; Liu Huaqin, Dr. in Economics; Liu Qian, Dr. in Economics; Ma Bin, Dr. of Law; Xu Changzhi; Zhao Long, Dr. of Law; Sheng Shiliang.

**Reviewer:**

Alexey Maslov, Dr. of History, Professor.

**Editorial Team:**

Elena Karpinskaya (Lead Editor); Anton Aleksandrov; Polina Bakulina; Yulia Melnikova; Lyubov Nechayeva; Katerina Trotskaya; Svetlana Gavrilova, Ph.D. in History (Publishing Editor).

RIAC Interns Kamila Gimatdinova, Zha Xiaoyi, Zhang Liang and Qiu Zigang also contributed to this report.

**Russian – Chinese Dialogue: The 2023 Model:** Report No. 87 / 2023 [K.A. Babaev, A.V. Kortunov, Feng Yujun, Gao Jixiang, et al; ed. by E. Karpinskaya, Yu. Melnikova, S. Gavrilova et al.]; Russian International Affairs Council (RIAC). – Moscow: RIAC, 2023. – 76 p. – Authors and editors are listed on the copyright page.

ISBN 978-5-6049977-4-1

The ninth annual report “Russian-Chinese Dialogue: The 2023 Model” analyzes Russia–China relations from the second and fourth quarters of 2022 to the first quarter of 2023. During this period, Moscow–Beijing relations were significantly affected by the external environment; namely, state tendencies towards escalating confrontation. This report focuses on Russia and China’s place in the changing world order and the possible opportunities these two may have in Eurasia, Latin America and Africa. Additionally, this paper examines the main achievements and challenges these two states may face when further developing their bilateral cooperation in various new areas.

The views expressed in this report are solely those of the authors and do not necessarily reflect the views of the Russian International Affairs Council.

The full report is available on RIAC’s website. Feel free to download it and leave comments directly at:  
**[russiancouncil.ru/report87](http://russiancouncil.ru/report87)**

# Contents

<b>Introduction</b>	<b>4</b>
<b>Chapter 1. Russia and China’s Foreign Policy in the Transforming 2022–2023 World Order: Elements of Continuity and New Focus Points</b>	<b>8</b>
<b>Chapter 2. Key Areas for Bilateral Economic Cooperation in the New Environment</b>	<b>15</b>
2.1. Trade and Economic Cooperation Under Sanctions: The Role of External Restrictions in Finances and Investment	15
2.2. Russian – Chinese Cooperation in Transport and Logistics: Existing and Prospective Paths with Disrupted Traditional Supply Chains	23
2.3. Russia – China Energy Cooperation	29
2.4. Russian – Chinese Industrial Cooperation	36
<b>Chapter 3. Prospects and Challenges for Russia and China in Multilateral Formats</b>	<b>39</b>
3.1. Challenges of Implementing EAEU and BRI Integration Initiatives in Eurasia	39
3.2. Developing Cooperation with the SCO, BRICS and RIC	44
3.3. Competition and Integration: The Search for New Formats of Cooperation between Russia and China with Latin America and Africa	54
<b>Conclusions</b>	<b>63</b>
<b>Recommendations</b>	<b>65</b>
<b>About the Authors</b>	<b>71</b>

# Introduction

The ninth annual report *Russian–Chinese Dialogue: The 2023 Model* analyzes and assesses bilateral relations between the Russian Federation and the People’s Republic of China. Specifically, it examines both the successes and weaknesses found in the relations between these two major Eurasian powers, while also offering expert recommendations on how to further develop Russia – China relations in the face of escalating inter-state and international confrontation. This report summarizes the main results of Russia and China’s cooperation from Q2-Q4 2022 and Q1 2023.

Also known as the “year of war”, this report covers the period starting from February 24, 2022, or the start of the Ukraine crisis. During this time, the focus of international relations pivoted towards the situation in Eurasia, with Ukraine taking center stage in global diplomatic and political agendas. The crisis in current US–Russia relations, which has now been unfolding for nearly a decade, has now entered a hot phase in the conflict, exacerbating the existing contradictions between the US-led notion of a “Global West” and that of Russia. Escalating events and new trends have had a most immediate and decisive impact on the development of Russian-Chinese ties in nearly all spheres.

This influence can generally be described as positive: Russia-China relations have not only withstood the many new challenges that came in the aftermath of the Ukraine crisis but have also considerably strengthened their relations over the past year. Shortly after the start of the Ukraine conflict, Western media often reported on China’s support for Russia’s efforts to ensure its own security. Russia, in turn, provided China with diplomatic support during the Taiwan crisis in the summer and autumn of 2022. However, while the two sides declared in early 2022 that relations “have no upper limit and no restricted areas,” practice has shown that both countries are more focused on developing their bilateral cooperation. In the context of the Russia–Ukraine conflict, China considers it crucial to adhere to the principles of “non-alignment, non-confrontation and non-targeting of third countries.”

The level of interaction between the two leaders continues to be one of the most important factors in strengthening bilateral ties. During the period in question, Russian and Chinese leaders met several times (including via video link, and on the sidelines of BRICS and SCO summits), while also constantly maintaining communication via telephone.

The recent historic events that took place in Beijing – the 20<sup>th</sup> Congress of the Chinese Communist Party in autumn 2022, and the meetings of the supreme legislative and consultative authorities in March 2023 – have further brought stability and reliability to Russia-China relations. The re-election of Xi Jinping and his colleagues to the highest positions in the Chinese party, state and military meant good news for Russia – China relations, setting the stage for prolonged predictability and mutual interest in the development of these states in the coming years.

On March 10, 2023, Vladimir Putin was the first world leader to congratulate Xi Jinping on his re-election as President of China, and it was to Russia that the Chinese leader made his first foreign visit post re-election.

The Moscow visit, which took place on March 20–22, 2023, was the most important event of the year in terms of Russia-China bilateral relations. It laid a solid foundation for deepening cooperation between the two states in a whole array of areas. The visit also held important symbolic significance, signaling to the international community the inviolability of the two countries' partnership. China's February 2023 Position on the Political Settlement of the Ukraine Crisis was supported by the Russian President during the Moscow summit and highlighted Beijing's role as an influential and responsible global player. The leaders agreed that given the unprecedented changes that have been taking place within international relations, the bond between the two countries has reached an extraordinarily high level. Following the talks, President Vladimir Putin was invited to attend China's Belt and Road Initiative Summit and Prime Minister Mikhail Mishustin was invited to visit Beijing. Mishustin's visit took place on May 23–24, 2023 and resulted in several interdepartmental agreements promoting economic cooperation to be signed.

Political cooperation is also expanding between the two nations. Russia and China have mostly taken a unified approach on issues listed on the international agenda, including those in the UN Security Council, General Assembly, the G20 and other international platforms. Both powers continue to adhere to the principles of statecraft, international law, and oppose unilateral sanctions pressure and state interference in the internal affairs of other states. Moreover, both states support the inclusiveness of international security as set out in the Joint Statement of February 4, 2022. All these issues have become important and sensitive topics for the whole world in 2022, and now Russia and China share nearly complete consensus on them. It is becoming increasingly difficult for Washington to drive a wedge between Beijing and Moscow.

The greatest challenges that the two states have encountered are posed to the economic ties between Russia and China. The sanctions war unleashed by the "Global West" (including US allies in the Asia-Pacific region) against Russia has prompted a risk reassessment related to bilateral financial, trade and economic cooperation. In the spring of 2022, many analysts believed that trade and investment cooperation between the two countries was being purposefully stalled, as Chinese authorities and businesses became hesitant to enter long-term investment or trade contracts in fear of secondary sanctions. Under the influence of rising world oil prices, the main indicator of economic cooperation, trade between the two countries reached an unprecedented level of USD 185–190 billion in 2022 (according to various estimates).<sup>1</sup>

By autumn 2022, Chinese manufactured goods and components began occupying numerous areas in the Russian market, which became vacated by the departure

<sup>1</sup> Putin announced a record-breaking trade turnover between Russia and China in 2022 // TASS. March 21, 2023.  
URL: <https://tass.ru/ekonomika/17329011>; Russia's trade with China hits a record // RBC. January 13, 2023.  
URL: <https://www.rbc.ru/economics/13/01/2023/63c0ffb79a79474aaf45862d>

of Western companies. Particularly, sales of Chinese-made cars have accounted for about a third of the Russian market, and various Chinese brands are expected to launch production in Russia in 2023. China's bestselling goods include consumer electronics, mobile phones, and computer equipment. Additionally, Chinese equipment, spare parts, components, and other industrial goods help Russia replace goods facing temporary shortages from the sharp disruption in production chains with Europe, the United States, Japan, and South Korea.

As a result, one of the main obstacles to the growth of China–Russia trade in 2022 was not so much US and EU sanctions, but rather domestic constraints such as a lack of certain logistical capacities to transport goods. This problem has been gradually dealt with, as two new land border crossings opened in 2023 and Russia has further pushed to modernize its railway infrastructure in its eastern regions. Russia's largest logistics terminal, symbolically named after Deng Xiaoping, kicked off construction in Tatarstan in March 2023. Although the logistics problem is still far from being resolved with Russia and China's constantly increasing demand, these efforts will be further accelerated.

Pipeline infrastructure expansion is one of the most important mega projects between Russia and China. The Power of Siberia gas trunk line has reached its "destination station" – Shanghai – and Russia has embarked on the project to build a new gas pipeline, Power of Siberia 2 (and its branch, Soyuz Vostok), facilitated by trilateral agreements between Russia, China and Mongolia, signed in September 2022. However, the main contract for this project has yet to be finalized, with the issue of timing and price parameters still open for debate.

Another challenge that the two countries will have to tackle in the coming years is the underdeveloped investment portfolio of Chinese corporations operating in Russia. While trade between the two countries is breaking records, the level of Chinese investment in the Russian economy remains very low, and Russian investment in China is even smaller. However, their momentum remains positive: there are hopes that in 2023, investments will flow into sectors such as car making, machine tools, oil and gas chemicals, and oil refining and agriculture. Greater cooperation is expected in the nuclear energy sector and agriculture.

During the March 2023 talks in Moscow, the Russian Prime Minister said 79 investment projects totaling USD165 billion were being considered by a Russian-Chinese intergovernmental commission.<sup>2</sup> In a joint statement following the Moscow talks, the two countries agreed that broad industrial cooperation in various areas, including in manufacturing, and science and technology, would be developed by 2030. Russian authorities have stressed the need for joint research and development with subsequent commercialization in Russia and agreed that the creation of such projects is a bilateral objective for 2023 and beyond.

An important outcome of the past year was that transit restrictions were lifted by both sides after the three-year COVID-19 pandemic. Not only should these

<sup>2</sup> Meeting of Mikhail Mishustin with President of the People's Republic of China Xi Jinping // The Government of Russia. March 21, 2023. URL: <http://government.ru/news/48037/>

measures give a new impetus to the revitalization and accelerated growth of the Chinese economy, but they should also restore the tight, pre-Cold War relations between the two countries. Russian and Chinese airlines are expanding their air services between the two country's major cities on an almost weekly basis, land border crossings have become operational, all types of visa restrictions have been lifted (with visa-free entry to the tourist island of Hainan reinstated), opening the prospects for the full restoration and further expansion of not only economic, but also scientific, educational, cultural and tourist relations.

An important aspect in Russia–China bilateral international cooperation is their participation in multilateral formats like the SCO and BRICS. The year 2022 gave the two organizations a chance to significantly step up their integration, with many developing nations keen to ease the risks of Western sanctions. In this context, BRICS countries have been actively discussing the introduction of their own reserve currency based on a basket of member state currencies. By the spring of 2023, national currencies, according to Vladimir Putin, already accounted for about two-thirds of the total volume of bilateral trade settlements. The New Development Bank, which has been established in the interests of both China and Russia, is set to play a greater role in the coming years. Moscow and Beijing expect to increase this share in the future with the help of bilateral mechanisms and BRICS instruments.

Russia and China are equally positive about the prospects for BRICS and SCO expansion. Many regional leaders from the Middle East, Africa and Latin America announced their interest in joining one of the two alliances in 2022. In 2023, the two countries will have to make important decisions with their partners, on how to further expand the SCO and BRICS, and on how to turn BRICS into a full-fledged organization that can serve as a basic platform for building a new security architecture and stable economic development.

The results of 2022, therefore, turned out to be very positive for Russia-China bilateral relations in all respects. The leaders of both countries agree with this: during recent talks in Moscow, Russian President Vladimir Putin stressed that an active bilateral dialogue “makes it possible to find solutions to all problems in any, even in the most, difficult situations.”<sup>3</sup> In turn, Chinese President Xi Jinping stated that “the China–Russia ties have gone far beyond the scope of bilateral relations and are of vital importance for the modern world order and the destiny of mankind.”<sup>4</sup> These words offer hope that the growing challenges facing the two nations will continue to be met with success.

<sup>3</sup> The President of Russia and the Chairman of the People's Republic of China made statements to the press // President of Russia. March 21, 2023. URL: <http://www.kremlin.ru/events/president/news/70750>

<sup>4</sup> *Ibid.*



# Chapter 1. Russia and China's Foreign Policy in the Transforming 2022–2023 World Order: Elements of Continuity and New Focus Points

In his report to the 20<sup>th</sup> Congress of the Communist Party of China, Xi Jinping assessed the current international situation and pointed to four deficits that have posed unprecedented challenges to humanity: deficits of peace, development, security and governance. The world, according to the Chinese leader, is once again at a historical crossroads.<sup>5</sup> Similar remarks about the unstable and dangerous state of the world system were made in Moscow in the autumn of 2022. Speaking at the final plenary session of the XIX meeting of the Valdai International Discussion Club on October 27, 2022, Russian President Vladimir Putin said: “We are standing at a historic crossroads, with perhaps the most dangerous, unpredictable and yet important decade since the end of the Second World War ahead of us.”<sup>6</sup> These mirroring statements show that Russia and China are increasingly vocal in their concerns about the current state of the international system, since, in their view, the world is not just in an uncertain period of transformation, but is facing acute challenges and negative trends that could prove critical for the future of mankind.

While transformational processes have been evolving over the past several decades, the developments of the 2020s have pushed the world order to the peak of conflict: escalating local conflicts throughout several regions of the world, the slow pace of global economic recovery following the COVID-19 pandemic, and the beginning of Russia's special military operation in Ukraine have all become watershed moments for the post-Cold War era world order. Events in Europe may deepen the transformation not only of the European and Eurasian regional sub-systems, but of the entire world order politically, economically and in security.

In the field of world politics, antagonism between different groups of countries and parts of the world has intensified, making politicization one of the main trends in international relations. The instability is manifested not only by worsening conflicts and security deficits, but also by the emergence of new dividing lines.

According to Chinese experts, unlike the confrontation between capitalism and socialism during the Cold War, today neoliberal and neoconservative ideologies are competing with one another. Russian experts, in turn, point to the confrontation between globalization and the tendency to confine issues within national borders, which is exacerbated by challenges such as the growing threat of terrorism and cyber-attacks, the dire food situation, as well as the effects of climate change and a variety of biological threats. Chinese experts are convinced that after the

<sup>5</sup> Xi Jinping. Hold High the Great Banner of Socialism with Chinese Characteristics and Strive in Unity to Build a Modern Socialist Country in All Respects Report to the 20th National Congress of the Communist Party of China, October 16, 2022. URL: [http://my.china-embassy.gov.cn/eng/zgxw/202210/t20221026\\_10792358.htm](http://my.china-embassy.gov.cn/eng/zgxw/202210/t20221026_10792358.htm)

<sup>6</sup> Meeting of the Valdai International Discussion Club // President of Russia. October 27, 2022. URL: <http://kremlin.ru/events/president/news/69695>

Ukraine conflict, strategic competition between great powers will intensify, making strategic coordination and cooperation ever more difficult. At the same time, both Russia and China believe that in the face of the most pressing challenges facing humanity, it is essential to build relations based on dialogue, cooperation and respect for the sovereignty and territorial integrity of all nations. The continuity in Russia and China's approaches is determined by the fact that for many years, the two countries have been demonstrating their desire to promote a multipolar world order, opposing the use of force in international affairs, all while stressing the need for close cooperation between all countries in solving global problems. Russia and China, being permanent members of the UN Security Council, have also consistently advocated a greater role for the United Nations in global governance, supporting the principle of non-interference in the internal affairs of other countries and strongly object to one state imposing its values and the "only right" path of development on other countries. However, some Chinese experts believe that in recent years, the effectiveness of the Security Council in maintaining global and regional security has been questioned by many countries, and reforming the UN, including the Security Council, is likely to be accelerated in the future.

All these constants remain relevant in the new turbulent environment, where attempts to ignore multilateralism and interdependence become the main sources of security and governance deficits. In economics, this is reflected in growing deglobalization trends, sanctions wars, protectionism and politically motivated unfair competition. The Ukrainian crisis spurred the disruption and restructuring of global supply and production chains, triggering severe volatility in stock and currency markets in many countries and regions around the world. It also has been driving up prices for consumer goods, energy and minerals. The WTO is losing its regulatory role in international trade and investment, while new regional bilateral and multilateral formats are emerging, such as the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), USMCA (United States–Mexico–Canada Agreement), TTIP (Transatlantic Trade and Investment Partnership), the US–Japan Trade Agreement, the Economic Partnership Agreement between the European Union and Japan, and the IPEF (Indo-Pacific Economic Framework for Prosperity).

Over the past year, both Russia and China have been grappling with the full range of external challenges. According to Chinese researchers, the greatest challenges for Russian diplomacy are centered around Europe, where it has faced unprecedented difficulties amid a new phase of conflict with the West and a new round of US and EU sanctions. Relations between Russia and the West are in a deep crisis, with Chinese experts saying that the events of 2022 have fully dismantled the Yalta–Potsdam order in Europe. The conflict in Ukraine has dramatically changed perceptions of Russia and the EU, reflecting the diametrically opposed perceptions about vital interests, foreign policies, national security and values. This also served to galvanize the centripetal tendencies in EU–US relations, thus giving new impetus to NATO enlargement, accelerating the deployment of the alliance's armed forces in Eastern Europe, and increasing EU dependence on the US for security. NATO's new Strategic Concept, approved at the NATO summit in June

2022, describes Russia as the “most significant and direct threat” to ally security, peace and prosperity in the Euro-Atlantic zone.<sup>7</sup> Even Germany and France, two great European powers, have largely abandoned the practice of seeking compromise with Moscow, and the EU will now take a more coordinated position to defend itself against the “security threat” that is now Russia, while some of Moscow’s allies and strategic partners are taking a neutral stance, distancing themselves from the hostilities. However, the conflict is far from over: according to Chinese experts, the confrontation, which has lasted more than a year now, has not yet had a decisive impact on the combat capabilities and strategic battle plans of either Russia or the West. The alienation between Russia and Europe in the political, economic, security and values spheres means that a new divide is emerging in Europe, a barrier that “isolates” most European countries from Russia.

In the face of these changes, the international environment is becoming increasingly tense for China as external pressures on politics, economics, science and technology intensify and national defense mechanisms are being strengthened. This pressure is primarily due to the growing strategic rivalry between China and the United States. According to Chinese experts, Washington is using the conflict in Ukraine to mobilize its allies in the Asia-Pacific region, accelerating the implementation of the Indo-Pacific strategy, creating a multi-level, multi-disciplinary and interregional system of security alliances in East Asia through multilateral mechanisms such as AUKUS and the Quadrilateral Security Dialogue (QUAD). The US and the EU are also building up their presence in Central Asia. The struggle between countries for geopolitical dominance, control over energy pipelines, the North-South transport corridor and presence in the Eurasian markets have reached a critical point.

Responding to new trends, Moscow and Beijing consider that today’s slow global markets recovery following the COVID-19 pandemic and the creation of new dividing lines not only undermines the foundations of the world economic system but also leads to negative consequences for the international situation and hampers humanity’s overall progress. It could further be observed that today’s realities seem to look more like the tense relations during the Cold War days. The rise of protectionist policies and the promotion of closed bloc arrangements (NATO, AUKUS and QUAD) is based on the concept of exclusion; the belief that one country or group of “like-minded” countries is unique and has a special role to play in international affairs. Moscow and Beijing cannot accept such an “order” and its “rules.”

Faced with issues pertaining to Western containment, Russia has made clear strategic adjustments to its foreign policy by expanding its diplomatic presence in the East and the South. By focusing on Eurasia, Russia also brings the Asian-Pacific, Middle Eastern, African and Latin American developing countries together. Moscow also places special emphasis on post-Soviet regional institutions, including the CIS, the Union State, the EAEU and the CSTO, using economic diplomacy to enhance cooperation and stability in the region. Moscow is also stepping up its

<sup>7</sup> NATO 2022 Strategic Concept // NATO. June 29, 2022. URL: <https://www.nato.int/strategic-concept/>

cooperation with the Shanghai Cooperation Organization (SCO), BRICS, friendly great powers such as China and India, regional powers such as Turkey and Iran, and other Arab countries to overcome partial international isolation from the West. To address these challenges, Russia is now actively promoting the concept of the Greater Eurasian Partnership.

China also continues to seek new ways of development, pursuing the idea of building a community with a common ambition for humanity by realizing the Belt and Road Initiative, to ensure global governance through “joint consultation, joint construction and joint use.” China’s great power diplomacy style allows Beijing to achieve progress in several key areas, including the West. First, China firmly defends its national interests when it communicates or works with the United States. The two leaders met in Bali in November 2022 and discussed ways to bridge any rifts. China made it clear that it would take effective measures to protect its fundamental interests against any separatist acts in the name of “Taiwan’s independence” and any American provocations. At the same time, Chinese experts point to important differences in the strategic positions of US–Russia and US–China relations. According to researchers at Fudan University, the strengthening of the US alliance system in the Indo-Pacific region is more of a preventive measure rather than offensive. Russia has consistently opposed the idea of creating new dividing lines in the Asia-Pacific region, in addition to bloc thinking and artificially fabricating new sub-regional structures.

Second, China is aware of the need to maintain and deepen its cooperation with the EU: increased top-level interstate dialogue in the second half of 2022 testifies to the stability of these bilateral relations and the willingness of the two sides to cooperate with each other. This can, as Chinese experts hope, compensate for the unfriendliness of certain European countries towards China.

Third, Beijing is also concerned about global and regional security. China and five Central Asian nations agreed to establish a mechanism for head of state meetings, the first of which was held on May 19, 2023, resulting in a signed 15-point joint declaration and a series of bilateral documents aimed at deepening economic and transport cooperation.<sup>8</sup>

Finally, China pursues genuine multilateralism: The Regional Comprehensive Economic Partnership Agreement (RCEP), the world’s largest free trade area, entered into force in January 2022. China promotes international economic and trade cooperation on a multilateral basis, helps manage global environmental and climate challenges, actively defends the interests of developing nations and offers its own solutions to common problems.

Bilaterally, Russia and China continue to extend their comprehensive partnership and strategic interaction as they enter a new era, ensuring further cooperation in different spheres. Talking to his Chinese counterpart Wang Yi at a meeting in Phnom Penh on August 5, 2022, Russian Foreign Minister Sergey Lavrov stressed

<sup>8</sup> Xi Jinping proclaimed a “new era” at the China-Central Asia summit // *Vedomosti*. May 22, 2023. URL: <https://www.vedomosti.ru/politics/articles/2023/05/22/976122-na-sammite-kitai-tsentralnaya-aziya-si-tszinpin-provozglasil-novuyu-eru>

that the Russian-Chinese strategic partnership “is one of the pillars of progress towards the triumph of international law, rather than being ‘rules’ invented by the United States and its allies.”<sup>9</sup> Similarly, Moscow continued such dialogue with Qin Gang, who was appointed Foreign Minister of the People’s Republic of China at the end of 2022. During a telephone conversation between Sergey Lavrov and Qin Gang on January 9, 2023, they condemned Western attempts to provoke confrontation between Russia and China, foreign interference in their internal affairs, and West limiting Russia and China’s economic development by imposing illegitimate sanctions. The two ministers acknowledged the unity of Moscow’s and Beijing’s approaches to fundamental global development problems.<sup>10</sup>

An important role in coordinating these approaches is assigned to high-level diplomatic contacts and head of state communication. In February 2022, Russian President Vladimir Putin visited China and attended the opening ceremony of the XXIV Winter Olympic Games in Beijing. The two countries signed dozens of cooperation documents and issued the Joint Statement of the Russian Federation and the People’s Republic of China on International Relations Entering a New Era and Global Sustainable Development.<sup>11</sup> In September 2022, President Xi Jinping and President Putin met bilaterally on the sidelines of the SCO Summit in Samarkand to exchange views on international and regional issues of mutual interest. In March 2023, Xi Jinping paid a state visit to Russia at the invitation of the Russian government. The talks resulted in the signing of the Joint Statement of the Russian Federation and the People’s Republic of China on Deepening Comprehensive Partnership and Strategic Cooperation for a New Era<sup>12</sup> and the Joint Statement on the Plan for the Development of Key Areas of China–Russia Economic Cooperation until 2030.<sup>13</sup> Top-level events in such a transformative period demonstrates both the continued high level of trust between Russian and Chinese leaders and the coordinated foreign policies pursued by Moscow and Beijing, that recognize their mutual interests and seek to find answers to common challenges.

In 2022–2023, the two countries continued to openly communicate about the situation in Ukraine in a spirit of mutual respect, as is traditional for their bilateral relations. Regarding Ukraine, Chinese experts state that Beijing stands on the side of peace, dialogue and historical truth. On February 24, 2023, China released a document entitled “China’s Position on the Political Settlement of the Ukrainian Crisis,”

<sup>9</sup> Opening remarks by Minister of Foreign Affairs of the Russian Federation Sergey Lavrov during a meeting with Minister of Foreign Affairs of the People’s Republic of China Wang Yi, Phnom Penh, August 5, 2022 // Ministry of Foreign Affairs of the Russian Federation. August 5, 2022. URL: <https://mid.ru/ru/maps/cn/1825122/>

<sup>10</sup> On the telephone conversation between the Minister of Foreign Affairs of the Russian Federation Sergey Lavrov and the Minister of Foreign Affairs of the People’s Republic of China Qin Gang // Ministry of Foreign Affairs of the Russian Federation. January 9, 2023. URL: [https://mid.ru/ru/foreign\\_policy/news/1846486/](https://mid.ru/ru/foreign_policy/news/1846486/)

<sup>11</sup> Joint Statement of the Russian Federation and the People’s Republic of China on International Relations Entering a New Era and the Global Sustainable Development // President of Russia. February 4, 2022. URL: <http://en.kremlin.ru/supplement/5770>.

<sup>12</sup> Joint Statement of the Russian Federation and the People’s Republic of China on Deepening Comprehensive Partnership and Strategic Cooperation for a New Era // President of Russia. March 21, 2023. URL: <http://www.kremlin.ru/supplement/5920>

<sup>13</sup> Joint Statement of the President of the Russian Federation and the Chairman of the People’s Republic of China on the Plan for the Development of Key Areas of China–Russia Economic Cooperation until 2030 // President of Russia. March 21, 2023. URL: <http://www.kremlin.ru/supplement/5919>

which was positively received in Moscow. Moscow welcomes Beijing's readiness to play an active role in resolving the Ukrainian crisis by political and diplomatic means and appreciates the constructive proposals set out in the document.<sup>14</sup> One of the key points of China's peace plan is the focus on international legal means of resolving the conflict, reflecting Beijing's firm belief that international law must be applied equally and universally without double standards. Chinese experts say the document shows Beijing's desire to achieve a ceasefire as soon as possible and facilitate negotiations.

The Russian Federation appreciates Beijing's efforts to settle the Ukraine conflict peacefully, guided by the principles of neutrality and by objectively analyzing the situation. At the same time, Russia and China both agree on the need to consistently ensure equal and indivisible security; they regard any imposed non-UN sanctions and restrictive measures as illegitimate.

Moscow and Beijing are increasingly opposing the ideologization of international relations, dividing countries into simplistic black-and-white categories of "democracies" and "autocracies." This categorization is often used by the West to differentiate between countries according to their political systems and to create a "moral" hierarchy, with democratic societies at the top and autocratic regimes somewhere far below. However, Russian and Chinese experts see this binary model as overly simplifying the complexity of political systems and cultural values around the world that are exceedingly nuanced. Inclusive approaches in international relations are desperately needed to consolidate the global community to address global challenges.

The conceptual foreign policy documents published in Russia and China in 2023 reflect the concerns of the two countries about the current state of affairs and proposed means to stabilize the international situation. The updated Foreign Policy Concept approved by the Decree of the President of the Russian Federation of March 31, 2023 stresses that in its relations with China, Russia "prioritizes its attention to the development of mutually beneficial cooperation in all spheres, providing mutual assistance and strengthening coordination in the international arena in order to ensure security, stability and sustainable development at the global and regional levels both in Eurasia and in other parts of the world."<sup>15</sup>

Such a strong bond between Moscow and Beijing is especially important in the current complex geopolitical environment. As the Concept states, today's world is characterized by the fact that "the generally favorable changes that are taking place are nevertheless rejected by a number of states used to thinking in terms of global dominance and neo-colonialism. They refuse to recognize the realities of a multipolar world and to negotiate the parameters and principles of the world order based on this reality."<sup>16</sup>

<sup>14</sup> China's Position on the Political Settlement of the Ukrainian Crisis // Ministry of Foreign Affairs of the People's Republic of China. February 24, 2023. URL: [https://www.fmprc.gov.cn/eng/zxxx\\_662805/202302/t20230224\\_11030713.html](https://www.fmprc.gov.cn/eng/zxxx_662805/202302/t20230224_11030713.html)

<sup>15</sup> Decree on Approval of the Concept of the Foreign Policy of the Russian Federation. Section V, Clause 52 // President of Russia. March 31, 2023. URL: <http://kremlin.ru/events/president/news/70811>

<sup>16</sup> *Ibid.*, Section II, Clause 8.

The document's proclaimed goal of promoting "the region's formation of a comprehensive, open, indivisible, transparent, multilateral and equal security architecture, in addition to mutually beneficial cooperation based on collective non-alignment" to serve as the basis for strengthening cooperation between Russia and China in the Asia-Pacific region.<sup>17</sup> Given the proliferation of the US-led narrow bloc structures in the region, it is particularly important for Russia and China to coordinate their efforts in supporting an ASEAN-centric security architecture and developing cooperation in multilateral platforms such as the SCO, APEC and CICA.

In February 2023, China released a concept paper, the Global Security Initiative, which fleshed out proposals previously put forward by Chinese President Xi Jinping.<sup>18</sup> The document outlines Beijing's call for the international community to address complex and interconnected security challenges based on mutually beneficial cooperation by abiding to the purposes and principles of the UN Charter. Diplomatic efforts should prioritize "common, comprehensive, cooperative and sustainable security." Additionally, the Initiative specifically notes that an important principle that should underpin international policies should seriously consider the legitimate security concerns of all countries. China, as a responsible world power, calls for the establishment of a balanced, effective and sustainable security architecture.

An important outcome of Chinese President Xi Jinping's state visit to Russia (March 20–22, 2023) was the adoption of the Joint Statement on Deepening Comprehensive Partnership and Strategic Cooperation for a New Era, in which the two countries defined the parameters of their further cooperation, both bilaterally and internationally. The two leaders spoke in favor of closely coordinating their foreign policies and interacting on multilateral platforms to build a new type of international relations.<sup>19</sup>

While reiterating the cornerstone provision of the 2001 Treaty on Good Neighborliness and Friendly Cooperation between the Russian Federation and China on the non-targeting of third parties, Russia and China stated that the main challenges to global security are related to the unwillingness of the United States and other Western nations to adhere to the principle of equality. The two countries therefore see the main objective of their diplomatic efforts is to balance out the development of the system of international relations through greater representation and a pushing stronger voice for emerging markets and developing countries. So, in a complex geopolitical environment, Russia and China are determined to put into practice their vision of a more equitable multipolar world.

<sup>17</sup> Decree on Approval of the Concept of the Foreign Policy of the Russian Federation. Section V, Clause 55 // President of Russia. March 31, 2023. URL: <http://kremlin.ru/events/president/news/70811>

<sup>18</sup> The Global Security Initiative Concept Paper // Ministry of the Foreign Affairs of the People's Republic of China. February 21, 2023. URL: [https://www.fmprc.gov.cn/mfa\\_eng/wjbxw/202302/t20230221\\_11028348.html](https://www.fmprc.gov.cn/mfa_eng/wjbxw/202302/t20230221_11028348.html)

<sup>19</sup> Joint Statement of the Russian Federation and the People's Republic of China on Deepening Comprehensive Partnership and Strategic Cooperation for a New Era // President of Russia. March 21, 2023. URL: <http://www.kremlin.ru/supplement/5920>

# Chapter 2. Key Areas for Bilateral Economic Cooperation in the New Environment

## 2.1. Trade and Economic Cooperation Under Sanctions: The Role of External Restrictions in Finances and Investment

Russia's special military operation (SMO) in Ukraine introduced tough economic sanctions against Russia and the Republic of Belarus by the United States and the European Union. The hostilities and sanctions served as a catalyst for accelerating the reorientation of global supply chains and bilateral economic ties, primarily towards the east. As a result, economic ties between Russia and China have only strengthened in 2022, and economic cooperation has been progressing steadily and positively. At the same time, the changed environment calls for renewed strategic guidelines in all areas of development. Moscow and Beijing continue to jointly overcome many difficulties, making every effort to support stable bilateral trade.

Today, the list of key areas for cooperation is defined by a system of strategic documents and statements made by the Russian Federation and the People's Republic of China, including the Roadmap for High Quality Development of Russia–China Trade in Goods and Services,<sup>20</sup> the Joint Statement on Deepening Comprehensive Partnership and Strategic Cooperation for a New Era,<sup>21</sup> and the Plan of Russia–China Investment Cooperation,<sup>22</sup> which has been in effect since 2018. In early 2023, the two sides announced the development of a plan to promote cooperation between Russia and China to 2030.<sup>23</sup> Yet, there are a number of constraints impeding the effective development of economic bilateral cooperation.

### *Key Trade and Economic Cooperation Between Russia and China*

As mentioned above, the Ukraine crisis served as a catalyst for the transformation of global supply chains. As economic ties with Western countries began to deteriorate, the Russian Federation accelerated its “turn to the East” by expanding trade and economic cooperation with Asian countries, which had an impact on Russia's trade with China, its number one partner in Asia. In 2022, trade between

<sup>20</sup> Russia and China aim to steadily increase the volume of bilateral trade // Alta-Soft. March 30, 2022.  
URL: [https://www.alta.ru/external\\_news/88519/](https://www.alta.ru/external_news/88519/)

<sup>21</sup> Joint Statement of the Russian Federation and the People's Republic of China on Deepening Comprehensive Partnership and Strategic Cooperation for a New Era // President of Russia. March 21, 2023.  
URL: <http://www.kremlin.ru/supplement/5920>

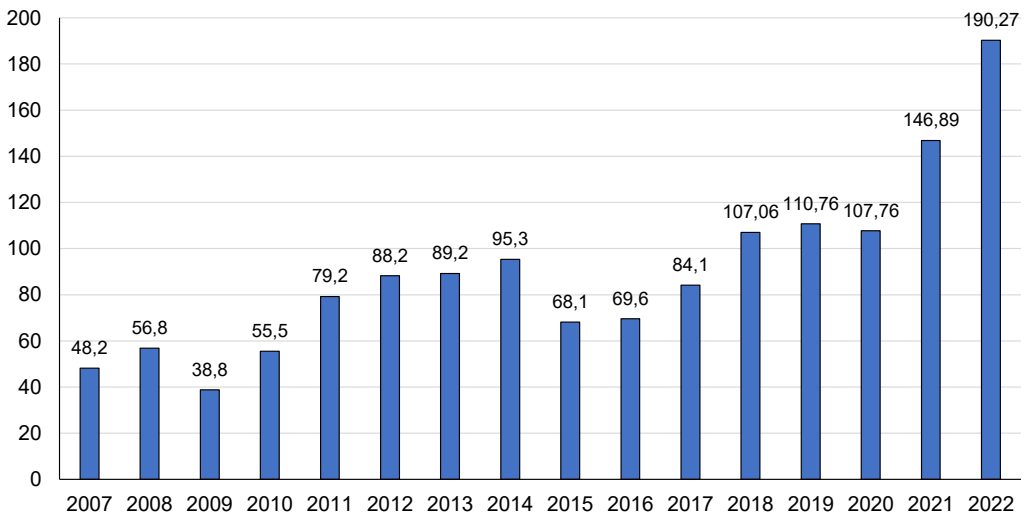
<sup>22</sup> Plan of Russian-Chinese Investment Co-operation // Trade Russia–China.  
URL: <http://www.russchinatrade.ru/assets/files/ru-ru-cn-coop/rus+china%20plan.pdf>. A new version of the Plan is currently being developed. See: Joint statement of the Russian Federation and the People's Republic of China on Deepening Relations of Comprehensive Partnership and Strategic Cooperation for a New Era // Rossiyskaya Gazeta. March 21, 2023. URL: <https://rg.ru/2023/03/21/sovместnoe-zajavlenie-rf-i-knr-ob-uglublenii-otnoshenij-vseobemluschego-partnerstva-i-strategicheskogo-vzaimodejstviia-vstupaiushchih-v-novuiu-epohu.html?ysclid=lgge2zifjx112406902>

<sup>23</sup> The Government of the Russian Federation and China to prepare a plan for the development of cooperation until 2030 // TASS. March 22, 2023. URL: <https://tass.ru/ekonomika/17338283>



Russia and China totaled USD 190.27 billion, up 29.3% from 2021 (Fig. 1).<sup>24</sup> Due to growing energy supplies, which accounted for 75% of the total nomenclature list,<sup>25</sup> Russia's exports to China reached USD 114.15 billion,<sup>26</sup> and China's exports to Russia totaled USD 76.12 billion, 43.4% and 12.8% more than in 2021. Russian exports to China exceeded Chinese imports by 1.5 times. According to Chinese statistics, Russia's share in China's foreign trade increased by 0.9% from 2.4% in 2021 to 3.3% in 2022.<sup>27</sup> Indeed, China has been Russia's largest trade partner for the past 13 years.

**Figure 1: Trade turnover between Russia and China in 2007-2022, USD billion.**



Source: Compiled by Alexander Larionov based on the publication “Russian-Chinese Dialogue: The 2022 Model: Report No. 78/2022”<sup>28</sup>

The energy sector has become the most important growth point in bilateral trade, with quantitative indicators rising largely on the back of higher energy prices. According to Russian statistics, the share of energy resources in Russia's total exports to China reached 68% in 2021.<sup>29</sup> In 2022, Russia increased its exports

<sup>24</sup> Russia–China trade turnover up 29.3% in 2022 // TASS. January 13, 2023. URL: <https://tass.ru/ekonomika/16791461>

<sup>25</sup> There are no forbidden areas in cooperation between Russia and China // Russian International Affairs Council (RIAC). February 10, 2023. URL: <https://russiancouncil.ru/analytics-and-comments/comments/v-sotrudnichestve-rossii-i-knr-net-predelov-i-zapretnykh-zon/>

<sup>26</sup> Digest of economic news on China // Trade Mission of the Russian Federation in the PRC. January 17, 2023. URL: [http://www.russchinatrade.ru/assets/files/en-news/Digest%20of%20news%20about%20China%20\(from%2017.01.2023\).pdf](http://www.russchinatrade.ru/assets/files/en-news/Digest%20of%20news%20about%20China%20(from%2017.01.2023).pdf)

<sup>27</sup> Table of the total import and export value of goods of major countries (regions) in December 2022 (US\$) (in Chinese 2022 年12月进出口商品国别(地区)总值表(美元值)) // General Administration of Customs of the People's Republic of China. January 13, 2023. URL: <http://gdfs.customs.gov.cn/customs/302249/zfxgk/2799825/302274/302275/4794352/index.html>

<sup>28</sup> Russian-Chinese Dialogue: The 2022 Model: Report No. 78/2022 / [A.V. Kortunov (ed.), K.V. Babaev (ed.) et al., H. Zhao (ed.) et al.]; Russian International Affairs Council (RIAC). – M.: NPMP RIAC, 2022. – 82 p.

<sup>29</sup> Russian trade with China in 2021 // Russian Foreign Trade. February 12, 2022. URL: <https://en.russian-trade.com/reports-and-reviews/2022-02/russian-trade-with-china-in-2021/>

of oil, natural gas, liquefied natural gas (LNG), coal and fuel oil. The share of energy carriers in China's total imports from Russia topped 70%. Yet, while the Russian-Chinese energy trade grew by 64% in terms of value, the total volume of trade turnover was up only 10%.<sup>30</sup>

Positive dynamics in the structure of Russia's exports to China is also visible in numerous other commodity groups (Table 1).<sup>31</sup> Particularly, supplies of iron and steel and organic chemicals from Russia to China climbed by 54.6% and 48.3%, respectively. At the same time, exports of wood, wood products and charcoal, which traditionally occupies an important place in bilateral trade, dropped by 11.3% due to an increase in export duties and, consequently, a reduction in the export of unprocessed wood.<sup>32</sup>

**Table 1: Products exported from Russia to China in 2021–2022, USD million**

Product	2021 (USD mln)	2022 (USD mln)	Increase (%)
Meat and edible meat by-products	407.78	554.59	36
Fish and crustaceans, mollusks and other aquatic invertebrates	1,858.32	2,753.15	48.2
Cocoa and cocoa products	107.17	39.3	-63.3
Mineral fuels, mineral oils and products of their distillation; bituminous substances	53.84	85,451.42	58.7
Organic chemicals	174.22	258.34	48.3
Wood and wood products, charcoal	4,053.85	3,597.71	-11.3
Iron and steel	1,227.85	1,897.68	54.6
Aircraft, spacecraft and related parts	128.57	154.35	20.1

*Source: Compiled by Alexander Larionov based on Customs Statistics.*<sup>33</sup>

If to look at the volume of imports from China to Russia, a number of commodity groups also showed positive dynamics in 2022. China expanded its exports of consumer electronics, excavators, automobiles, microprocessors, clothing, footwear and consumer goods. Particularly, indicators in “rubber and rubber products” and “organic chemicals” increased by 80.06% and 54.59% respectively (Table 2).

<sup>30</sup> Russian-Chinese energy trade to grow by 64% in 2022. Both countries are actively switching to settlements in national currency (in Chinese 2022年中俄能源贸易额大增64%。两国正在积极转向本币结算) // Eurasian business. November 24, 2022. URL: <http://www.cniru.org/jmyw/20905.html>

<sup>31</sup> At the time of writing, there is no data on trade dynamics published on the website of the Trade Mission of the Russian Federation in China. Recent data is available for the 1st and 2nd quarters of 2022. See: Analytical note and statistical data on foreign trade between Russia and China at the end of the first half of 2022 // Trade Mission of the Russian Federation in the PRC. URL: <http://www.russchinatrade.ru/assets/files/ch-ru-cooperation/Торговля%20России%20and%20China%20in%20the%20half-year%202022%20year.pdf>

<sup>32</sup> What to do with the Russian adjustment of the export duty on wood (in Chinese 如何应对俄罗斯木材出口关税调整) // China Wood Protection Industry Association. January 7, 2022. URL: [http://www.cwp.org.cn/vip\\_doc/22491376.html](http://www.cwp.org.cn/vip_doc/22491376.html)

<sup>33</sup> Customs Statistics // General Administration of Customs of the People's Republic of China. URL: <http://stats.customs.gov.cn/indexEn>

**Table 2: Imports from China to Russia in 2021–2022, USD million**

<b>Product</b>	<b>2021 (USDmln)</b>	<b>2022 (USD mln)</b>	<b>Increase (%)</b>
Organic chemicals	2,100.56	3,247.30	54.59
Plastic and plastic products	2,733.97	3,744.78	36.97
Rubber and rubber products	863.17	1,554.23	80.06
Fur products and artificial fur products	1,378.37	782.39	-43.24
Man-made filaments; strip and similar man-made textile materials	426.41	525.1	23.14
Articles of apparel and clothing accessories	1,449.59	1,494.21	3.08
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	14,704.41	16,866.89	14.7
Electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	14089.42	13329.91	-5.4

*Source: Compiled by Alexander Larionov based on Customs Statistics.<sup>34</sup>*

To encourage economic cooperation, Russia took steps in 2022 to raise awareness among economic entities of the available cooperation opportunities with China. The China–SCO Comprehensive Service Platform for Local Economic and Trade Cooperation was launched on November 25, 2022.<sup>35</sup> Such digital projects make it possible to reduce transaction costs for trade participants. Another promising way to promote domestic producers in the Chinese market is to organize trade platforms.

For example, in September 2022, the Trade Mission of Russia in China participated in Russia’s pavilion at the international expo center project “The Pearl of the China-SCO Pilot Zone”,<sup>36</sup> featuring Russian products.

### ***Investments and Major Joint Projects***

Russia and China also implement joint investment projects. Their participation ensures sustainable economic relations, which is particularly important given turbulent investments with the imposed economic restrictions.<sup>37</sup> It is clear that Chinese investments in Russia are more numerous due to the comparatively larger number of projects that require additional foreign financing, while Russian investments in China are extremely limited.

<sup>34</sup> Customs Statistics // General Administration of Customs of the People’s Republic of China.  
URL: <http://stats.customs.gov.cn/indexEn>

<sup>35</sup> Launch of the SCO Comprehensive Service Platform for Local Economic and Trade Cooperation // Qiun Dao. November 28, 2022. URL: [http://www.iqingdao.info/html/2022/specialcontents\\_1128/1341.html](http://www.iqingdao.info/html/2022/specialcontents_1128/1341.html)

<sup>36</sup> International Expo Centre of the China-SCO pilot zone unveiled in Beijing // TASS. August 17, 2022.  
URL: <https://tass.ru/mezhdunarodnaya-panorama/15491005>

<sup>37</sup> Investments in Russia through China’s global project reduced to zero // RBC. July 25, 2022.  
URL: <https://www.rbc.ru/economics/25/07/2022/62ddbdc29a7947a5bbaa421b>

Traditionally, legal guarantees have played a decisive role in boosting mutual investments and expanding cooperation in this area. In 2006, Russia and China signed an Agreement on the Promotion and Reciprocal Protection of Investments.<sup>38</sup> Over the past 16 years, the investment environment has changed dramatically, necessitating adjustments in the scope of investment cooperation and approaches. The list of promising projects is generated through various institutional forms of cooperation.

Additionally, a meeting of the Intergovernmental Russian-Chinese Commission on Investment Cooperation was held in November 2022.<sup>39</sup> During this meeting, the parties resolved to jointly finance projects worth USD 1.3 billion, and signed a memorandum to further strengthen investment, including in the field of new energy, high-tech industries and infrastructure development. They also agreed to continue work on updating the Plan of Russian-Chinese Investment Cooperation and to hold numerous seminars to exchange experiences in strategic planning between Russia's Ministry of Economic Development and China's State Committee for Development and Reform.

At the 27<sup>th</sup> regular meeting of Russian and Chinese heads of government in 2023, a Joint Statement by Russia's Ministry of Economic Development and China's Ministry of Commerce was signed at the start of negotiations, updating the Agreement between the Government of the Russian Federation and the Government of the People's Republic of China on the Promotion and Reciprocal Protection of Capital Investments of November 9, 2006.<sup>40</sup> This landmark document for bilateral investment cooperation has updated and legally enshrined important guarantees necessary in improving the legal framework for Russian-Chinese investment cooperation. In other words, the parties accounted for the changed nature of foreign economic conditions when planning mutual investment flows together, which should promote safe future development.

The development of investment cooperation is also facilitated by the expansion of joint activities to implement major bilateral and multilateral projects, primarily in infrastructure. For example, on September 15–16, 2022, the 22<sup>nd</sup> meeting of the SCO Heads of State Council was held in Samarkand, Uzbekistan, on the sidelines of the sixth official Trilateral Meeting between China, Russia and Mongolia. The parties reached consensus on how to step-up their work in creating a trilateral economic corridor between Russia, Mongolia and China, and agreed to extend the development plan for its creation for another five years. The negotiators also formally launched a feasibility study on the modernization and development of the corridor's central railway route and agreed to promote the construction of

<sup>38</sup> Agreement between the Government of the Russian Federation and the Government of the People's Republic of China on the Promotion and Reciprocal Protection of Investments // Electronic Fund of Legal and Regulatory and Technical Documents. URL: <https://docs.cntd.ru/document/902029763>

<sup>39</sup> Russia and China plan to invest another USD 1.3 billion in joint projects // Ministry of Economic Development of the Russian Federation. November 8, 2022. URL: [https://www.economy.gov.ru/material/news/rossiya\\_i\\_kitay\\_planiruyut\\_proinvestirovat\\_v\\_sovmestnye\\_proekty\\_eshche\\_13\\_mird\\_dollarov.html](https://www.economy.gov.ru/material/news/rossiya_i_kitay_planiruyut_proinvestirovat_v_sovmestnye_proekty_eshche_13_mird_dollarov.html)

<sup>40</sup> Joint Statement of the Russian Federation and the People's Republic of China on Deepening Comprehensive Partnership and Strategic Cooperation for a New Era // President of Russia. 21 March 2023. URL: <http://www.kremlin.ru/supplement/5920>

the Mongolian section of the Soyuz Vostok gas pipeline from Russia to China to strengthen cross-border transport cooperation.<sup>41</sup> Also, in 2022, at the Eastern Economic Forum, a memorandum of cooperation was signed to build a railway bridge across the Amur River between Dzhalinga in Russia and Mohe in China.<sup>42</sup> This is one of the few examples of investment cooperation in the Far East. China's investment in Far Eastern projects topped USD 13 billion in 2022.<sup>43</sup>

### ***Financial Cooperation***

In 2022, Russia and China accelerated the processes of settling business dealings to be based off individual state national currencies. According to a report conducted by the Bank of Russia, the end of the year share of RMB in foreign trade settlements for imports increased from 4% in January 2022 to 23%, and for exports – from 0.5% to 16%.<sup>44</sup> As of December 2022, the share of RMB in the national currency settlements in Russia–China trade reached 50%.<sup>45</sup> The Moscow Stock Exchange (MSE) expanded its RMB settlement capabilities in the financial market, which led to rapid growth in the volume of RMB–RUB transactions. The share of RMB in the volume of MSE transactions surged from 6% in April 2022 to 39.6% in October 2022. From November 14, 2022, the MSE started to calculate and publish a new debt market indicator – the Chinese yuan started dominating the Russian bond index. In late November, Russia launched trade operations that are linked to the Hang Seng Index. The Russian government included the Chinese yuan in its basket of reserve currencies. On December 27, 2022, in order to hedge exchange rate risks, the Russian Ministry of Finance and the Central Bank decided to purchase RMB to replenish the National Welfare Fund.

The year 2022 also saw an increase in the number of Russian banks connected to China's national bank transfer system CIPS (Cross-border Interbank Payment System), which enables cross-border settlements in RMB and the transmission of payment information via secure communication channels. However, experts say that Chinese banks connected to the CIPS system continue to use SWIFT to transmit financial messages as more financial organizations are connected to this system. One of the promising areas of the Russian-Chinese financial cooperation is integrating CIPS with the Bank of Russia's Financial Messaging System (FMS). If CIPS is successfully integrated with FMS and other national equivalents in non-Western countries, this project could compete with SWIFT, which, in turn, would help banks under sanctions to curb their losses.<sup>46</sup>

<sup>41</sup> Meeting with President of the People's Republic of China Xi Jinping and President of Mongolia Ukhnaagiin Khurelsukh // President of Russia. September 15, 2023. URL: <http://www.kremlin.ru/events/president/news/69357>

<sup>42</sup> Yakutia and the Amur Region have agreed to cooperate in the construction of the Dzhalinga – Mohe bridge // TASS. September 6, 2022. URL: <https://tass.ru/ekonomika/15657893>

<sup>43</sup> Chinese investments in the Far East topped \$13bn in 2022 // TASS. February 16, 2023. URL: <https://tass.ru/ekonomika/17061741>

<sup>44</sup> What China means for the Russian economy // RBC. March 20, 2023. URL: <https://www.rbc.ru/economics/20/03/2023/64145bf9a79477ef586365c>

<sup>45</sup> According to Mishustin, almost half of the Russian-Chinese commerce is conducted in roubles and yuans // Gazeta.Ru. December 5, 2022. URL: <https://www.gazeta.ru/business/news/2022/12/05/19193827.shtml>

<sup>46</sup> Russian banks are joining China's CIPS system more and more actively // Vedomosti. July 11, 2022. URL: <https://www.vedomosti.ru/finance/articles/2022/07/11/930873-rossiiskie-banki-cips>

Cooperation with the UnionPay payment system, through which Russian nationals can make international transfers and payments abroad, continued to develop in 2022. However, the cards of this payment system issued in banks under US sanctions do not work abroad.<sup>47</sup> So, financial cooperation in 2022 was characterized by the adaptation of the Russian financial system to external economic restrictions, including integration with China in this area.

### ***New Challenges in Bilateral Economic and Trade Cooperation***

Although trade between Russia and China is at record highs, bottlenecks and barriers to the effective development of bilateral cooperation in the long term should not be ignored.

According to Chinese analysts, one of the key new obstacles, is a dramatic increase in China's trade deficit. According to the General Administration of Customs of the People's Republic of China, the annual trade deficit between the Russian Federation and China hovered around USD 11–12 billion in 2018–2021 and then climbed to USD 38 billion in 2022,<sup>48</sup> accounting for about 20% of total bilateral trade (USD 190.2 billion) and was three times higher than the 2021 deficit (USD 11.76 billion). From a trade balance perspective, such a sharp spike in deficit has a negative impact on the quality of trade and its sustainable development.

Second, Chinese analysts voice concerns about an increasing number of trade barriers imposed by Russia in response to sanctions that seek to protect national producers. Since May 2022, Russia's Ministry of Agriculture has consistently increased export duties on sunflower and rapeseed seeds, as well as restricted exports of feed amino acids and other commodities. The Russian Ministry of Economic Development raised the export duty on soybeans by 20% (but not less than USD 100 per ton), and on August 30, 2022, extended it for two more years until August 31, 2024.<sup>49</sup> Additionally, in June 2021, the Eurasian Economic Commission (EEC) decided to extend anti-dumping measures on truck tires imported from China until August 2026.<sup>50</sup>

Third, in response to US and EU financial sanctions, the Russian government switched to a new ruble settlement procedure, affecting the interests of Chinese companies operating in Russia. Some companies cannot meet their loan obligations with EU banks, and Chinese companies that invested in Russia through third countries cannot receive profits from their investments because some of these

<sup>47</sup> Union Pay cards turn out to be in the sanctions zone // Kommersant. February 25, 2023.  
URL: <https://www.kommersant.ru/doc/5842095>

<sup>48</sup> China Runs Record Trade Deficit with Russia as Energy Costs Jump // Bloomberg. January 13, 2023.  
URL: <https://www.bloomberg.com/news/articles/2023-01-13/china-runs-record-trade-deficit-with-russia-as-energy-costs-jump>

<sup>49</sup> Export duty on soybeans from the Russian Federation to be extended until August 31, 2024.  
(in Chinese 俄大豆出口关税将延期至2024年8月31日) // Trade and Economic Affairs Department of the Embassy of the PRC in the Russian Federation. September 6, 2022.  
URL: <http://ru.mofcom.gov.cn/article/jmxw/202209/20220903345760.shtml>

<sup>50</sup> The EEC extended anti-dumping duty on truck tires from China  
(in Chinese 欧亚经济委员会延长对中国载重轮胎征收反倾销税) // Department of Trade and Economic Affairs of the Embassy of the PRC in the Republic of Kazakhstan. June 30, 2021.  
URL: <http://kz.mofcom.gov.cn/article/jmxw/202106/20210603171382.shtml>

countries are on Russia's list of unfriendly states. There are also other issues that need to be discussed and resolved by the two governments as soon as possible as they could seriously limit the investments of Chinese companies in Russia.

Fourth, the reorientation of supply chains has exposed logistical difficulties. Problems in cross-border railway transport between Russia and China will be discussed in more detail in the relevant section of this report.

### ***Prospects for Cooperation***

Although Russia–China trade in 2022 exceeded the expectations of many skeptics, its prospects still remain uncertain. There are three main variables that will affect trade cooperation.

First, cooperation between the two countries remains restrained by the world economy's general decline. In late 2022 and early 2023, major international organizations gave very pessimistic forecasts for the global economy in 2023. The World Bank released a report on January 10, 2023 saying that the world economy would grow by just 1.7% in 2023, the third lowest rate in nearly three decades.<sup>51</sup> Russia and China's economies are slowing down due to negative trends in the global economy, with the World Bank expecting the Chinese economy to expand by only 4.3% and the Russian economy to decline to -3.3% in 2023.<sup>52</sup> Such negative dynamics can dampen domestic demand and erode domestic momentum for bilateral trade.

The unpredictability of global energy prices also remains an important factor affecting Russian-Chinese trade. According to numerous studies, overall oil price trends in the 2023 international market will be worse than in 2022, unless some unexpected geopolitical events occur.<sup>53</sup> The average spot price for a barrel of Brent crude oil was USD 100 in 2022, while the average spot price for a barrel of West Texas Intermediate (WTI) crude oil averaged USD 95.<sup>54</sup> On March 15, 2023, WTI crude oil futures on the New York Mercantile Exchange (NYMEX) fell to USD 67.61 per barrel, while Brent crude oil futures were only USD 73.79 per barrel,<sup>55</sup> a drop of about 30% compared to 2022. At this time, it is impossible to predict the dynamics of energy prices but given the impact of oil prices on bilateral trade, if prices fall, Russian-Chinese trade will face serious challenges. The dynamics of bilateral energy cooperation will be discussed in more detail below.

<sup>51</sup> World Bank downgrades 2023 global growth forecast to 1.7% (in Chinese 世界银行下调2023年全球经济增长预期至1.7%) // China Daily. January 12, 2023. URL: <https://www.chinadaily.com.cn/a/202301/12/WS63bef0c4a31057c47eba90d4.html>

<sup>52</sup> World Bank: world economy to grow by 1.7% in 2023 (in Chinese 世界银行：2023年全球经济将增长1.7%) // China Economic Times. January 14, 2023. URL: <https://baijiahao.baidu.com/s?id=1754928182020487691&wfr=spider&for=pc>

<sup>53</sup> IMF predicts a 16% drop in oil prices in 2023 // TASS. January 31, 2023. URL: <https://tass.ru/ekonomika/16922821>

<sup>54</sup> In 2022: Crude oil prices up in the first half and down in the second half (in Chinese 2022年：上半年原油价格上涨 下半年下跌) // Sinopecnews. 09 January 2023. URL: [http://www.sinopecnews.com.cn/xnews/content/2023-01/09/content\\_7056416.html](http://www.sinopecnews.com.cn/xnews/content/2023-01/09/content_7056416.html)

<sup>55</sup> World oil prices sharply down on March 15 (in Chinese 国际油价15日大幅下跌) // Xinhuanet. March 16, 2023. URL: <https://baijiahao.baidu.com/s?id=1760463476899655207&wfr=spider&for=pc>

The threat of secondary economic sanctions from the US and the EU is also an important variable for developing cooperation. Due to the exclusion of over ten Russian banks from the SWIFT system, some Chinese companies faced certain difficulties and were unable to recover some of their income from the loans provided earlier. The EU suspended the provision establishing insurance services for Russian oil supplies, thus setting another barrier for Russia-China crude oil trade.

## **2.2. Russian–Chinese Cooperation in Transport and Logistics: Existing and Prospective Paths in the Face of Disrupted Traditional Supply Chains**

The development of international logistics routes, slowed down by coronavirus restrictions and the global recession began to recover in 2022. However, another factor restricting Russia-China logistical cooperation include US and EU sanctions affecting cargo transportation via Eurasia from China to Europe,<sup>56</sup> the Eastern polygon of the Trans-Siberian Railway used for export shipments between Russia and China, and the China-Mongolia-Russia trading route. In this context, one of the main areas of cooperation between Russia and China has been facilitating transport and logistics, with the two countries making significant progress in developing transport infrastructure and optimizing transport and logistics cooperation.

### ***Transport Infrastructure Development***

Cooperation between Russia and China in transport infrastructure projects have been developing in both in western and eastern directions.

On the western front, the main results of efforts to ensure reliable transport links between Russia and China include an increase in the number of trains between China and Europe, and traffic intensification with reduced transport times and the connection of some cross-border infrastructure facilities.

In 2022, 16,000 trains on route from China to Europe transited Russia; this is up 9% from 2021, with the volume of cargo delivered totaling 1.6 million TEU.<sup>57</sup> In addition to the China-Kazakhstan border crossings Alashankou – Dostyk and Khorgos – Altyntkol, which provide about 70% of transit traffic on the China–Europe route,<sup>58</sup> the China–Russia crossings Manzhouli – Zabaikalsk and Suifenhe – Grodekovo were also used for cargo transportation.

Additionally, the number of trains travelling through Russia on the China–Europe route increased following reductions in freight traffic to European countries, pri-

<sup>56</sup> The Eurasian route is the main route for the transit of goods by rail between China and the EU. It runs from China through Kazakhstan, Russia and Belarus. For more details see: International Transport Corridors in Eurasian Space: Development of Latitudinal Routes // Eurasian Rail Alliance Index. October 2020. URL: [https://index1520.com/upload/medialibrary/eec/\\_-\\_EN.pdf](https://index1520.com/upload/medialibrary/eec/_-_EN.pdf)

<sup>57</sup> A unit of cargo capacity equivalent to a twenty-foot container. In 2022, trains running between China and Europe made 16,000 trips and delivered 1.6 million TEU (+9%) // Infotrans. January 11, 2023. URL: <https://infotrans.by/2023/01/11/v-2022-g-poezda-kitaj-evropa-sovershil-16-000-rejsov-i-dostavili-16-mln-teu-9/?ysclid=lhkk348ma511605776>

<sup>58</sup> It should be mentioned that Chinese freight railways are a real competitor to the Eastern polygon of the Trans-Siberian Railway, given lower tariffs for freight traffic, as well as the ability to transport cargo at speeds of up to 180 km/h.



marily Germany and Poland.<sup>59</sup> However, this was at the expense of freight bound for Russia.

On the eastern front, Russia and China also achieved significant results in transport infrastructure development in 2022. Traffic on the Tongjiang Bridge, the first railway bridge between Russia and China across the Amur River, was launched in December 2022. This reduced the distance and rail travel times from Heilongjiang to Moscow and eased traffic congestion at the Manzhouli and Suifenhe railway stations, thereby cutting freight transport costs.<sup>60</sup>

Building a system of logistics corridors also means building a road transport network. So, 2022–2023 saw the reopening of the Russian-Chinese pontoon crossing Amurzet – Minshan<sup>61</sup> and the major border crossings Zabaikalsk – Manzhouli,<sup>62</sup> Grodekovo – Suifenhe and Poltavka – Dongning.<sup>63</sup> The first cross-border road bridge between Blagoveshchensk and Heihe opened,<sup>64</sup> providing additional connectivity between Northeast China and the Russian Far East,<sup>65</sup> and the first international road route between Moscow and Henan has been put into operation, complementing the China–Europe freight railway route.<sup>66</sup>

Along with optimizing the load on existing transport and logistics routes, it is essential to ensure stable supply chains between Russia and China as bilateral freight traffic picks up. Today, the main difficulties in this area are largely related to railroad connectivity.

For example, China began to provide significant assistance to Russia due to the high utilization of Russian seaports. As import container traffic in the Russian Far East exceeded export container traffic by at least 30% in 2022, the ports lacked the required number of platforms. To address this problem, RZD

<sup>59</sup> Container railway transit from China to the EU to halve in 2022 // *Vedomosti*. October 5, 2022.

URL: <https://www.vedomosti.ru/business/articles/2022/10/05/943918-zheleznodorozhniy-tranzit-konteinerov-ruhnet-vdvoe?ysclid=ihhhzukmi8847024>

<sup>60</sup> Tongjiang Railway Bridge, the first Sino-Russian railway bridge across the river, officially opened for traffic (in Chinese 中俄首座跨江铁路大桥同江铁路桥正式通车) // National Development and Reform Commission. December 29, 2022.

URL: [https://www.ndrc.gov.cn/fggz/dqjj/sdbk/202212/t20221229\\_1344526.html](https://www.ndrc.gov.cn/fggz/dqjj/sdbk/202212/t20221229_1344526.html)

<sup>61</sup> A pontoon bridge is being built across the Amur River between the Eurasian Economic Area and the People's Republic of China for cargo traffic // *RIA Novosti*. December 14, 2022.

URL: <https://ria.ru/20221214/most-1838683357.html>

<sup>62</sup> The Chinese-Russian border crossing in Zabaikalsk started operating without delays // *Parlamentskaya Gazeta*. January 9, 2023. URL: <https://www.pnp.ru/in-world/kitaysko-rossiyskiy-pogranperekhod-v-zabaykalske-nachal-rabotu-bez-zaderzhek.html?ysclid=lgm5tkb0gk822443078>

<sup>63</sup> Dongning highway port in Heilongjiang to resume customs clearance on Friday // *Global Times*. February 24, 2023. URL: <https://www.globaltimes.cn/page/202302/1286151.shtml>

<sup>64</sup> The first motorway bridge between Russia and China. History and characteristics // *TASS*. June 10, 2022. URL: <https://tass.ru/info/14877263>

<sup>65</sup> Heilongjiang Bridge officially opened to traffic, Heihe Highway port officially opened (in Chinese 黑龙江大桥正式通车 黑河公路口岸正式开通) // *People.com*. June 10, 2022. URL: <http://hj.people.com.cn/n2/2022/0610/c220027-35309480.html>

<sup>66</sup> First cross-border road freight line between Henan and Moscow launches in response to closer trade ties // *Global Times*. February 20, 2023. URL: <https://www.globaltimes.cn/page/202302/1285867.shtml>

Business Asset launched a new Volga Express overland service in March 2023,<sup>67</sup> with container trains scheduled to run from the newly opened Puhe terminal and logistics center in Shenyang to the Bezymyanka terminal in Samara.<sup>68</sup> Overall, Russian Railways plans to raise daily import container traffic from 4,500 units in 2022 to 6,500 units in 2023.<sup>69</sup>

In early 2023, Russian Railways also saw a sharp increase in container traffic towards ports and border crossings in the Far East for Chinese exports: seven times more containerized freight goes to the Zabaikalsk–Manzhouli border crossing alone,<sup>70</sup> which is then transported by the railway network.<sup>71</sup> To solve this problem, China has significantly increased transit volumes through its Far Eastern checkpoints, gradually integrating Russian transport networks into the land and sea transit corridor through Western China to Southeast Asia.

### ***Optimizing Transport and Logistics Cooperation***

In 2022, Russia and China made progress in strengthening core political contacts, harmonizing standards, and improving transport and logistics cooperation measures.

Interdepartmental communication is the main channel for facilitating transport and logistics between Russia and China. In February 2022, one third of the cooperation agreements signed by the two governments during Putin’s visit to China involved customs regulations.<sup>72</sup> The list of documents includes, inter alia, the Agreement on the Mutual Recognition of Authorized Economic Operators (AEOs), under which goods directly imported and exported by AEOs from either country are subject to simplified customs clearance.<sup>73</sup> This is expected to give additional impetus to Russian-Chinese trade and economic ties.

Multilateral platforms such as the SCO and the EAEU have also had a major impact on developing links in transportation between Russia and China. Particularly, weaving together the transport and logistics facilities were discussed at the 2022 Ministers of Transport meeting,<sup>74</sup> in addition to the SCO Heads of State

<sup>67</sup> In 2022, the transport and logistics company RZD Business Asset transported 311,000 containers, which is more than one and a half times higher than in 2021.

<sup>68</sup> New service to relieve the burden on ports // *Gazeta Gudok*. March 14, 2023.  
URL: <https://gudok.ru/newspaper/?ID=1629328&ysclid=lgm58xu9c6775634455>

<sup>69</sup> Container crossing loop // *Kommersant*. January 30, 2023.  
URL: <https://www.kommersant.ru/doc/5796339?ysclid=lgf5b054tb761618343>

<sup>70</sup> Up to 65% of Russian-Chinese foreign trade is transshipped here, and more than 25% of the transit flow from China to European countries is also formed here.

<sup>71</sup> Containers rushing to China // *Kommersant*. January 26, 2023.  
URL: <https://www.kommersant.ru/doc/5785927?ysclid=lgf58a70be926366504>

<sup>72</sup> China and Russia signed a number of documents on cooperation (in Chinese 中俄签署一系列合作文件) // Ministry of Foreign Affairs of the People’s Republic of China. February 4, 2022.  
URL: [https://www.fmprc.gov.cn/zyxw/202202/t20220204\\_10638957.shtml](https://www.fmprc.gov.cn/zyxw/202202/t20220204_10638957.shtml)

<sup>73</sup> Liuzhou–Moscow freight train departs after signing of China–Russia AEO // *Global Times*. February 23, 2022.  
URL: <https://www.globaltimes.cn/page/202202/1253017.shtml>

<sup>74</sup> Ninth meeting of the SCO transport ministers held (in Chinese 上合组织成员国交通部长第九次会议召开) // Ministry of Transport of the People’s Republic of China. May 12, 2022.  
URL: [https://www.mot.gov.cn/buzhangwangye/zhaochongjiu/zhongyaohuodonghejianghua/202205/t20220513\\_3655556.html](https://www.mot.gov.cn/buzhangwangye/zhaochongjiu/zhongyaohuodonghejianghua/202205/t20220513_3655556.html)

Council meeting.<sup>75</sup> In January 2022, a SCO Expert Group meeting concluded in the adoption of a draft cooperation strategy for developing regional connectivity and building efficient economic transport corridors, which were identified as priorities for development and interregional cooperation.<sup>76</sup>

The EAEU has also been working in this area. In June 2022, at an EAEU head of state meeting, the parties expressed their readiness to cooperate with Chinese development organizations to finance the construction of Eurasian East-West and North-South transport corridors.<sup>77</sup> In September 2022, the EAEU signed an agreement with the Russian Trading Company on the express delivery of agricultural products (Eurasian Agroexpress),<sup>78</sup> which further optimized the system for transporting agricultural exports, including to China.

There has also been significant progress in transport cooperation between Russia, China and Mongolia: in a meeting held in September 2022, state leaders confirmed the extension of a project to build the China–Mongolia–Russia economic corridor for another five years. They also agreed to launch a feasibility study on the modernization and development of the corridor's railway line and to promote the Russian-Chinese gas pipeline Soyuz Vostok project via Mongolia.<sup>79</sup>

Additionally, in 2023, Chinese logistics operators plan to open additional railway routes for freight traffic from Chinese cities such as Zhengzhou, Xiamen and Chengdu via Mongolia to Moscow. New routes are also being developed as part of the efforts to intensify Russian-Chinese cooperation in hydrocarbon transportation, where Russia is already assisting China.

### ***Factors Further Developing Russia–China Transport Cooperation: Problems in Building and Linking Bilateral Transport and Logistics***

According to Chinese experts, Russia and China were able to achieve significant results in transport and logistics cooperation in 2022 largely due to two main factors.

<sup>75</sup> Joint Communiqué following the 21st Meeting of the SCO Heads of Government (Prime Ministers) Council. (in Chinese 上海合作组织成员国政府首脑（总理）理事会第二十一次会议联合公报) // Shanghai Cooperation Organisation. November 1, 2022. URL: <http://chn.sectsc.org/docs/20221101/921900/-html>, in English: <http://eng.sectsc.org/archives/20221102/922237/Joint-communication-following-the-21st-meeting-of-the-SCO-Heads-of-Government-Prime-Ministers-Council.html>

<sup>76</sup> Experts discussed the draft Strategy of Cooperation of the SCO Member States on the Development of Interconnectivity and Creation of Efficient Economic and Transport Corridors // CIS Internet Portal. January 22, 2022. URL: <https://e-cis.info/news/568/97695/?ysclid=lhhlvz6eq0250509941>

<sup>77</sup> Governments of EAEU and EEC States to develop Eurasian transport corridors in East-West and North-South directions // Eurasian Economic Commission. June 21, 2022. URL: <https://eec.eaeunion.org/en/news/pravitelstva-gosudarstv-eaes-iseek-budut-razvivat-evraziyskie-transportnye-koridory-v-napravleniyakh/>

<sup>78</sup> Russian Trading Company in China to become a trading instrument of the Eurasian Agroexpress project // Eurasian Economic Commission. September 6, 2022. URL: <https://eec.eaeunion.org/en/news/torgovym-instrumentom-proekta-evraziyskiy-agroekspres-stanet-rossiyskaya-torgovaya-kompaniya-v-kita/>

<sup>79</sup> President Xi Jinping Attends Sixth Meeting of Heads of State of China, Russia and Mongolia (in Chinese 习近平出席中俄蒙元首第六次会晤) // Ministry of Foreign Affairs of the People's Republic of China. September 16, 2022. URL: [https://www.fmprc.gov.cn/web/gjhdq\\_676201/gj\\_676203/oz\\_678770/1206\\_679110/xgxw\\_679116/202209/t20220916\\_10766746.shtml](https://www.fmprc.gov.cn/web/gjhdq_676201/gj_676203/oz_678770/1206_679110/xgxw_679116/202209/t20220916_10766746.shtml), In English: [https://www.fmprc.gov.cn/eng/zxxx\\_662805/202209/t20220916\\_10766766.html#:~:text=On%20the%20afternoon%20of%2015,Forumlar%20Majmuasi%20Complex%20in%20Samarkand](https://www.fmprc.gov.cn/eng/zxxx_662805/202209/t20220916_10766766.html#:~:text=On%20the%20afternoon%20of%2015,Forumlar%20Majmuasi%20Complex%20in%20Samarkand)

First, following the deterioration of the Ukraine conflict, the development of diversified ties with China became a priority for Russia to overcome economic constraints and political isolation from the US and the EU. Moscow's reorientation towards new markets has helped accelerate the construction of numerous bilateral transport projects.

Second, Russia and China have been cooperating for many years to simplify transport and logistics procedures and customs policies. The system of existing initiatives has served as the basis for increased cargo flows and new proposals for their optimization.

However, in addition to macroeconomic factors, such as global economic fluctuations and the coronavirus pandemic, the Ukraine crisis and its resulting large-scale geopolitical and economic changes pose numerous constraints on Russia-China cooperation in this area. This has manifested in three ways.

First, the special military operation in Ukraine requires a significant portion of Russia's resources towards its cause, which affects the pace of economic cooperation between Russia and China, Chinese experts say. Accordingly, while Moscow attaches great importance to the development of transport and logistics cooperation with Beijing, Russian investments in this area are limited. Therefore, progress in the development of transport infrastructure in 2022 is mainly related to the success of the previously launched projects (such as the Heilongjiang Bridge, Tongjiang Railway Bridge, etc.) rather than any of the new major initiatives.

Second, anti-Russian sanctions create additional risks in the transport sector, which has affected the interests of Chinese companies in joint transport facilitation projects. As a result, despite significant efforts made by Russia and China to optimize their transport and logistics cooperation, the response from the commercial sector has been rather limited.

Third, after the start of the SMO in Ukraine, the system of China–Europe railways partially changed: in the spring of 2022, the freight trains previously passing through Ukraine were redirected to the Brest–Malashevichi border crossing between Poland and Belarus. However, Chinese experts say that in recent years, transit traffic through Ukraine has accounted for only about 2–3% of the railway traffic along the route, meaning that adjustments in the redistribution of logistics chains are insignificant.<sup>80</sup> The development of the route through Belarus, in turn, opens new opportunities and prospects for Russia.

These changes had an impact on the Russian-Chinese transport and logistics projects planned by the countries in the Eurasian region.

### ***New Russia–China Transport and Logistics Cooperation: Key Objectives for Expanding Bilateral Traffic***

Despite new risks posed to Russia-China relations in the face of the significantly changing international environment, both states continued their efforts in boosting transport cooperation, particularly by searching for new routes.

<sup>80</sup> China-Europe freight trains undisrupted amid escalating crisis in Ukraine, contingency plan considered // Global Times. March 9, 2022. URL: <https://www.globaltimes.cn/page/202203/1254468.shtml?id=11>

The first area includes joint projects to expand the Northern Sea Route (NSR). In early 2022, the Russian government signed an over 150-point plan to develop the route.<sup>81</sup> The first coastal transport route from St. Petersburg to Vladivostok has also been launched.<sup>82</sup> In order to further develop the transit potential of the NSR, Moscow plans to join its efforts with friendly countries, including China. To do so, both states have showed their eagerness to set up a joint body to implement such changes.<sup>83</sup>

The second means to further expand cooperation envisages the North-South international transport corridor. Beijing is developing an alternative corridor through Central Asia, the Caucasus, and the Middle East to deliver goods to Europe. In turn, Russia may consider the North-South route to integrate into other regional transport networks and use BRICS, SCO and EAEU countries to promote its construction.<sup>84</sup>

The third area includes utilizing the transport potential of the Primorye-2 international transport corridor. The project's infrastructure capabilities allow goods and cargo to be exported from the Jilin Province via the Mahalino–Hunchun border crossing point by rail and via the Kraskino–Hunchun crossing point by road. On the one hand, transporting cargo through the Primorsky Krai will help reduce the cost of goods to a certain extent. On the other hand, it will enable Russia to receive new revenues from transit traffic. In the future, Russia also plans to expand its economic ties with this market by extending the Moscow–Kazan high-speed railway to Irkutsk and Vladivostok with shared access to Kazakhstan, Mongolia and China.<sup>85</sup>

The fourth area relates to cooperating on the expansion of the Bely Rast logistics center in the Moscow Region. This expansion is expected to help reduce travel times for freight transportation from Beijing to Moscow then to Europe, while also boosting container traffic on the China–Russia–Europe route. The first freight express train from Beijing arrived at the Bely Rast logistics center in April 2023.<sup>86</sup>

However, to consolidate the positive dynamics and further boost freight traffic between Russia and China as part of the existing and prospective transport and logistics routes, numerous issues first have to be tackled.

To start, it is imperative to increase transit train speed, enhance containerization

<sup>81</sup> Mishustin approves the Northern Sea Route Development Plan until 2035 // Russian Government. August 4, 2022.  
URL: <http://government.ru/docs/46171/>

<sup>82</sup> Nuclear-powered container ship "Sevmorput" out on the first favourable coastal voyage // National Projects of Russia. June 28, 2022. URL: <https://xn--80aapampemcchfm07a3c9ehj.xn--p1ai/news/atomnyy-konteynerovoz-sevmorput-vyshel-v-pervyy-gotnyy-kabotazhnyy-reys>

<sup>83</sup> Putin: Russia and China are ready to create a joint working body to develop the Northern Sea Route // The Arctic. March 22, 2023. URL: <https://arctic.ru/international/20230322/1018198.html>

<sup>84</sup> Cargo pulled along the meridian // Kommersant. October 26, 2022.  
URL: <https://www.kommersant.ru/doc/5633446?ysclid=lhal5atpc195820264>

<sup>85</sup> Putin announced decision to extend M-12 railway to Irkutsk and Vladivostok // RBC. February 21, 2023.  
URL: <https://rt.rbc.ru/tatarstan/freenews/63f4a20d9a79476004dad5b1?ysclid=lgf0s6c52x916559966>

<sup>86</sup> First direct freight express train from China to Europe arrives in the Moscow region from Beijing // MPK. April 3, 2023.  
URL: <https://mpk-cn.ru/news/57452>

and raise train load factors. Stepping up loaded exports from Russia via Kazakhstan's junctions with China on the China-Europe route instead of empty transports is important in this endeavor.<sup>87</sup>

To meet this objective, the duty on container purchases has already been zeroed in 2022 to eliminate deficits created by the international maritime operator's container fleet withdrawal from Russia.

Second, it is necessary to improve the efficiency of existing border crossings. In particular, increasing regular container traffic at the new Nizhneleninskoye–Tongjiang border crossing will relieve pressure on the largest Zabaikalsk–Manzhouli border crossing point.<sup>88</sup>

Third, new border crossing points and cross-border infrastructure facilities need to be built. Among other things, a railway bridge is scheduled to be built between Dzhaldina and Mohe across the Amur River in the Amur Region's Skovorodinsky District.<sup>89</sup>

Finally, it is important to continue the digitalization of the transportation processes to enhance customs clearance efficiency. In 2023, Russian Railways plans a complete switch to electronic transit waybills and electronic shipping documentation:<sup>90</sup> this will reduce document processing and inspection time at border crossing points, which in turn will speed up delivery.

The successful completion of these tasks will be another step towards creating a more sustainable and balanced regional and global trade structure, while the new configuration of the Eurasian land-sea transport network developed by Russia and China will provide fast and reliable export channels for high-tech products with high added value, ensuring the general profitability of the Eurasian transit mega-project for the participating countries.

### 2.3. Russia–China Energy Cooperation

The year 2022 saw major changes in the global energy market. Following the escalation of the Ukraine conflict, the US and other Western countries significantly reduced their Russian energy purchases, instead relying on imports from the Middle East and Australia. This triggered a sharp rise in global oil prices, which rose to 130 dollars per barrel in Q1 and Q2 of 2022, and then gradually declined to 90 dollars per barrel after the EU's imposition of an embargo and a price ceiling on

<sup>87</sup> Presidents of Kazakhstan and Russia discuss expansion of transit and transport routes // Sputnik Kazakhstan. March 6, 2023. URL: <https://ru.sputnik.kz/20230306/tokaev-i-putin-obsudili-voprosy-rasshireniya-tranzitno-transportnykh-marshrutov-32705758.html?ysclid=lgaxodjzsl624535178>

<sup>88</sup> From early 2023, the Russian Railways is considering the possibility of using the Nizhneleninskoye-Tongjiang border crossing, which was originally designed to transport only coal and ore, for containers and timber cargo. See: Crossing between the EAEU and China proposed to be used for container shipments // RIA Novosti. September 6, 2022. URL: <https://ria.ru/20220906/perevozki-1815311688.html>

<sup>89</sup> Russia building a bridge to China // Kommersant. September 5, 2022. URL: <https://www.kommersant.ru/doc/5547436?ysclid=lgf5qfkvxg979617303/>

<sup>90</sup> Russia and China build up cargo traffic // Gazeta Gudok. September 8, 2022. URL: <https://gudok.ru/newspaper/?ID=1613695&archive=2022.09.08&ysclid=lgdixmjlm4769648852>

Russian oil.<sup>91</sup> Such measures are driven by the West's desire not only to ease its own dependence on Russian oil, but also limit Russia's revenues from energy exports.

Russian natural gas supplies to Europe have dropped, first due to the conversion of payments into rubles and then following the attacks on the Nord Stream 1 and Nord Stream 2 pipelines. Russian gas exports to unfriendly countries totaled 100.9 billion cubic meters in 2022, down significantly from 185.1 billion cubic meters in 2021.<sup>92</sup> The share of Russian gas in the European market plummeted from 30–35% to 7.5%.<sup>93</sup> Russia has diverted most of its oil exports to non-Western countries, mainly to Indian, Chinese and Southeast Asian markets, offering significant discounts to importers. Nevertheless, the West's shared approach to sanctions against the use of Russian hydrocarbons hampers Russia's investment cooperation and access to foreign high-tech, primarily in the field of oil and gas resource development.

However, even in the context of general global energy market instability and growing unprecedented sanctions, Russia-China oil and gas cooperation continues to develop. Following Beijing's strict zero-tolerance COVID-19 policy and a spike in global oil prices in 2022, China's energy imports have shrunk significantly. According to the General Administration of Customs (GAC) of the People's Republic of China, China imported 508 million tons of crude oil in 2022, down 0.9% from the same period in 2021, and 109.25 million tons of natural gas, down 9.9% from the same period in 2021.<sup>94</sup>

At the same time, according to China's General Administration of Customs, Russian energy supplies to China in 2022 increased significantly. In 2022, crude oil imports from Russia totaled 86.24 million tons (Fig. 2), pipeline gas – 15.5 billion cubic meters, and liquefied natural gas (LNG) – 6.5 million tons, which is 8.2%, 49% and 20% more than in 2021, respectively. Russia has become the second largest supplier of oil, pipeline gas and coal to China.<sup>95</sup>

Rising global energy prices drove up the Russian-Chinese trade in 2022 to 190 billion dollars,<sup>96</sup> with energy accounting for more than 43% of this amount.<sup>97</sup> Compared to other oil-producing countries, Russia has a price advantage when supplying crude oil to China, especially in the case of long-term contracts.

<sup>91</sup> Saudi Arabia warns of oil deficit // Vesti. February 6, 2023. URL: <https://www.vesti.ru/finance/article/3186726>

<sup>92</sup> Gazprom learns to live without Europe // Kommersant. December 28, 2022. URL: <https://www.kommersant.ru/doc/5755139>

<sup>93</sup> Macron: share of Russian gas in Europe drops from 30–35% to 7.5% // Vedomosti. October 7, 2022.

URL: <https://www.vedomosti.ru/politics/news/2022/10/07/944461-dolya-rossiiskogo-gaza-sokratilas>

<sup>94</sup> China reduced oil imports in 2022, but the situation may change in 2023 // ETP GPB. January 13, 2023.

URL: [https://etpgpb.ru/posts/29330-kitay\\_v\\_2022\\_g\\_snizil\\_import\\_nefti\\_no\\_situatsiya\\_v\\_2023\\_g\\_mozhet\\_izmenitsya/](https://etpgpb.ru/posts/29330-kitay_v_2022_g_snizil_import_nefti_no_situatsiya_v_2023_g_mozhet_izmenitsya/)

<sup>95</sup> Platform for requesting Chinese customs statistics // General Administration of Customs of the People's Republic of China.

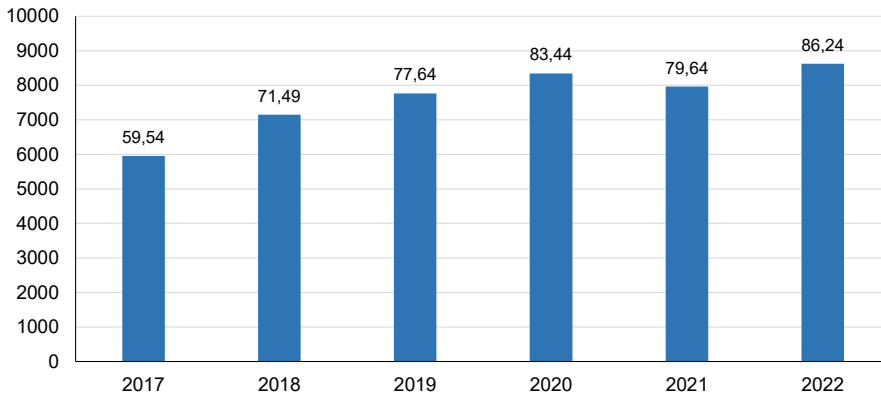
URL: <http://stats.customs.gov.cn/>

<sup>96</sup> Russia's trade with China hits a record // RBC. January 13, 2023. URL: <https://tass.ru/ekonomika/16791461>

<sup>97</sup> Promoting qualitative and quantitative trade and economic co-operation between Russia and China

(in Chinese 推动中俄经贸合作质量并进) // Paper. April 3, 2023.

URL: [http://paper.ce.cn/pad/content/202304/03/content\\_271911.html](http://paper.ce.cn/pad/content/202304/03/content_271911.html)

**Figure 2: Crude oil imports to China from Russia, million tons.**

Source: *General Administration of Customs of the People's Republic of China*<sup>98</sup>

According to China's Main Customs Administration, the average price of Russian crude oil delivered to China stands at USD 89.7 per barrel, while the average price of crude oil from Saudi Arabia, a major source of imports for the Chinese market, has reached USD 98.1 per barrel.<sup>99</sup>

Regarding sanctions, China firmly reiterated its commitment to “maintain sound energy cooperation,” stressing that it “will continue to conduct normal trade cooperation.”<sup>100</sup> This creates certain prospects for developing Russia-China cooperation in the medium-term in areas such as the construction of new gas pipelines to China, offshore hydrocarbon production, LNG and petrochemical production, industry-specific high technology development, etc. High on the agenda is to finalize the relevant agreements to boost hydrocarbon exports to China. At the same time, it is necessary to expand cooperation with Chinese partners in the use of Chinese oil and gas equipment for the exploration and production of Russian hydrocarbons.

In early February 2022, Russia and China signed three agreements to further increase Russian gas and oil supplies to China in the coming years. So, Gazprom and China National Petroleum Corporation (CNPC) signed a contract<sup>101</sup> to supply 10 billion cubic meters of gas a year to China for 25 years from the Sakhalin gas fields (Sakhalin-3).<sup>102</sup> The unique Yuzhno-Kirinskoye gas field on the Sakhalin

<sup>98</sup> Overview // General Administration of Customs of the People's Republic of China (in Chinese 中华人民共和国海关总署). URL: <http://www.customs.gov.cn/customs/syx/index.html>

<sup>99</sup> Ibid.

<sup>100</sup> Foreign Ministry Spokesperson Zhao Lijian's Regular Press Conference on March 9, 2022 // Ministry of Foreign Affairs of the People's Republic of China. 9 March 2022. URL: [https://www.fmprc.gov.cn/eng/xwfw\\_665399/s2510\\_665401/2511\\_665403/202203/t20220309\\_10650266.html](https://www.fmprc.gov.cn/eng/xwfw_665399/s2510_665401/2511_665403/202203/t20220309_10650266.html)

<sup>101</sup> The contract was signed as a supplement to the 2014 agreement for the supply of 38 billion cubic metres of gas through the Siberia Power Line, which was concluded for a period of 30 years.

<sup>102</sup> Gazprom and CNPC sign contract to supply Russian pipeline gas to China via Far East route // Gazprom. February 4, 2022. URL: <https://www.gazprom.ru/press/news/2022/february/article547475/>



shelf holds reserves of over 800 billion cubic meters and serves as a resource base for this gas pipeline. Its development is currently suspended due to US sanctions on the acquisition of subsea production facilities. However, given that in 2022 China National Offshore Oil Corporation (CNOOC) started to apply its own subsea hydrocarbon production systems offshore Hainan Island, such equipment could be supplied by China. According to the contracts signed, total annual Russian gas supplies to China through the two pipelines are expected to reach 48 billion cubic meters per year. Besides, the price terms of the 2022 contract are similar to the 2014 agreement, making Russian gas competitive with imported LNG.<sup>103</sup>

In December 2022, the Kovykta field began operation, and the new Kovykta-Chayanda section of the Power of Siberia gas pipeline<sup>104</sup> was launched, completing this pipeline. Russia's Yamal LNG project, with CNPC and the Silk Road Fund among its shareholders, has produced about 21 million tons of LNG.<sup>105</sup> According to Novatek, the plant's three main process lines have reached 120% of their design capacity (each line having a design capacity of 5.5 million tons per year), and the actual capacity of the fourth line of Yamal LNG has also reached around 1 million tons.

On April 12, 2022, China Gezhouba Group Corporation (CGGC), a Chinese company, successfully completed the second stage of building the first line of the Amur Gas Processing Plant (GPP) near the town of Svobodny in the Amur Region. The installation of the accompanying equipment has already been completed, and start-up and commissioning work has been carried out. Upon the construction's completion, which is scheduled for 2025, the Amur GPP will become Russia's largest natural gas processing facility and a global leader in helium production with the projected capacity of 60 million cubic meters of helium a year. The Amur GPP is also planned to produce methane, ethane, propane and butane.<sup>106</sup>

The construction of new power units at the Tianwan NPP and Xudapu NPP continues. The first Russian-designed power units of the Tianwan NPP were commissioned in 2007, followed by the power start-up of the third and fourth units in 2018. The new power units are scheduled to be commissioned in 2026–2028.<sup>107</sup>

There are also numerous planned joint projects that are pending implementation. In 2019, Russia put forward an initiative to develop a project for a Trans-Asian Russia-Mongolia-China gas pipeline. In 2020, Gazprom CEO Alexey Miller and Mongolia's Deputy Prime Minister Yangugiin Sodbaatar signed a memorandum

<sup>103</sup> Yermakov V., Meidan M. Russia and China Expand Their Gas Deal: Key Implications // The Oxford Institute for Energy Studies, 2022. URL: <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2022/03/Russia-and-China-Expand-Their-Gas-Deal-Key-Implications.pdf>

<sup>104</sup> The Kovykta field and the new Kovykta-Chayanda section of the Power of Siberia gas pipeline, were launched in the Irkutsk region // Channel One. URL: [https://www.1tv.ru/news/2022-12-21/443905-v\\_irkutskoy\\_oblasti\\_zapustili\\_kovyktinskoe\\_mestorozhdenie\\_i\\_novyy\\_uchastok\\_kovykta\\_chayanda\\_gazoprovoda\\_sila\\_sibiri\\_gas\\_pipeline](https://www.1tv.ru/news/2022-12-21/443905-v_irkutskoy_oblasti_zapustili_kovyktinskoe_mestorozhdenie_i_novyy_uchastok_kovykta_chayanda_gazoprovoda_sila_sibiri_gas_pipeline)

<sup>105</sup> Novatek brings its domestic line Yamal LNG to the capacity of about 1 million tonnes // Vedomosti. December 12, 2022. URL: <https://www.vedomosti.ru/business/articles/2022/12/12/954873-novatek-vivel-otechestvennuyu-liniyu-yamal-spg>

<sup>106</sup> Gazprom launches the world's largest helium plant // Vedomosti. July 10, 2023. URL: <https://www.vedomosti.ru/business/articles/2021/06/10/873639-gazprom-geliya>

<sup>107</sup> Construction of new power units at the Tianwan Nuclear Power Plant and the Xudapu NPP launched // President of Russia. May 19, 2021. URL: <http://www.kremlin.ru/catalog/countries/CN/events/65606>

of intent to set up a special purpose company to develop a feasibility study for the construction and operation of a gas trunk line running through Mongolia to China.<sup>108</sup> In a joint statement issued following Chinese President Xi Jinping's visit to Russia in March 2023, both states confirmed their interest in promoting the construction of this gas pipeline.<sup>109</sup> At the end of 2022, Russian President Vladimir Putin also suggested creating a triple gas union with Kazakhstan and Uzbekistan to coordinate gas supplies to third countries,<sup>110</sup> which China may be interested in joining.

Russia-China energy cooperation has recently also been developing in areas such as engineering construction, oil services and equipment supply. In November 2022, the IV Russian-Chinese Energy Business Forum was held in Moscow and Beijing, resulting in the China–Russia Energy Cooperation Investment Atlas being published (Chinese experts completed their portion of the Atlas)<sup>111</sup>— an important milestone in exchanging investment information in the energy sector between the two countries. It also promoted deeper development in energy cooperation, complementing Russia's earlier parts of the Atlas, published in 2021.

Also, in 2022, Russia and China started using their own national currencies for energy payments: in September 2022, Gazprom and CNPC signed an agreement to switch payments for gas supplies to China to rubles and yuan.<sup>112</sup> Countries actively switched to their national currencies in oil, oil products and coal supply settlements.<sup>113</sup>

In 2023, Russia is expected to maintain a steady level of oil production and exports thanks to its successful shift to new markets. Russia started delivering three rare Russian oil grades to China – Arco, Varandey and Novy Port – that had previously been shipped to Europe for refining.<sup>114</sup> Rosneft launched a unique new project, Vostok Oil, oriented towards the growing Southeast Asian market. The project is expected to more than double oil supplies to the region, primarily to China.<sup>115</sup> During Chinese President Xi Jinping's visit to Russia in March 2023, the two leaders also discussed the potential development of the Northern Sea Route. Russia

<sup>108</sup> Gazprom and Mongolia to set up a joint venture for a project to build a gas pipeline to China // Vedomosti. August 26, 2020. URL: <https://www.vedomosti.ru/business/articles/2020/08/25/837742-gazprom-mongoliya>

<sup>109</sup> Joint Statement of the Russian Federation and the People's Republic of China on Deepening Comprehensive Partnership and Strategic Cooperation for a New Era // President of Russia. March 21, 2023. URL: <http://www.kremlin.ru/supplement/5920>

<sup>110</sup> The Kremlin explains the need to create a "triple gas union" // RBC. November 29, 2022. URL: <https://www.rbc.ru/politics/29/11/2022/6385cf0e9a7947138213457b>

<sup>111</sup> The IV Russian-Chinese Energy Business Forum gathered heads of major companies, representatives of government authorities and industry experts // Rosneft. November 29, 2022. URL: <https://www.rosneft.ru/press/news/item/212761/>

<sup>112</sup> Gazprom and CNPC sign agreement on gas supplies for roubles and yuan // Vedomosti. September 6, 2022. URL: <https://www.vedomosti.ru/economics/news/2022/09/06/939498-gazprom-i-cnpc-podpisali-soglashenie>

<sup>113</sup> Novak reports on the transition of Russia and China to payment for energy supplies in national currencies // Vedomosti. November 18, 2022. URL: <https://www.vedomosti.ru/business/news/2022/11/18/951060-novak-o-perehode-rf-i-knr-na-rascheti-v-rublyah>

<sup>114</sup> China has purchased batches of rare Russian oil grade // Lenta. January 10, 2023. URL: <https://lenta.ru/news/2023/01/10/arco/>

<sup>115</sup> Igor Sechin: Vostok Oil project to double oil supplies to the Southeast Asian market, primarily to China and India // Rosneft. October 27, 2022. URL: <https://www.rosneft.ru/press/news/item/212557/>

plans to open the Northern Sea Route from the Varandey and Prirazlomnoye fields to transport oil from the Barents Sea to the east during the summer-autumn navigation season.<sup>116</sup> Gazprom and Lukoil currently supply oil from these two fields to the west, with Chinese oil companies among the buyers.

Rosneft and CNPC also signed Agreement 3 on Amendments to the Crude Oil Sale and Purchase Agreement, which supplies 100 million tons of crude oil via Kazakhstan to refineries in western China for over a 10-year period for a total value of USD 80 billion,<sup>117</sup> as well as the Memorandum of Understanding on Cooperation in Low-Carbon Development.<sup>118</sup>

China's gas demand has been continuously growing ever since coronavirus restrictions were lifted: it could increase by 6.6% from 367 bcm to 388 bcm through 2023, with domestic production covering only 60% of demand. To fully meet its domestic needs, China is entering into numerous long-term contracts for LNG and pipeline gas imports.<sup>119</sup> The activity of Chinese companies in the oil and gas sector is also explained by their desire to stop importing hydrocarbons from world markets at volatile spot prices, turning instead to contractual oil and gas supplies to China from overseas fields where China's oil and gas companies are involved in development or where they have stakes.

One of the highlights of Russian-Chinese cooperation in the gas sector is the Power of Siberia 1 Gas Transmission System (GTS), commissioned in 2019. It is scheduled to deliver 22 billion cubic meters of gas to China in 2023. Gazprom is expected to reach the projected capacity of 38 billion cubic meters by around 2027.<sup>120</sup>

Russia has the potential to further increase gas supplies to China. Gazprom and CNPC are currently discussing a project to supply 50 billion cubic meters of gas to China, which will become possible following the completion of the Soyuz Vostok gas trunk line that will pass through Mongolia, serving as an extension of Russia's Power of Siberia 2 pipeline.<sup>121</sup> The new facility is expected to become operational in 4-5 years at the earliest.

Additionally, Russia, together with Kazakhstan and Uzbekistan, is looking at ways to increase Russian gas supplies through the existing gas pipeline system between Central Asia and China. This network is currently underutilized due to problems with gas production in Turkmenistan and Uzbekistan.

<sup>116</sup> Rosatom discusses redirecting part of the Arctic oil to the east via the Northern Sea Route // Kommersant. March 27, 2023. URL: <https://www.kommersant.ru/doc/5900637>

<sup>117</sup> Rosneft agree new terms of oil export to China // RCC. February 4, 2022. URL: <http://rcc.ru/article/rosneft-soglasovala-novye-usloviya-eksporta-nefti-v-kitay-85143>

<sup>118</sup> Rosatom discusses redirecting part of the Arctic oil to the east via the Northern Sea Route // Kommersant. March 27, 2023. URL: <https://www.kommersant.ru/doc/5900637>

<sup>119</sup> IEA once again warns of threats to Europe's gas market from Russia and China // Neftegaz.ru. February 28, 2023. URL: <https://neftgaz.ru/news/finance/771674-mea-vnov-predupredilo-ob-ugrozakh-dlya-gazovogo-rynka-evropy-kotorye-iskhodiat-ot-rossii-i-kitaya/>

<sup>120</sup> Gas deliveries via Power of Siberia pipeline to China are scheduled to reach 22 billion cubic metres in 2023 // Interfax. October 13, 2022. URL: <https://www.interfax.ru/business/867666>

<sup>121</sup> Gazprom and CNPC discuss progress on project for Russian gas supplies to China via the Far Eastern route // Gazprom. September 6, 2022. URL: <https://www.gazprom.ru/press/news/2022/september/article556283/>

As for LNG, China is investing heavily in the construction of large plants, including in Russia. Indeed, China is not only a major consumer of LNG but also an exporter of its excessive resources, earning significant profits in return.

China's policy fits well with Russia's strategy to expand LNG production, which is expected to reach 100 million tons by 2030.<sup>122</sup> To date, the largest joint Russian-Chinese LNG projects are Yamal LNG and Arctic LNG 2 initiated by Russia's NOVATEK, where Chinese shareholders have 29.9%<sup>123</sup> and 20%, respectively.<sup>124</sup>

Chinese investments have been instrumental in helping Novatek realize Yamal LNG. In 2016, the project received two credit lines from the Export-Import Bank of China and China Development Bank, worth a total of USD 12.1 billion dollars, for a period of 15 years.<sup>125</sup> The same banks provided EU 2.5 billion to finance Arctic LNG 2.<sup>126</sup>

At the same time, Chinese experts point out various problems in Russia-China energy cooperation. First, in the context of Western sanctions, Chinese companies are still wary of completely entering Russian markets, fearing secondary sanctions. Second, China's proposal for integration across the entire production chain has not been positively received by Russia for quite some time. Today, Russian hydrocarbon resources are largely closed to foreign investment following the withdrawal of Western oil companies from the Russian upstream investment sector in 2022. Third, despite Russia's adoption of the Low Carbon Development Strategy 2050, due to the abundance of energy resources and low demand for renewable energy products and technologies (RES), cooperation between Russia and China in RES is still limited, and its potential has not been realized. Fourth, Russia needs to promote a better business environment as Chinese companies, especially private ones, still meet certain barriers when entering the Russian market. At the same time, the Russian gas sector is also facing significant challenges, with the production and transportation of gas declining sharply. Another problem is the large-scale reorientation of Russian energy supplies from the West to the East, and partly to the South. Additionally, due to sanctions and the refusal of the world's leading companies to supply the necessary process equipment for large-scale gas liquefaction projects that are under construction (Arctic LNG 2 and Baltic LNG in Ust-Luga), Russia will have to focus on improving its existing domestic medium-tonnage and small-tonnage technologies. Hopefully, Chinese companies will provide technical assistance and supply the necessary equipment. According to Russian Deputy Prime Minister Alexander Novak, China has already become

<sup>122</sup> Novak: Russia needs resource base and technologies to meet production target of 100 million tonnes of LNG // TASS. March 28, 2023. URL: <https://tass.ru/ekonomika/17384353>

<sup>123</sup> Chinese shareholding in Yamal LNG project reaching almost 30% // Zhenmin Zhilbao. May 11, 2016. URL: <http://russian.people.com.cn/n3/2016/05/11/c31518-9056207.html>

<sup>124</sup> NOVATEK agrees to sell 20% of Arctic LNG 2 to Chinese companies // RBC. April 25, 2019. URL: <https://www.rbc.ru/business/25/04/2019/5cc176b99a79473082e419f9>

<sup>125</sup> Yamal LNG gets Chinese money // Vedomosti. April 29, 2016. URL: <https://www.vedomosti.ru/business/articles/2016/04/29/639657-yamal-spg-kitaiskie>

<sup>126</sup> External financing raised. Arctic LNG 2 signs loan agreements with Chinese and Japanese financial structures // Neftegaz.ru. December 1, 2021. URL: <https://neftegaz.ru/news/companies/712874-vneshnee-finansirovanie-privlecheno-arktiki-spg-2-podpisal-kreditnye-dogovory-s-kitayskimi-i-yaponski/>

one of the key producers of oil and gas equipment, and its supplies are being used for projects in Russia.<sup>127</sup> This also applies to equipment for drilling horizontal wells and hydraulic fracturing (fracking).

Overall, Russia needs to move as quickly as possible to acquire high-tech equipment from developed countries to finance its own advanced technologies. In this respect, Russia's and China's plans to promote a technological partnership in the oil and gas sector are particularly important.

## **2.4. Russia – China Industrial Cooperation**

New challenges tied to anti-Russia sanctions offer prospects for industrial cooperation between Russia and China. First off, Chinese brands can enter Russia: both the creation of production infrastructure and the utilization of industrial capacities have been made from scratch and replaced the exodus of Western companies. The range of possible areas for cooperation is quite broad. However, industries such as car assembly and electrical engineering are most important and therefore are most attractive for businesses today. Chinese products were already gaining popularity in the Russian market prior to 2022, and today's Russia has no real alternatives to Chinese goods in many respects.

At the same time, there are many quality production sites that Western companies have deserted in Russia. These include multi-brand production facilities such as Volkswagen, Peugeot, Citroen, Opel, Mitsubishi in Kaluga, Hyundai and Toyota in St. Petersburg, Skoda in Nizhny Novgorod, KIA, Hyundai and BMW in Kaliningrad, Mazda in Vladivostok, and Mercedes-Benz in the Solnechnogorsk district of the Moscow Region. Two of the previously abandoned plants have already resumed production. In terms of Russian car brands: the former Renault plant in Moscow now assembles Moskvich cars, and the former Ford plant in Elabuga assembles Sollers vehicles. In fact, both plants are used to assemble vehicles manufactured by the Chinese company JAC Motors from Anhui Province (安徽江淮汽车有限公司).<sup>128</sup>

A similar concept is also applied in Lipetsk, where the former Motorinvest plant began to assemble Russian Evolute electric cars from the vehicle sets of Wuhan's Dongfeng brand (东风). The facility had previously made Chinese Changan (长安)<sup>129</sup> cars, but in 2019, the Chinese partner, Chongqing-based Changan Automobile Company (重庆长安汽车股份有限公司), did not renew the assembly contract.

As early as since 2019, Haval Motor Rus (a subsidiary of Great Wall Motors Corporation (长城汽车股份有限公司) from Hebei Province) has been assembling four different models of China's Haval cars (three smart crossovers and one body-on-frame SUV) at the Uzlovaya Industrial Park near Tula.

<sup>127</sup> Russia and China to promote the development of oil and gas equipment // RIA Novosti. November 29, 2019. URL: <https://ria.ru/20221129/razrabotka-1835053846.html?ysclid=ifrw09fogy96402751>

<sup>128</sup> Sollers will produce China's JAC cars under its own brand // Vedomosti. September 8, 2022. URL: <https://www.vedomosti.ru/auto/articles/2022/09/08/939797-sollers-budet-vipuskat-kitaiskie-mashini>

<sup>129</sup> Electric cars now assembled in Lipetsk region // Gorod48.ru. September 28, 2022. URL: <https://gorod48.ru/news/1934558/>

In January 2023, the Avtotor plant in the Kaliningrad Region started assembling Kaiyi (凯翼) cars<sup>130</sup> from the same company in Hubei Province, a subsidiary of Chery Corporation. Sales for the E5 model (compact sedan) is scheduled to start mid-2023, and three other models of this brand are expected to enter the Russian market before the end of this year.<sup>131</sup>

The production of Beijing X3 and X35 crossovers from the Beijing-based BAIC Corporation (北京汽车工业控股有限责任公司) are to be launched at the same Avtotor plant within a year, and there have also been reports about negotiations with the Wuhan-based carmaker Dongfeng to open an assembly line (东风汽车公司).

In May 2023, the production of China's FAW cars (a sub-brand of Changchun First Automobile Works 中国第一汽车集团有限公司) is expected to start at the AvtoVAZ plant in St. Petersburg, where Nissan vehicles were previously made. There are plans to produce the FAW Bestune T77, and it is possible that it will enter the market under Lada. Additionally, there are plans to produce electric cars under the AlfaRus brand in Engels (in Saratov) in the middle of the year, which are actually China's FAW Bestune NAT cars from the First Automobile Plant.

Also, negotiations are underway for a Chinese carmaker to use the Sollers plant in Vladivostok. An option was discussed involving the Anhui-based Chery company (奇瑞汽车股份有限公司) to assemble these cars, or use Omoda,<sup>132</sup> Chery's sub brand (these cars are currently imported to Russia through the Sollers plant logistics terminal in Zolotoy Rog Bay in Vladivostok). According to Russian experts, Chinese businesses are attracted by the convenience of car component delivery in Russia, but this advantage is offset by the small capacity of the Far Eastern market and the high costs of transporting finished products to the western parts of Russia. From Chery's perspective, the UAZ plant in Ulyanovsk looked more attractive, but in the end, the Chinese carmaker abandoned this option, fearing US secondary sanctions.

At the same time, Chinese car businesses have become quite active on the Russian market in 2022–2023 and are now close to taking the lead. In 2023–2024, more Russian-Chinese projects may be implemented under one of the two schemes described above: 1) signing a contract with a Chinese carmaker that will produce vehicles under its own brand using the existing infrastructure; 2) assembly of Russian-brand cars using Chinese components. In time, there may be even a third option: creating an assembly plant from scratch.

It seems that the implementation of these plans in the next two to three years will fully compensate for the rupture of the previous ties with European car manufacturers, benefiting both Chinese producers and the Russian market. It is only the European, Japanese and South Korean manufacturers that will be missing out.

<sup>130</sup> This model was previously released in foreign markets under the Cowin brand.

<sup>131</sup> Kaiyi // Autotor. URL: <https://www.avtotor.ru/cars/kaiyi>

<sup>132</sup> Sollers plant in Vladivostok plans to launch car production in 2023 – most likely Chinese // VL.ru. November 14, 2022. URL: <https://www.news.vl.ru/vlad/2022/11/14/213461/>

Similar processes are also observed in the market for household appliances. After the departure of Western brands, Chinese companies have consolidated their dominance in the consumer segment. At the same time, some companies have already had assembly facilities in Russia (Haier, Midea, VVK), and others will also be keen on new opportunities to transfer part of their operations.

It should be noted, however, that in the current situation, full production localization will not take place in Russia. For example, cars are currently fully assembled in China, then are partially disassembled, brought to Russia, and then are reassembled once again on a SKD assembly line. While such schemes are optimal for local solutions to the problems of product shortages in the markets, in the long run, it is necessary to develop in-house technological solutions and encourage Chinese companies to search for component suppliers in Russia, gradually shifting to CKD assembly options.

Cooperation is also developing in the aviation industry. Joint projects here are being adjusted to meet new sanction-born situations and the urge to focus on the production of domestic aircraft. For example, a new cooperation model with the China's COMAC Corporation – a partner of the United Aircraft Corporation – agreed to discuss a project to build a wide-body long-haul CR929 aircraft, where the Russian party would change its role from a co-developer to a unit and component supplier for the Chinese manufacturer.<sup>133</sup> Russian designers are also working to create a civilian advanced heavy helicopter at the request of Chinese partners.

<sup>133</sup> Denis Manturov: Next year to see transition to new model of industrial development // TASS. December 28, 2022.  
URL: [https://tass.ru/interviews/16699423?utm\\_source=ixbtcom](https://tass.ru/interviews/16699423?utm_source=ixbtcom)

# Chapter 3. Prospects and Challenges for Russia and China in Multilateral Formats

## 3.1. Challenges of Implementing EAEU and BRI Integration Initiatives in Eurasia

Russia and China have been consistently promoting regional initiatives such as the Belt and Road Initiative (BRI) and the Greater Eurasian Partnership (GEP). Following the publication of the Joint Statement of the Russian Federation and the People's Republic of China on Cooperation on the Construction of Joint Eurasian Economic Union and the Silk Road Projects in 2015,<sup>134</sup> the two initiatives officially entered a stage of substantive cooperation. The 2019 Agreement on Economic and Trade Cooperation between the Eurasian Economic Union, Member States, and the People's Republic of China<sup>135</sup> was an important step in this regard.

The idea of the Greater Eurasian Partnership was first proposed by Russian President Vladimir Putin in 2015. This initiative is designed to build a comprehensive conceptual framework for cooperation based on history, geography, economics and socio-cultural foundations. It would create a common economic space from the Atlantic to the Pacific, build a continental security system from Jakarta (or Tokyo) to Lisbon, and forge a common "Eurasian identity."<sup>136</sup> Joint projects between the EAEU and BRI form the bedrock for realizing the Greater Eurasian Partnership. Russia sees this initiative as a global project to create an extensive network of free trade areas, develop inter-bloc trade and economic partnerships, ensure the synchronization of existing integration projects at various speeds and harmonize cooperation within the EAEU, SCO, ASEAN, and BRI.<sup>137</sup>

In 2023, the Belt and Road Initiative will celebrate its tenth anniversary. Its main goal is to create a community of countries united by common interests, common destiny and responsibility, based on mutual political trust and economic integration, while also preserving cultural diversity.

This project is being implemented based on the coordinated policies of participating countries, creating a common infrastructure for areas that are of importance for the BRI, removing obstacles to free trade, ensuring financial integration and strengthening people-to-people ties. As of early 2023, China has signed more than 200 memoranda of understanding on cooperation within the framework of the BRI

<sup>134</sup> Statement of the Russian Federation and the People's Republic of China on Cooperation in Construction of Conjugation of the Eurasian Economic Union and the Silk Road Economic Belt // President of Russia. May 8, 2015.  
URL: <http://www.kremlin.ru/supplement/4971>

<sup>135</sup> Agreement on Economic and Trade Cooperation between the Eurasian Economic Union and its Member States, on the one hand, and the People's Republic of China, on the other hand // EEC.  
URL: [https://eec.eaeunion.org/upload/medialibrary/5b9/Tekst-angiykiy\\_-EAEU-alternate\\_-final.pdf](https://eec.eaeunion.org/upload/medialibrary/5b9/Tekst-angiykiy_-EAEU-alternate_-final.pdf)

<sup>136</sup> Roundtable meeting of leaders at Belt and Road international forum // President of Russia. May 15, 2017.  
URL: <http://en.kremlin.ru/events/president/news/54496>

<sup>137</sup> Maxim Reshetnikov: Expanding cooperation with partner countries is a priority for Russia // Ministry of Economic Development of the Russian Federation. October 27, 2022. URL: [https://www.economy.gov.ru/material/news/ maksim\\_reshetnikov\\_rasshirenije\\_kooperacii\\_so\\_stranami\\_partnerami\\_prioritet\\_dlya\\_rossii.html](https://www.economy.gov.ru/material/news/ maksim_reshetnikov_rasshirenije_kooperacii_so_stranami_partnerami_prioritet_dlya_rossii.html)



with 151 countries and 32 international organizations.<sup>138</sup> Progress has been made in linking infrastructure, modernizing economic and trade cooperation, creating a diversified system of investment and financing, undertaking cultural exchanges to strengthen people-to-people ties and integrating the Green Silk Road, Digital Silk Road, Silk Road to Health and Silk Road of Innovation Initiatives. As a result, China's trade with countries along BRI-involved routes almost doubled from USD 1.06 trillion in 2013 to USD 2.07 trillion in 2022, and its cumulative direct investment in these countries topped RMB 180 billion over the same period. Direct investment in the reverse direction, in turn, reached RMB 80 billion, with China Railway Express serving nearly 60,000 trains.<sup>139</sup>

Russian experts, however, warn that the Ukraine crisis and the West's extensive sanctions against Russia and Belarus put the further development of many BRI projects under question. It is believed that blocking Russian, Belarusian and Ukrainian routes will result in key routes being cut off from China to Europe and back, particularly from Lianyungang to Duisburg or from Yiwu to London.<sup>140</sup> The price and labor costs of transporting goods from Europe via bypass routes through the Caspian Sea or the Middle East are inferior to sea freight. New challenges are opening up new opportunities for BRI's infrastructure, while the closure of Western markets to Russia is stimulating China–Russia trade on a scale that far exceeds land trade between China and Europe.<sup>141</sup>

The effective development of the GEP and BRI requires macro-regional coordination to promote them, as there are limited opportunities for their parallel development. To conceptually justify the coexistence of these initiatives, Chinese analysts distinguish two methods of cooperation: the “5+1” format, in which the BRI serves as the framework, while EAEU Member States cooperate with China in a bilateral format, and the “1+1” format, where the key role is assigned to the Greater Eurasian Partnership, with the EAEU acting as an organization that unifies the parties involved. The approaches share a common goal and are generally not contradictory, but the cooperation model will determine which obstacles need to be addressed first: priority will be given to measures to overcome inefficiency and the difficulty of balancing all party interests while also ensuring common standards, insufficient level of bilateral cooperation, and lack of support from research and think tanks. In second place the development of a cooperation model will be placed.

During President Putin's visit to China in February 2022, the parties agreed to step up cooperation between the EAEU and China in various areas and reaffirmed

<sup>138</sup> Together with China, the One Belt, One Road initiative is being implemented by 78% of UN member states.

<sup>139</sup> On the 10<sup>th</sup> anniversary of the One Belt, One Road initiative, remarkable results have been achieved, experts and scholars offer advice and suggestions for qualitative development.  
(in Chinese “一带一路”建设十周年成效显著 专家学者建言献策高质量发展) // CHINA. March 7, 2023.  
URL: [http://ydyf.china.com.cn/2023-03/07/content\\_85149319.htm](http://ydyf.china.com.cn/2023-03/07/content_85149319.htm)

<sup>140</sup> Political analyst on the Silk Road in new geopolitical context // Kazinform. June 13, 2022.  
URL: <https://www.zakon.kz/6016948-politolog-rasskazal-o-shelkovom-puti-v-novykh-geopoliticheskikh-realiakh-2022-goda.html?ysclid=lg0nhkwck1990710295>

<sup>141</sup> New era of One Belt, One Road initiative // Kazinform. October 25, 2022.  
URL: [https://www.inform.kz/ru/novaya-epoha-iniciativy-odin-poyas-odin-put\\_a3994273](https://www.inform.kz/ru/novaya-epoha-iniciativy-odin-poyas-odin-put_a3994273)

their focus on further combining the efforts of the GEP and BRI.<sup>142</sup> Currently, this is mainly done via technical and customs regulations, applying phytosanitary measures, while cooperating in competition and market protection measures. However, developing multilateral ties remains a priority in promoting trade and economic cooperation and boosting trade between the EAEU and China, exceeding USD 200 billion in 2022.<sup>143</sup> To this end, a Roadmap for the Development of Trade and Economic Cooperation was adopted in February 2023.<sup>144</sup> The document includes three sections:

- A phased transition plan to electronic document management for railway freight transport using electronic digital signatures, cooperating in customs and veterinary and phytosanitary control, and exchanging experience in creating electronic logistics information systems for maritime and road transport.
- A blueprint to build a sustainable dialogue on trade policy issues affecting international trade.<sup>145</sup>
- A comprehensive analysis of various scenarios for deepening trade and economic cooperation between the EAEU Member States and China.<sup>146</sup>

In 2022–2023, greater focus has been placed on combining investment of the two countries, which is of particular interest to Russia, who included it as part of Russia's EAEU 2023 chairmanship program.<sup>147</sup> At the same time, according to statistical data for the first half of 2022, Russia did not receive any investments from China in this area.<sup>148</sup> In this respect, Alexey Dakhnovsky, Russia's Trade Representative to China, commented that China allocated subsidies under the BRI directly to Chinese foreign trade participants working with Russian suppliers. So, published data does not characterize bilateral investment cooperation as investments but rather as new deals between Russia and China using BRI's financial structure.<sup>149</sup> Overall, China is the leader in providing foreign direct investment in

<sup>142</sup> Joint Statement of the Russian Federation and the People's Republic of China on International Relations Entering a New Era and the Global Sustainable Development // President of Russia. February 4, 2022.  
URL: <http://kremlin.ru/supplement/5770>

<sup>143</sup> Andrey Slepnev: "The volume of trade between the EAEU and China may exceed US\$200 billion this year" // Eurasian Economic Commission. February 16, 2023. URL: <https://eec.eaeunion.org/en/news/andrey-slepnev-obem-torgovii-eaes-sitaem-v-etom-godu-mozhet-prevysit-200-mlrd-dollarov/>

<sup>144</sup> EAEU and China agree to simplify trade and speed up freight rail traffic // Interfax. February 16, 2023.  
URL: <https://www.interfax.ru/world/886480>

<sup>145</sup> For 2023–2024, the following areas for discussion have been agreed: the climate agenda, strategies for the development of foreign trade between the EAEU and China, international practices in applying measures to protect the internal market, and electronic commerce.

<sup>146</sup> Andrey Slepnev, "EAEU and China will simplify cargo transportation by rail thanks to introducing electronic document management" // EEC. URL: <https://eec.eaeunion.org/en/news/andrey-slepnev-eaes-i-kitay-uprostat-perevozku-gruzov-po-zheleznym-dorogam-za-schet-vnedreniya-elek/>

<sup>147</sup> Address by the Chairman of the Supreme Eurasian Economic Council, President of the Russian Federation Vladimir Putin to the Heads of the Eurasian Economic Union Member States on Russian Chairmanship in the Union's Governing Bodies in 2023. January 23, 2023. URL: <https://eec.eaeunion.org/en/news/obrashchenie-prezidenta-rossiyskoy-federatsii-vladimiraputina-k-glavam-gosudarstv-chlenov-eaes-po-s/>

<sup>148</sup> Brief: China Belt and Road Initiative (BRI) Investment Report H1 2022 // Green Finance & Development Center. July 24, 2022. URL: <https://greenfdc.org/china-belt-and-road-initiative-bri-investment-report-h1-2022/>

<sup>149</sup> Trade Representative explains lack of investment under the One Belt, One Road initiative // Alta Soft. August 5, 2022.  
URL: [https://www.alta.ru/external\\_news/92305/](https://www.alta.ru/external_news/92305/)

CIS countries, while Russia accounts for only USD 13 billion of the total USD 68 billion accumulated in the twelve former Soviet republics.<sup>150</sup>

China and the EAEU countries continue to strengthen bilateral cooperation. The year 2022 saw a significant increase in trade between China and EAEU member states, up almost by a third. China's trade with Kyrgyzstan grew 2.7 times, with Armenia – by 41%, and with Kazakhstan – by 34%.<sup>151</sup> China accounts for more than 23% of the EAEU's total foreign trade.<sup>152</sup> A gradual shift is taking place from project-based cooperation to merging national development strategies. For example, China and Kazakhstan have established a dialogue over production capacity and investment, set up the China–Kazakhstan Production Capacity Cooperation Fund, and achieved positive results in equipment manufacturing, transport, modern agriculture, financial services, medicine and health care, as well as in infrastructure development. Cooperation between China and Belarus is also advancing, with the Veliky Kamen Industrial Park in Belarus among key joint projects in this area. The park features 107 enterprises engaged in mechanical engineering, e-commerce, new research materials, traditional Chinese medicine, artificial intelligence, 5G connectivity and other areas of development.<sup>153</sup> Trade between China and Belarus has reached USD 5.08 billion, 83 times more than when diplomatic relations between the two countries were first established in 1992.<sup>154</sup>

Therefore, cooperation currently takes place mainly in the “5+1” format. According to Chinese experts, this may facilitate a gradual transition to a “1+1” format. There are three factors that support BRI and GEP cooperation.

According to Chinese analysts, joint BRI and GEP projects have a unique geographical and spatial dimension. Three of BRI's six main economic corridors run through regions that are part of the Greater Eurasian Partnership: the Russia-Mongolia-China economic corridor, the Eurasian Land Bridge (Western China, Russia, Kazakhstan, Belarus, Poland, Germany), and the China – Central Asia – Western Asia economic corridor (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, Turkmenistan, Turkey, Iran and the Arabian Peninsula). Russian experts also believe that infrastructure projects involving Russia and China are important elements facilitating joint projects. Speaking at a meeting of the Eurasian Intergovernmental Council in June 2022, Russian Prime Minister Mikhail Mishustin highlighted the importance of accelerating infrastructure development that will become part of the international transport corridors (ITCs) along the East-West

<sup>150</sup> China invested in the CIS countries one and a half times more than Russia // *Nezavisimaya Gazeta*. December 21, 2022. URL: [https://www.ng.ru/economics/2022-12-21/4\\_8621\\_china.html](https://www.ng.ru/economics/2022-12-21/4_8621_china.html)

<sup>151</sup> China accounts for 23% of the EAEU's total foreign trade in 2022 // *Interfax*. March 1, 2023. URL: <https://www.interfax.ru/world/889258>

<sup>152</sup> *Ibid*.

<sup>153</sup> Chinese Ambassador to Belarus - on cooperation between the two countries, new points of growth and weakening US hegemony // *SB.BY*. February 28, 2023. URL: <https://www.sb.by/articles/istoricheskij-trend-k-miru-i-sotrudnichestvu-nevozmozhno-ostanovit.html>

<sup>154</sup> Xie Xiaoyun: "Great Stone" has provided Belarus with a good platform for attracting foreign investment // *BELTA*. February 27, 2023. URL: <https://www.belta.by/economics/view/se-sjaojun-velikij-kamen-predostavit-belarusi-horoshuju-plattformu-dlja-privlechenija-inostrannyh-552689-2023/>

and North-South routes to connect Europe and Asia and promote GEP.<sup>155</sup> In this respect, the Primorye-1 and Primorye-2 ITCs, included as part of Russian-Chinese cooperation for 2018–2024, act as an important element.

Second, there is ideological compatibility among potential participants. Openness and inclusiveness are core principles in the initiatives, with projects accessible to any country, be it in Europe, Africa, North America or South America. The social, political and economic development models of the participating countries are irrelevant. The projects share a common goal of building a like-minded community and promoting cooperative development.

Russian experts also point out the financial advantages of joint BRI and GEP projects during today's trying times: the currency liquidity of Russia, Kazakhstan, Kyrgyzstan and Belarus exceeds the average for the countries along the route. RMB has the highest liquidity in the associated countries.<sup>156</sup> Additionally, there are plans set in motion to establish an independent international currency.<sup>157</sup>

However, it is also worth addressing the hardships the integration of these formats may face.

First, the Belt and Road Initiative has no fixed standards and no single mechanism for organizing cooperation within the project, nor institutional mechanisms to define criteria for participation. Economic cooperation is largely driven by the BRI's new infrastructure projects (including those that are completed or are a work in progress), the removal of trade barriers and promoting financial integration. According to Chinese experts, while flexible modes of engagement help stimulate cooperation, they are also subject to geopolitical and debt risks, as well as the negative impacts of political instability in the participating countries. To address this problem, special coordination agencies have been established, with the principal task of providing multi-level service, human resources, financial platforms, as well as risk management platforms. This factor must be considered when switching to the "1+1" cooperation format.

Second, the Eurasian Economic Union is a regional integration association which serves as a basis for building a comprehensive mechanism of economic cooperation, including institutional mechanisms to facilitate and liberalize trade and investment, and to implement cooperation projects. The Agreement on Trade and Economic Cooperation between the Eurasian Economic Union, its Member States and the People's Republic of China was signed in the "5+1" format, aiming to facilitate good-related trade, while paying little attention to investment and trade in services, which makes it difficult to effectively promote investment cooperation. Moreover, economic integration between EAEU countries produces more trade

<sup>155</sup> Meeting of the Eurasian Intergovernmental Council with a large number of participants // Government of Russia. June 21, 2022. URL: <http://government.ru/news/45776/>

<sup>156</sup> Chinese expert predicts the rapprochement of the Eurasian Union and China in 2023 // Evrazia Expert. December 27, 2022. URL: [https://eurasia.expert/kitayskiy-ekspert-sprognoziroval-sblizhenie-evraziyskogo-soyuz-a-i-kitaya-v-2023/?utm\\_source=google.com&utm\\_medium=organic&utm\\_campaign=google.com&utm\\_referrer=google.com](https://eurasia.expert/kitayskiy-ekspert-sprognoziroval-sblizhenie-evraziyskogo-soyuz-a-i-kitaya-v-2023/?utm_source=google.com&utm_medium=organic&utm_campaign=google.com&utm_referrer=google.com)

<sup>157</sup> Lavrov: Russia is determined to create independent payment systems within the BRICS, SCO and EAEU // TASS. March 2, 2023. URL: <https://tass.ru/ekonomika/17176843>

diversion effects than that of trade creation. The economic benefits are unevenly distributed among Member States, and their impact on improving the welfare of these countries is limited. This could be a problem for joint BRI and EAEU projects conducted in the “5+1” format.

Third, the consolidation of unified standards and rules is necessary in many areas, including the adoption of a railway gauge standard and the establishment of common rules for the functioning and use of payment systems, digital customs systems, information infrastructure, e-commerce, and digital transport corridors. However, unification does not necessarily serve the interests of all members. Given China’s advantages and strengths as a leader in technological research and development, as well as in building manufacturing and supply chains and developing the digital economy, Beijing can lead the way in standardizing interconnectivity. However, it should be considered that in this case, the question of how to enhance cooperation efficiency through standardization while ensuring the independent development of all parties involved arises, which needs to be studied and discussed jointly by joint project participants. Finally, Eurasian countries need to abandon the one-dimensional cooperation model, which is mainly based on trade in goods, and providing conditions for multi-dimensional cooperation, including exchanges in capital, labor, energy and technology markets, i.e. innovation-related interaction.

Thus, in the current geopolitical context, it is necessary to create a comprehensive strategy to develop the GEP, considering key international challenges, as well as prospective goals and possible mechanisms to solve and achieve them.<sup>158</sup> Additionally, it is important for the countries of the macro-region to focus on the processes that began before sanctions were imposed. These include shifting from globalization to regionalization, dismantling various international economic institutions established post-World War II, and addressing the climate agenda driven by a new technological paradigm. It is in this context, elements of the Greater Eurasian Partnership should be considered that will, in the short term, help partner economies become more resilient and ultimately take their rightful place in a transforming world economy.<sup>159</sup>

### **3.2. Developing Cooperation with the SCO, BRICS and RIC**

The Ukraine crisis has catalyzed the transformation of the system of international relations and the world order as a whole. Building their comprehensive partner relations and developing strategic cooperation in the new era, Moscow and Beijing attach particular importance to strengthening their cooperation potential and enhancing the international role of interstate associations such as the Shanghai Cooperation Organization (SCO), BRICS and RIC (Russia–India–China). The SCO and BRICS are considered by Russia and China as key elements in the emerging

<sup>158</sup> Putin says the Greater Eurasian Partnership can become a civilization project // TASS. May 26, 2022. URL: <https://tass.ru/ekonomika/14737439>

<sup>159</sup> Andrey Slepnev, "The idea of the Greater Eurasian Partnership is rich and relevant, it should be fleshed out" // Eurasian Economic Commission. September 7, 2022. URL: <https://eec.eaeunion.org/en/news/andrey-slepnev-ideya-bolshogo-evraziyskogo-partnerstva-bogataya-i-vostrebovannaya-nado-napolnyat-ee/>

world order.<sup>160</sup> RIC also features in official Russian documents as a foreign policy priority and a significant factor in advancing towards a multipolar world.

In March 2023, Russia and China signed a Joint Statement on Deepening Comprehensive Partnership and Strategic Cooperation for a New Era.<sup>161</sup> In this statement, the two parties expressed their commitment to continue working closely on strengthening the role of the Shanghai Cooperation Organization (SCO) in ensuring peace, security and stability in its area of interest, promote negotiations on expanding BRICS membership and increasing the number of shareholders of the New Development Bank (NDB) to develop cooperation in the BRICS Outreach and BRICS+ formats,<sup>162</sup> advocate for developing nation interests, and encourage cooperation in the Russia–India–China (RIC) format. The SCO's main priority is to ensure peace, security and stability in the Eurasian space. BRICS's development focuses on maintaining regional and sub-regional communication within Latin America, Africa and the Asia-Pacific region. RIC is used to discuss a similar agenda, so meetings in this format often take place on the sidelines of SCO and BRICS summits.<sup>163</sup>

### ***Russia–India–China (RIC)***

RIC formally establishes an important front in Russia–China cooperation and also functions as a meaningful mechanism for strengthening strategic communication between the three countries, coordinating their positions on key issues and joint projects. In Russian official documents, RIC is viewed as the central “core” of BRICS and the SCO, where, as pointed out by the Russian President, approaches to the most important agenda issues are forged by the “trio”.<sup>164</sup> The Russian–Chinese alliance makes a decisive contribution to this coordination.

RIC has become a stable platform for regular top official and foreign minister meetings, in addition to joint communiqués. Such cooperation is supported by the similarities shared by the three countries in terms of their global agendas and common tendencies in interstate interactions. Since RIC's establishment, there have been eighteen rounds of these types of meetings overall, usually organized consecutively in each country. There have been three top-level meetings: the 2006 St. Petersburg meeting that took place on the sidelines of the G8 summit, and the

<sup>160</sup> Xi Jinping. To move forward persistently, to new prospects of friendship, cooperation and joint development of China and Russia // *Rossiyskaya Gazeta*. March 20, 2023. URL: <https://rg.ru/2023/03/20/uporno-divigatsia-vpered-k-novym-perspektivam-druzhybotrudnichestva-i-sovmestnogo-razvitiia-kitaia-i-rossii.html>

<sup>161</sup> Joint Statement of the Russian Federation and the People's Republic of China on Deepening Comprehensive Partnership and Strategic Cooperation for a New Era // President of Russia. March 21, 2023. URL: <http://www.kremlin.ru/supplement/5920>

<sup>162</sup> The development of outreach formats as areas of BRICS's cooperation with third countries and partners not only within the first, but also within the semi- and second diplomatic tracks was introduced by China during its 2017 BRICS Chairmanship. Although the term is not fully established in the Russian language, it is sometimes used in this form in journalistic and academic publications.

<sup>163</sup> It was the RIC that once served as a key steppingstone for creating the BRICS, which inherited from the trio a number of initial organizational developments and principles such as non-alliance, non-confrontation and non-targeting against third countries.

<sup>164</sup> Meeting in the format Russia - India - China // President of Russia. December 1, 2018. URL: <http://www.kremlin.ru/events/president/transcripts/59278>

2018 and 2019 meetings that took place on the sidelines of the G20 summits in Argentina and Japan. In 2020, an online meeting was held, after which the parties issued a joint press release.

Recent international developments, however, have significantly complicated RIC cooperation efforts as the Ukraine crisis slowed down the format's progress at the institutional level. After the 18<sup>th</sup> Foreign Ministers Meeting,<sup>165</sup> held online in November 2021, RIC chairmanship was taken over by China. As of March 2023, no new formal trilateral meetings have been held, although Russian official sources had mentioned the possibility of another RIC summit in late 2021 and early 2022. Some speculated that it might take place on the sidelines of the SCO summit in Samarkand, but this did not happen. Interestingly, Indian experts cited both the continuous tensions between China and India and New Delhi's concerns over the deepening Russia–China relations, which could affect traditional Russia-India ties. In other words, international transformations related to the Ukrainian crisis indirectly affect RIC, causing India to be more cautious as it pursues its own agenda with the West.

According to Chinese experts, the unbalanced bilateral relations within the trio's participants is becoming more visible in leu of unfolding global changes. In 2022, Russian-Indian relations received a new impetus. Although the annual India–Russia summit did not take place, heads of state met on the sidelines of the SCO summit, and foreign ministers exchanged visits to enhance economic, energy and military cooperation.<sup>166</sup> Bilateral trade reached USD 38.4 billion in 2022, making Russia one of India's top five trading partners for the first time.<sup>167</sup> Between April 2022 and January 2023, Russia became India's fourth largest export partner, with total Russian imports reaching USD 37.31 billion, up 384% over the previous year. Imports of goods and raw materials from Russia, in turn, surged by nearly 400% compared to 2021.<sup>168</sup>

Due to border conflicts and India's domestic political issues, China-India trade, economic cooperation, humanitarian exchanges and other joint activities have been slowing down as security issues took center stage. India's quest for regional dominance within the framework of the US Indo-Pacific Strategy and the QUAD alliance, as well as its desire to pursue joint efforts with the US to contain China, including its participation in the Indo-Pacific Economic Framework (IPEF), has been gaining momentum. According to Indian analysts, China–India relations can now be described as stagnant. Meanwhile, India is keen to consolidate its leading

<sup>165</sup> On the meeting of the Ministers of Foreign Affairs of Russia, India and China (RIC) // Ministry of Foreign Affairs of the Russian Federation. November 26, 2021.

URL: [https://www.mid.ru/ru/foreign\\_policy/news/1787374/](https://www.mid.ru/ru/foreign_policy/news/1787374/)

<sup>166</sup> India's Foreign Minister in Moscow announced continuation of oil purchases // Vedomosti. November 9, 2022.

URL: <https://www.vedomosti.ru/economics/articles/2022/11/09/949428-ministr-inostrannih-del-indii-zayavil-o-prodolzhenii-zakupok-nefti>

<sup>167</sup> India-Russia trade volume touches 38.4 billion USD in 2022 // The Economic Times. March 30, 2023.

URL: <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-russia-trade-volume-touches-38-4-billion-usd-in-2022/articleshow/99123922.cms>

<sup>168</sup> India's Russian imports soar 400% as U.S. offers little resistance // Nikkei Asia. February 17, 2023.

URL: <https://asia.nikkei.com/Economy/Trade/India-s-Russian-imports-soar-400-as-U.S.-offers-little-resistance>

position in the Global South and does not want to see China increasing its influence and dominance in global and regional affairs as a result of trilateral cooperation within RIC. According to Chinese experts, this is also confirmed by India's reluctance to use the yuan as a base currency for settlements in energy trade with Russia, in addition to India's negative stance on building regional supply chains centered in China.

### ***The Shanghai Cooperation Organization (SCO)***

According to Russian experts, BRICS and the SCO, unlike RIC, show no visible signs of crisis. An analysis of SCO and BRICS 2022–2023 adopted documents, launched formats and meetings held reveal that Moscow and Beijing efforts in these multilateral structures are also, to a larger extent, geared towards the bilateral agenda. Russia's updated Foreign Policy Concept highlights BRICS's role in regional and interregional economic integration processes, responding to Russia's interests, as well as the SCO's key role in building the Greater Eurasian Partnership by consolidating the potential of all countries, regional organizations and associations in Eurasia.<sup>169</sup>

The year 2022 saw a significant expansion and consolidation of the SCO, meaning that the SCO is becoming more attractive. On September 16, 2022, following a SCO heads of state summit in Samarkand, a memorandum on Iran's commitment to becoming a full SCO member was signed and announced. Also, the procedure for accepting the Republic of Belarus as a SCO member was initiated.

The number of SCO dialogue partners also expanded significantly: this status was granted to the Kingdom of Bahrain, the Republic of Maldives, the State of Kuwait, the United Arab Emirates and the Republic of the Union of Myanmar. Additionally, the Arab Republic of Egypt, the Kingdom of Saudi Arabia and the State of Qatar were officially granted this status.<sup>170</sup>

On May 5, 2023, following a meeting of the SCO Foreign Ministers Council in Panaji, various memoranda were signed on granting dialogue partner status to the above-mentioned states.<sup>171</sup> The summit also adopted numerous resolutions, including the Comprehensive Action Plan for the implementation of the Treaty on Long-Term Good Neighborliness, Friendship and Cooperation by SCO Member States for the next five years.<sup>172</sup>

In response to current challenges, the SCO hosted a Security Council secretary meeting, in addition to SCO Member State Defense Minister meeting in August 2022. Russia and China jointly protested international interference in the state

<sup>169</sup> Concept of Foreign Policy of the Russian Federation // President of Russia. March 31, 2023. URL: <http://www.kremlin.ru/events/president/news/70811>

<sup>170</sup> The Samarkand Declaration of the Heads of State Council of the Shanghai Cooperation Organisation // SCO Secretariat. September 16, 2022. URL: <http://rus.sectsc.org/documents/>

<sup>171</sup> Meeting of SCO Foreign Ministers Council (4-5 May 2023, Panaji, Republic of India) // Shanghai Cooperation Organisation. 11 May 2023. URL: <http://eng.sectsc.org/politics/20230511/943174/Meeting-of-SCO-Foreign-Ministers-Council-4-5-May-2023-Panaji-Republic-of-India.html>

<sup>172</sup> List of documents adopted by the SCO Heads of State Council // President of Russia. September 16, 2022. URL: <http://www.kremlin.ru/supplement/5840>



internal affairs under the pretext of countering terrorism and extremism, as well as for the unacceptability of using terrorist, extremist and radical groups. Building on these guidelines, the SCO Heads of State Council adopted the Action Plan for 2023–2027 to implement the provisions of the Treaty on Long-Term Good Neighborliness, Friendship and Cooperation of the SCO Member States. The parties also reaffirmed their commitment to continue cooperation in the field of international information security based on the Intergovernmental Agreement and the Cooperation Plan for 2022–2023. The SCO Heads of State Council made four statements at the Samarkand summit, ensuring international energy security, global food security, reliable, sustainable and diversified supply chains, and responding to climate change.<sup>173</sup>

Moscow and Beijing join efforts to develop the SCO Business Council and the SCO Interbank Association's potential, as well as step up cooperation in finance, high technology, transport and communication infrastructure, energy, investment, and small and medium-sized businesses in the SCO region. As of March 2023, the Intergovernmental Russian-Chinese Commission on Investment Cooperation's portfolio included 79 projects worth over USD 165 billion.<sup>174</sup> The task of reducing dependence on the dollar and easing the effects of Western sanctions is being addressed in the context of the SCO Roadmap to gradually increase the share of national currencies in mutual settlements.<sup>175</sup> According to Chinese experts, Russia and China's pilot project to create an independent payment system could become an important step towards the long-awaited expansion of the use of national currencies in trade settlements and the creation of a SCO common currency basket.

The SCO is also active in the sphere of trade. The share of SCO Member State global trade turnover climbed from 5.4% in 2001 to 17.5% in 2020.<sup>176</sup> In 2021, the combined GDP of SCO Member States reached USD 23.3 trillion, accounting for about 25% of the world's GDP.<sup>177</sup> Trade and economic cooperation, which is high on Russia's agenda, as is reflected in the Joint Statement on the Plan to Promote the Key Elements of Russian-Chinese Economic Cooperation until 2030,<sup>178</sup> has been pursued at the SCO level via the Program of Multilateral Trade and Economic Cooperation of the SCO Member States and the Action Plan for its Implemen-

<sup>173</sup> SCO Documents // SCO. URL: <http://rus.sectsc.org/documents/>

<sup>174</sup> Mishustin: the portfolio of the "investment" intergovernmental commission of Russia and China includes 79 projects // TASS. March 21, 2023. URL: <https://tass.ru/ekonomika/17324809>

<sup>175</sup> The heads of the SCO member states approve roadmap to increase the share of national currencies in settlements // RIA Novosti. September 16, 2022. URL: <https://ria.ru/20220916/shos-1817281423.html?ysclid=lgujchaw8u949249074>

<sup>176</sup> Trade Development Report was released to mark the 20<sup>th</sup> anniversary of the SCO. The impact on world trade continues to intensify (in Chinese “上海合作组织成立20年贸易发展报告”出炉 全球贸易影响力持续增强) // Finance.china. February 16, 2022. URL: <http://finance.china.com.cn/news/20220216/5746386.shtml#:~:text=%E6%8A%A5%E5%91%8A%E7>

<sup>177</sup> SCO summit to be held soon. The GDP of the member states has reached almost 25% of the world's GDP, which is 13 times higher than when the SCO was established (in Chinese {上合组织峰会在即} GDP占全球近25% 比成立初扩大13倍%) // People's Daily Online. September 14, 2022. URL: <http://politics.people.com.cn/n1/2022/0914/c448275-32525983.html>

<sup>178</sup> Joint Statement of the President of the Russian Federation and the Chairman of the People's Republic of China on the plan to develop key areas of the Russian-Chinese economic cooperation until 2030 // President of Russia. March 21, 2023. URL: <http://www.kremlin.ru/supplement/5918>

tation. In 2022, Industry<sup>179</sup> and Energy Ministers<sup>180</sup> of SCO Member States held meetings, the Program to Stimulate Industrial Cooperation between the business communities of SCO Member States and the Program of Cooperation of the SCO Member States in Using of Renewable Energy Sources were launched, the Special Working Group on Startups and Innovations and the Special Working Group on Poverty Alleviation were set up.

The problem of transport connectivity, which is equally important for Russian-Chinese cooperation, was discussed at the SCO in the context of boosting freight traffic, developing transit potential and expanding cross-border infrastructure. In May 2022, a meeting of between SCO Ministers of Transport was held,<sup>181</sup> and the Samarkand Summit approved the Concept of Cooperation on the Development of Interconnectivity and the Creation of Efficient Transport Corridors and adopted the SCO Infrastructure Development Program.<sup>182</sup> The areas of mutual interest that Moscow and Beijing are ready to pursue within the SCO framework include large-scale energy and infrastructure projects,<sup>183</sup> maintaining stability and security in Eurasia, cooperation in countering new challenges and threats, and deepening mutually beneficial multilateral relations in Eurasian trade, economy, and cultural and humanitarian spheres.<sup>184</sup>

SCO forums play an important role in developing Russia-China cooperation as a consultative and expert mechanism, bringing together SCO research and expert communities. On May 26, 2022, the 17<sup>th</sup> SCO Forum was held via video conference, chaired by the Russian Federation. Topics discussed included measures beefing up cooperation in international security, economic cooperation and humanitarian development among SCO Member States.

The joint efforts by Moscow and Beijing in 2022 to forge a more just multipolar world order with the UN playing a central role were supported by nominating certain SCO and BRICS members states as members to the UN Security Council, namely Brazil (2022–2023), Pakistan (2025–2026), the Kyrgyz Republic (2027–2028), India (2028–2029), Tajikistan (2028–2029) and Kazakhstan (2039). The presence of five SCO countries and two BRICS countries in the UN Security Council strengthens the status of these organizations in addressing international peace and security issues. In the context of Russia-China cooperation within the SCO and BRICS, special attention is paid to work with the younger generation and promoting healthy lifestyles.

<sup>179</sup> Second Meeting of SCO Industry Ministers // Shanghai Cooperation Organisation. July 20, 2022.  
URL: <http://eng.sectsc.org/news/20220720/906235.html>

<sup>180</sup> Ibid.

<sup>181</sup> Meeting of SCO Ministers of Transport // Shanghai Cooperation Organisation. May 17, 2022.  
URL: <http://eng.sectsc.org/news/20220517/837516.html>

<sup>182</sup> Samarkand Declaration of the SCO Heads of State Council // President of Russia. September 16, 2022.  
URL: <http://www.kremlin.ru/supplement/5841>

<sup>183</sup> The Russian Government approves draft intergovernmental agreement with China on gas supplies via the Far Eastern route // Information and analytical portal Neftegaz.RU. January 31, 2023. URL: <https://neftgaz.ru/news/gosreg/768373-pravitelstvo-rf-odobrilo-project-mezhpravsgolasheniya-s-kitaem-po-postavkam-gaza-po-dalnevostochnomu-/>

<sup>184</sup> Joint Statement of the Russian Federation and the People's Republic of China on Deepening Comprehensive Partnership and Strategic Cooperation for a New Era // President of Russia. March 21, 2023.  
URL: <http://www.kremlin.ru/supplement/5920>

Various activities were held in 2022 for students, including those from Russia and China, including the Model SCO intellectual games, innovation forums, youth start-up competitions, and young scientist conclaves. The International SCO Youth Business Incubator project was implemented within the framework of the SCO Youth Council. The BRICS Youth Summit was held in Beijing in September 2022, along with the BRICS Young Scientists Forum and the BRICS Young Innovators Competition.

According to Chinese experts, although the SCO has made significant progress over the three decades of its existence, its development prospects are still clouded with various risks and obstacles. The question arises as to how to enhance the SCO's external appeal while also developing practical cooperation within the organization. Some countries interested in joining the SCO take a purely pragmatic approach, hoping to gain additional political, security and economic benefits from their accession.

To overcome barriers to effective development, they argue, it is necessary to send a clearer message that the SCO does not want to confront the West or compete for regional dominance. Rather, it aspires to play a key role in addressing security, development and governance challenges facing its members, the region and the world as a whole. The organization needs to take advantage of the complementary economies of SCO member states and develop the potential for its innovative development, including by merging the North-South International Transport Corridor and the Russia–Azerbaijan–Iran (INSTC) corridor with regional projects such as the China–Kyrgyzstan–Uzbekistan railway, by further integrating transport networks, taking steps to facilitate trade and market integration between the Middle East, East Asia and Central Asia, while also keeping ports running smoothly, thus enhancing the capacity of China–Europe routes.

It is also necessary to promote the establishment of the SCO Development Bank and the SCO Development Fund based on BRICS's New Development Bank. Another important area of cooperation within the SCO could be the stabilization of energy supply chains. Iran became a member of the SCO, and many Middle Eastern countries joined as dialogue partners. This strengthened the SCO's energy supply-demand nexus.

What makes the SCO most appealing to the region's countries is its conceptual framework based on a policy of non-alignment, openness, the non-targeting of third countries, in addition to the principles of equality, respect, non-interference in the internal affairs of states, regional security and multilateral cooperation. In shaping the collective values of the SCO, Russia, China and other member states need to concentrate on the unique membership structure, functional approach and focus on cooperation. Chinese experts also point to the importance of Russia and China stepping up efforts in coordinating their policies on Central Asia as a key SCO development area, to continue joint work on developing the organization and promoting multi-level interaction with each other, ensuring the internal unity of the SCO, while also cooperating with other associations in the region and beyond. It is necessary to develop and improve the various mechanisms that ensure the success of the organization.

**BRICS**

Moscow and Beijing jointly stand for developing cooperation within BRICS and for enhancing the organization's international standing.

In 2021, the BRICS economies accounted for 25.24% of the total world economy and 17.9% of total world trade.<sup>185</sup> The organization's total trade volume reached USD 8,549.8 billion, 33.4% more than in 2021.<sup>186</sup> In 2022, bilateral trade between China and BRICS countries topped USD 550 billion, up 12.9% from 2021.<sup>187</sup>

On June 23, 2022, China hosted the 14<sup>th</sup> BRICS Summit in Beijing via videoconference and more than 160 meetings and events that covered over 30 topics. Moreover, through BRICS+, China has been able to attract more than 50 non-BRICS countries to participate.<sup>188</sup> After the 2022 summit, Argentina and Iran applied to join BRICS, followed by Algeria in November,<sup>189</sup> with 12 other countries also expressing interest in joining the group.<sup>190</sup> Moscow and Beijing positively assess the prospects for BRICS enlargement.

In the political sphere, the organization has adopted the 14<sup>th</sup> BRICS Summit Beijing Declaration, the BRICS Joint Statement on Strengthening the Multilateral Trading System and Reforming the WTO<sup>191</sup> and the BRICS Initiative on Enhancing Cooperation on Supply Chains, which are aimed at supporting multilateralism and improving global governance. The BRICS Summit Beijing Declaration reflects the organization's urgent task of boosting integration, taking into account the desire of most developing nations to move away from dollar-based economies and US-controlled global financial institutions, while also reducing the risks of sanctions pressure from the West.

Other important documents adopted by BRICS member states include the BRICS Digital Economy Partnership Framework, the BRICS Initiative on Trade and Investment for Sustainable Development and the BRICS Initiative on Enhancing Cooperation on Supply Chains, while China has organized the Buy BRICS online event to promote goods and services.<sup>192</sup>

<sup>185</sup> Overview of the BRICS countries (in Chinese 金砖国家概况) // Ministry of Foreign Affairs of the People's Republic of China. September 2022.

URL: [https://www.fmprc.gov.cn/web/wjwb\\_673085/zjzg\\_673183/gjijis\\_674249/gjzzyhygk\\_674253/jzgj\\_674283/gk\\_674285/](https://www.fmprc.gov.cn/web/wjwb_673085/zjzg_673183/gjijis_674249/gjzzyhygk_674253/jzgj_674283/gk_674285/)

<sup>186</sup> What BRICS cooperation means for world // GLOBALink. June 22, 2022.

URL: <http://english.news.cn/20220622/c8072ec14f154b3192e6a1ccaecbe207/c.html>

<sup>187</sup> Ministry of Commerce of the People's Republic of China holds another press conference

(in Chinese 商务部召开例行新闻发布会) // Ministry of Commerce of the People's Republic of China. February 9, 2023. URL: <http://www.mofcom.gov.cn/xwfbh/20230209.shtml>

<sup>188</sup> Iran and Argentina have applied for BRICS membership // RIA Novosti. June 27, 2022.

URL: <https://ria.ru/20220627/briks-1798582596.html>

<sup>189</sup> Algeria's entry into BRICS: What the future holds for the association gaining more and more influence in the world // Rossiyskaya Gazeta. November 8, 2022. URL: <https://rg.ru/2022/11/08/vstuplenie-alzira-v-briks-kakoe-budushchee-zhdet-usilivaiushchee-svoe-vliianie-v-mire-obedinenie.html?ysclid=lg9x5ewmp0104863535>

<sup>190</sup> Algeria applies to join BRICS // RBC. November 7, 2022.

URL: <https://www.rbc.ru/politics/07/11/2022/63692aee9a7947f89364a88b>

<sup>191</sup> 14<sup>th</sup> BRICS Summit Beijing Declaration // President of Russia. June 23, 2022.

URL: <http://www.kremlin.ru/supplement/5819>

<sup>192</sup> Ibid.

Digital technologies, big data processing and the development of artificial intelligence, which are top priorities for both Moscow and Beijing, were discussed at the BRICS Communications Minister Meeting on July 6, 2022, via videoconference. Particular emphasis was placed on interaction with the BRICS Working Group on ICT Cooperation, the BRICS Working Group on Digitalization and the BRICS Institute for Future Networks.

The foreign ministers of BRICS member states adopted the Joint Statement to Strengthen BRICS Solidarity and Cooperation, Respond to New Features and Challenges in International Situation in May 2022. The BRICS members also pointed out that the position of their countries on the Ukraine crisis had been expressed in the relevant forums, namely the UN Security Council and the UN General Assembly.

The National Committee on BRICS Research, whose experts represented Russia at the BRICS Academic and Civil Forums in May 2022, provides expert and analytical support in the field of BRICS research, coordinates the activities of leading research organizations and helps promote Russia's position.

Moscow and Beijing jointly stand for developing the potential of the BRICS Business Council. With both Russia and China's participation, BRICS is considering the possibility of creating its own reserve currency based on a basket of member state currencies. A decision has already been taken to establish the BRICS Finance Research Network. The role of the New BRICS Development Bank is expected to grow in the coming years. Moscow and Beijing expect to increase this share of settlements in national currencies with the help of bilateral mechanisms and BRICS instruments.<sup>193</sup>

While agreeing that certain progress has been reached in the organization's development, Chinese experts also warn about new challenges that BRICS may face in the new environment.

First of all, the external environment for BRICS cooperation has changed. The politically motivated criticisms of BRICS, which escalated dramatically in the wake of the Ukrainian conflict, have significantly slowed down cooperation development within the organization and the BRICS+ format. Western sanctions have also complicated cooperation among member states in food, energy and financial spheres.

Additionally, the question arises as to how exactly to utilize the potential of BRICS cooperation, while also considering external factors. Russia seeks to play a key role in energy and financial cooperation within the association, promoting the idea of switching to settlements in the national currencies of BRICS member states in energy trade, creating a BRICS payment system (BRICS Pay) and a BRICS-based financial and economic cluster. Additionally, Russia seeks to increase the orientation of BRICS countries towards Russia, both politically and security-wise, by expanding practical cooperation. India sees BRICS as an important mechanism for maintaining the balance between the Indo-Pacific region and Eurasia. South Africa

<sup>193</sup> Chirkov M., Kazelko A. The New BRICS Development Bank: the Second Bretton Woods or an Alternative Concept with its Own Future? // Valdai International Discussion Club. September 2, 2022.  
URL: <https://ru.valdaiclub.com/a/highlights/novy-bank-razvitiya-briks-bretton-vuds/?ysclid=lg9yf4w9e0208845305>

advocates prioritizing Africa in terms of cooperation and raising its international profile through BRICS. Brazil hopes to reap significant benefits in green development and attaches great importance to the role of BRICS in fostering cooperation in trade, investment, agriculture and the environment.

BRICS may face additional technical and trade barriers that hinder the implementation of existing projects and the launch of new ones, Chinese experts say. Chinese companies and foreign banks now find themselves in a difficult situation because of the risks of secondary sanctions against them.

To better coordinate cooperation among BRICS member states, Russia and China need to promote the convergence of member state positions on major international and regional issues, align national development strategies, enhance guarantee mechanisms for multilateral cooperation, and encourage openness and stability in the regional and global supply chains. According to Chinese experts, Russia and China have great potential for shaping BRIC's conceptual guidelines and internal norms of cooperation, in addition to setting the agenda and long-term development plans.

Russia and China, the founders of the SCO and BRICS, remain as the driving agents of their development. Acting through these platforms, China calls for measures to strengthen cooperation in the changing international arena, support genuine multilateralism, and improve global governance. The need to further enhance the capabilities and strategic importance of these associations is reflected both in the bilateral political documents and joint statements issued by the leaders of the two countries, as well as in their own foreign policy concepts.<sup>194</sup>

In the current geopolitical environment, the SCO and BRICS formats are key to Russia-China relations in the changing world order, ensuring its transition to a multipolar model and guaranteeing member countries the opportunity to fully participate in building a new world order. The mutual interest of Moscow and Beijing in continuing cooperation within the SCO, BRICS and RIC is becoming a key factor in international relations. The shared views of both states regarding the prospects of the SCO, BRICS and RIC are demonstrated not only at the political level, which is confirmed by the Joint Statement of the Russian Federation and the People's Republic of China signed in March 2023,<sup>195</sup> but also at the expert level.

<sup>194</sup> Decree on Approval of the Concept of the Foreign Policy of the Russian Federation // President of Russia. March 31, 2023. URL: <http://www.kremlin.ru/events/president/news/70811>

<sup>195</sup> Joint Statement of the Russian Federation and the People's Republic of China on Deepening Comprehensive Partnership and Strategic Cooperation for a New Era // President of Russia. March 21, 2023. URL: <http://www.kremlin.ru/supplement/5920>

### 3.3. Competition and Integration: The Search for New Formats of Cooperation between Russia and China with Latin America and Africa

#### *The Global South Factor in International Relations*

Since its inception, China has seen the “third world” (later discursively shaped into the “developing world” or the Global South) as a powerful resource and reserve for world progress. For the USSR, the developing (then more often referred to as liberated) countries were comrades-in-arms in the anti-imperialist struggle, but at that time they were not yet seen as future agents of world socio-economic growth.

Today, the global importance of the developing world is growing rapidly, and it can independently influence the feasibility of its counterparts’ plans. The developing world’s importance and its ability to balance between the centers of power add to growing great power interest in these countries.

Latin American and African states are traditionally friendly to Russia and China. Moscow and Beijing occupy their own “niches” in the developing world’s international relations. The spheres of interest for both partially overlap, but are not antagonistic, allowing them to engage in mutually beneficial cooperation. Expanding economic ties with Latin America and Africa are the among top priorities for Russia and China as it reduces their dependence on the US and European markets in numerous areas and makes their economies more independent – something Russia urgently needs in the context of Western sanctions. The Global South continues to maintain its trade relations with Russia directly or through intermediaries<sup>196</sup>, seeking to use the current situation and maximize benefits by defying Western pressure. This demonstrates the failure of what Western countries initially touted as the “unity of the international community” on the Ukrainian issue.<sup>197</sup> Military operations in Europe are concerning to the developing world from a practical point of view, regarding their implications for food security, inflation rates, energy availability, external debt servicing and the financial safety of foreign assets. It is not in the armed conflict that developing countries see reasons for their rising internal problems,<sup>198</sup> but rather in Western sanctions,<sup>199</sup> which is why many of them regard the Ukrainian crisis as an internal European affair, or because of Western double standards.<sup>200</sup>

For China, the developing world is a resource base: it is a source of political support, a starting point for building a community of common destiny for humanity,

<sup>196</sup> Desarrollo en América Latina y el Caribe, entre la Cooperación y la Intervención // El19 Digital. November 31, 2022.  
URL: <https://www.el19digital.com/articulos/ver/titulo:133931-desarrollo-en-america-latina-y-el-caribe-entre-la-cooperacion-y-la-intervencion>

<sup>197</sup> When voting on Resolution No. A/RES/ES-11/1 “Aggression against Ukraine” at the UN General Assembly on March 2, 2022, the document was also supported by 141 countries, 35 countries abstained and 5 countries were against it.

<sup>198</sup> Freezing the assets of the central banks of Russia and Afghanistan as a singular sanctions precedent raises concerns for the developing world. February 11, 2022.

<sup>199</sup> Feas E., Steinberg F. Efectos económicos y geopolíticos de la invasión de Ucrania // Real Instituto Elcano. May 11, 2022.  
URL: <https://www.realinstitutoelcano.org/analisis/efectos-economicos-y-geopoliticos-de-la-invasion-de-ucrania>

<sup>200</sup> Multipolarity After Ukraine: Old Wine in New Bottles? / Ed. by A. Ferrari and E. Tafuro Ambrosetti. ISPI, Milan, 2023. P. 120–121.

and an argument supporting dialogue with the West. In the face of fierce competition with the United States, the Global South could help achieve China's stated goal of becoming the world's leading power by 2049.

Moreover, the Global South is not happy about the world being divided into "autocracies and democracies" as proposed by Washington at the Summit for Democracy at the end of 2021.<sup>201</sup> Accordingly, the developing world's importance as a factor in offsetting US global hegemony is growing steadily. With the rise of China as the world's largest emerging economy and Russia's growing focus on the Global South, the Western-style development model is no longer the only political and economic reference point for the region's countries.

### ***Russia–China Cooperation in Strengthening a Multipolar World: Opportunities for the Global South***

As mentioned above, talks held during the visit<sup>202</sup> of the Chinese President to Russia in March 2023 reaffirmed their commitment to building a multipolar world order. The concept of a multipolar world, which implies equal participation of developing countries in global governance, is widely supported in the developing world.

The establishment of a multipolar world, which includes developing nations, is facilitated by the following circumstances: the economic recovery of developing countries, accounting for more than 70% of global economic growth;<sup>203</sup> Russia's efforts to step up cooperation with African and Latin American countries, as evidenced by the more frequent visits of top government officials to these regions, which will be discussed in more detail below; the Implementation of China's Belt and Road Initiative and the launch of the Global Development Initiative (GDI), the Global Security Initiative and the Global Civilization Initiative.

The Global South is a key beneficiary of these initiatives. China sees one of the purposes of the BRI and GDI is to accelerate the implementation of the UN 2030 Agenda for Sustainable Development. The practical content of these initiatives is important for bridging the economic gap between the Global South and the Global North.<sup>204</sup> The foundations of a multipolar international relations structure are currently being laid by out Russia and China together with other developing countries through the SCO and BRICS. The SCO accounts for more than 30% of the global GDP and more than 41% of the world's population.<sup>205</sup> According to the

<sup>201</sup> Fasulo F., Morselli P. Is Xi's Counter-Diplomacy Working? // ISPI. December 28, 2022. URL: <https://www.ispionline.it/en/publication/xis-counter-diplomacy-working-37146>

<sup>202</sup> The President of Russia and the Chairman of the People's Republic of China make statements for the press // President of Russia. March 21, 2023. URL: <http://kremlin.ru/events/president/news/70750>

<sup>203</sup> Foreign Minister Qin Gang Meets the Press // Ministry of Foreign Affairs of the People's Republic of China. March 7, 2023. URL: [https://www.fmprc.gov.cn/rus/zxxx/202303/t20230308\\_11037323.html](https://www.fmprc.gov.cn/rus/zxxx/202303/t20230308_11037323.html)

<sup>204</sup> Global Development Initiative and Global Security Initiative – China's latest solutions to world peace, security and development // Embassy of the People's Republic of China in the Republic of Seychelles. August 5, 2022. URL: [http://sc.china-embassy.gov.cn/eng/zxhd/202208/t20220805\\_10735867.html](http://sc.china-embassy.gov.cn/eng/zxhd/202208/t20220805_10735867.html)

<sup>205</sup> The EAEU seeks to increase the share of settlements in national currencies in trade with China and India // Izvestia. September 14, 2022. URL: <https://iz.ru/1394607/natalia-portiakova/v-torgovle-s-kitaem-i-indiei-eaes-stremitsia-uvlechivat-doiu-raschetov-v-natvaliutakh>



IMF, BRICS's purchasing power parity GDP stood at USD 46.1 trillion in 2021, while the G7 stood at USD 45 trillion.<sup>206</sup> If Argentina, Iran, Turkey, Egypt, Saudi Arabia and Turkey join BRICS, it will add to the group's potential in global politics and economics.

Chinese analysts estimate that by 2030, BRICS countries will account for more than half of the world's GDP, while the share of G7 countries will shrink to a quarter.<sup>207</sup>

The lack of commitment and willingness of Western institutions such as the G7, IMF and World Bank to address international issues in the interests of the world's majority and not just the "golden billion" has discredited them in the eyes of the Global South. The Western-centric, "rules-based" world order promoted by these organizations is unsuitable not only for Russia, but also the Global South, who is becoming increasingly aware of its growing global importance.

Accordingly, in the current environment, the mutual support of Russia and China and their coordinated actions regarding the Global South only strengthens their common position in the international arena as a whole. In today's complex situation, the main issue is not so much the creation of new forms but rather the mobilization of existing opportunities for cooperation, primarily within BRICS and the SCO. This will continue to be the case if countries continue to share a common vision for the future development of international relations.

### ***Russia-China Relations with Latin American and African Countries***

#### *Current Intraregional Trends in Latin America*

Left-wing parties continued to grow in popularity in Latin America and the Caribbean in 2022. Leftist and center-left governments have long been in power in key Latin American countries such as Brazil, Mexico, Argentina, Cuba, Venezuela and Nicaragua. The second "left turn" in Latin America, which began in Mexico with the electoral victory of Andrés Manuel López Obrador, leader of the Movement for National Renewal party in 2018, ended on January 1, 2023, with the inauguration of Brazil's third elected president and leader of the Worker's Party, Luiz Inácio Lula da Silva.

Most Latin American leftist governments adhere to the principles of moderation and pragmatism in domestic and foreign policy. However, left-wing politicians may soon face difficulties in some countries. In particular, Lula da Silva's political course could be hampered by objections from Brazil's National Congress, led by an opposition featuring many supporters of former right-wing President Jair Bolsonaro.<sup>208</sup> Given high public debt and inflation, the outlook for the re-election

<sup>206</sup> Ranking of countries by total GDP and per capita GDP, by PPP in 2021. Table 4 // IMEMO RAS.  
URL: [https://www.imemo.ru/files/File/magazines/Osn\\_pokaz\\_ME/2022/4-Tabl4.pdf](https://www.imemo.ru/files/File/magazines/Osn_pokaz_ME/2022/4-Tabl4.pdf)

<sup>207</sup> New prospects for BRICS and SCO // National Committee on BRICS Research. September 23, 2015.  
URL: <https://nkibrics.ru/posts/show/560253936272697924140000>

<sup>208</sup> Thirteen shades of red // Kommersant. November 12, 2022.  
URL: <https://www.kommersant.ru/doc/5653396?ysclid=lhoo4jtitr548341538>

of Argentina's left-wing Front for All coalition in the October 2023 general election remains uncertain.

Overall, the trend today is towards strengthening regional ties in Latin America. After taking office on January 24, Lula da Silva made his first official trip to Argentina, where he attended the 7<sup>th</sup> Community of Latin American and Caribbean States (CELAC) meeting in Buenos Aires, following Brazil's return to the organization.<sup>209</sup> Brazil also plans to revitalize the Union of South American Nations (UNASUR),<sup>210</sup> play an active role in the G20 and BRICS, and promote South-South cooperation with developing countries in Africa and other regions.<sup>211</sup> Resumed diplomatic relations between Venezuela and Colombia following the inauguration of President Gustavo Petro was an important step in enhancing intra-regional partnerships in Latin America.<sup>212</sup>

### *Prospects for Strengthening Economic Ties Between China and Latin America*

In a meeting with Cuban President Miguel Diaz-Canel on November 25, 2022, Chinese President Xi Jinping stressed that cooperation between China and Latin American countries is essentially "South-South cooperation", based on mutual respect and mutual benefit, openness and tolerance, all with the aim of common development.<sup>213</sup>

In 2022, the number of high-level visits and humanitarian exchanges between China and Latin American countries increased significantly following reduced COVID-19 infection rates and eased anti-COVID restrictions. Economic cooperation has also picked up, with bilateral trade totaling about USD 450 billion in 2022, up 9.8% from 2021. Exports and imports hit record highs of USD 229 billion and USD 222.5 billion respectively.<sup>214</sup> China has made progress in negotiations on free trade areas with Ecuador,<sup>215</sup> Uruguay,<sup>216</sup> El Salvador,<sup>217</sup> Nicaragua,<sup>218</sup> and other nations.

<sup>209</sup> Brazil announces renewed participation in regional association CELAC // TASS. January 6, 2023.  
URL: <https://tass.ru/mezhdunarodnaya-panorama/16747521?ysclid=hooa3gy1c575479827>

<sup>210</sup> Return of Brazil to UNASUR // Gov.br. April 7, 2023.  
URL: <https://www.gov.br/mre/en/contact-us/press-area/press-releases/return-of-brazil-to-unasur>

<sup>211</sup> Lisovlik Ya.D. Lula's Return: a chance for the Global South // Russian Council on Foreign Affairs. October 2, 2022.  
URL: <https://russiancouncil.ru/analytics-and-comments/analytics/vozvrashchenie-luly-shans-dlya-globalnogo-yuga/?yscl>

<sup>212</sup> Venezuela and Colombia exchange ambassadors after a three-year break in diplomatic relations // TASS. August 29, 2022.  
URL: <https://tass.ru/mezhdunarodnaya-panorama/15583477?ysclid=honripr67724044276>

<sup>213</sup> Xi holds talks with Cuban president // The State Council of the People's republic of China. October 25, 2022.  
URL: [http://english.www.gov.cn/news/topnews/202211/25/content\\_WS6380775fc6d0a757729e3a96.html](http://english.www.gov.cn/news/topnews/202211/25/content_WS6380775fc6d0a757729e3a96.html)

<sup>214</sup> China-Latin America trade reaching new heights // CHINADAILY.com.cn. January 3, 2023.  
URL: <https://www.chinadaily.com.cn/a/202301/03/WS63b38e17a31057c47eba763b.html>

<sup>215</sup> China deepens ties in Latin America with Ecuador free trade agreement // Financial Times. May 11, 2023.  
URL: <https://www.ft.com/content/b0cee143-1a38-4d93-b605-33e1cb91fc97>

<sup>216</sup> Uruguay seeking China trade deal despite misgivings from neighbors // Reuters. July 21, 2022.  
URL: <https://www.reuters.com/world/americas/uruguay-seeking-china-trade-deal-despite-misgivings-neighbors-2022-07-20/>

<sup>217</sup> China and Salvador to begin free trade talks // Reuters. October 10, 2023.  
URL: <https://www.reuters.com/world/asia-pacific/china-el-salvador-begin-free-trade-talks-2022-11-09/>

<sup>218</sup> China, Nicaragua step up negotiations on free trade agreement // China International Import Expo. February 13, 2023.  
URL: <https://www.ciee.org/zh/en/news/exhibition/focus/20230213/36326.html>

The rapid development of relations between China and Latin America is a concern for the United States. Although regional states criticize Washington's policy on Cuba, Venezuela and Nicaragua and disapprove of the US sanctions against these countries, Latin America remains politically and economically dependent on the United States. In this regard, building relations with China becomes a strategic alternative for the region.

### *Cooperation Between Russia and Latin America in Lue of Western Sanctions*

In 2022, Russia stepped up its cooperation with the Global South. Cooperation with Latin American countries is developing both through bilateral relations and through international organizations, including the UN, APEC, the Group of Twenty (G20), BRICS, and regional associations such as the Common Market of South America (MERCOSUR), the Bolivarian Alternative for the Americas (ALBA), and the Andean Community (CAN).

In 2022, most states in the region, including key US partners Argentina, Brazil and Colombia, voted in support of Ukraine in the UN after Russia launched its special military operation, but rejected Washington's request to supply arms to Kiev, in keeping with a long-established Latin American tradition of non-interference.<sup>219</sup> Latin American countries do not support anti-Russian sanctions and are concerned about their negative impact on food markets. Robust ties with this region help Russia strengthen its international standing and partially overcome the sanctions blockade imposed by Western countries.

In the decade starting from 2010 to 2021, trade between Russia and Latin America climbed from USD 12 billion to USD 21 billion.<sup>220</sup> The complementarity trade ties it has with the region aids in their further expansion: Russia exports to Latin America much needed fertilizers,<sup>221</sup> and imports certain types of agricultural commodities that are not produced in Russia.<sup>222</sup> However, Russia's presence in the Latin American market is limited by competition from the region's traditional partners – the US, the EU and Japan – and new ones, mainly China and South Korea.

### ***Russia – China Relations with African Countries***

#### *China and Africa: A Community of Common Destiny for Humanity*

China is the world's largest developing country, and Africa is home to the largest number of developing nations. Mutually beneficial cooperation with the region and joint efforts to foster its economic and social development create conditions for

<sup>219</sup> China, Nicaragua step up negotiations on free trade agreement // China International Import Expo. February 13, 2023.  
URL: <https://www.ciee.org/zh/en/news/exhibition/focus/20230213/36326.html>

<sup>220</sup> Russia and Latin America want to shake up the Western-centric world order // Novaya Gazeta. January 29, 2023.  
URL: [https://www.ng.ru/courier/2023-01-29/8\\_10\\_8646\\_latam.htm](https://www.ng.ru/courier/2023-01-29/8_10_8646_latam.htm)

<sup>221</sup> For example, Brazil imports 85% of fertilizers, including 23% from Russia. Bolsonaro says Brazil is preparing for food crisis in 2022 // TASS. October 8, 2022.  
URL: <https://tass.ru/mezhdunarodnaya-panorama/12609501?ysclid=lhqal54ddc796270553>

<sup>222</sup> Mineral fertilizers make up 44% of all Russian exports to Latin America // Expert. June 21, 2022  
URL: <https://expert.ru/2022/06/21/mineralnyye-udobreniya-sostavili-44-ot-vsego-eksporta-rossii-v-latinskuyu-ameriku/?ysclid=lhq8yc2ua2773734038>

Beijing to promote a new type of international relations and the concept of building a community that shares a common destiny for humanity.

China proposed the Horn of Africa Peaceful Development Concept to support the long-term stability of the region.<sup>223</sup> The First China-Horn of Africa Peace, Good Governance and Development Conference was held in June 2022 in Addis Ababa, where a joint statement was issued on responding to the challenges of security, development and governance, emphasizing the importance of peace in this part of the continent.<sup>224</sup>

On January 11, 2023, Chinese Foreign Minister Qin Gang hosted the 8<sup>th</sup> China-African Union (AU) Strategic Dialogue. China supported the AU's accession to the G20, greater representation of African countries on the UN Security Council and other international organizations, and the establishment of a fairer and more rational system of global governance.<sup>225</sup> In 2022, the China–Africa trade increased by 11% to USD 282 billion, with Chinese exports and imports totaling USD 164.5 billion and USD 117.5 billion respectively.<sup>226</sup> To prop up Africa's economic recovery, China continues to expand imports of African goods, especially non-resource products. China is the second largest destination country for regional agricultural exports, which have recently been growing at an average annual rate of 11.4%.<sup>227</sup> In December 2022, to promote trade balance, China allowed nine African countries to export more than eight thousand goods duty-free,<sup>228</sup> setting a target of importing USD 300 billion worth of products from Africa by 2025.<sup>229</sup>

In addition to economic ties, humanitarian cooperation is an important area of China–Africa relations. Particularly, 51% of China's foreign financial aid is directed to African countries, totaling USD 60 billion over the past decade. Thanks to China's infrastructure capabilities, Chinese enterprises helped African countries build and upgrade more than 10,000 km of railways, 100,000 km of roads, about 100 ports and 1,000 bridges from 2000 to 2021. Regarding training, from 2005 to 2021, China initiated 160 programs in Africa to train local professionals in poverty alleviation and development assistance, covering over 2,700 people in 53 African

<sup>223</sup> Wang Yi on the Horn of Africa Peaceful Development Concept // XINHUA News. January 7, 2022.  
URL: [http://russian.news.cn/2022-01/07/c\\_1310413401.htm](http://russian.news.cn/2022-01/07/c_1310413401.htm)

<sup>224</sup> Roundup: First China-Horn of Africa peace conference concludes with call for realizing shared aspirations // Forum of China–Africa Cooperation. June 23, 2023.  
URL: [http://www.focac.org/eng/zfzs\\_1/202206/t20220623\\_10708534.htm](http://www.focac.org/eng/zfzs_1/202206/t20220623_10708534.htm)

<sup>225</sup> Qin Gang makes a four-point proposal for the development of China-Africa relations // Ministry of Foreign Affairs of the People's Republic of China. January 11, 2023.  
URL: [https://www.fmprc.gov.cn/rus/wjdt/wshd/202301/t20230112\\_11006353.html](https://www.fmprc.gov.cn/rus/wjdt/wshd/202301/t20230112_11006353.html)

<sup>226</sup> China – Africa Trade Reached a Record High in 2022 // Logist Africa. January 30, 2023.  
URL: <https://logistafrica.com/en/2023/01/30/china-africa-trade-reached-a-record-high-in-2022/>

<sup>227</sup> China Promises More Debt Relief, Trade, Investment, and Health Support to African Countries // China Trade Monitor. October 30, 2022.  
URL: <https://www.chinatrademonitor.com/china-promises-more-debt-relief-trade-investment-and-health-support-to-african-countries/>

<sup>228</sup> China Approves Zero Tariffs from Nine African Countries in a Bid to Boost Trade // The Kenyan Wall Street. December 13, 2022. URL: <https://kenyanwallstreet.com/china-zero-tariffs-9-african-countries/>

<sup>229</sup> China to import \$300 billion products, promote Chinese investment in Africa // Global Times. November 29, 2021.  
URL: <https://www.globaltimes.cn/page/202111/1240234.shtml>

nations. Additionally, China has sent 23,000 health workers to Africa who helped treat around 230 million patients over the past 58 years.<sup>230</sup>

### *Russia and Africa: A New Stage in Cooperation*

In February 2023, Vladimir Putin said that African countries remain to be important and reliable partners for Russia.<sup>231</sup> They are united by the common goal of building a multipolar world order based on equality and international law.

In the aftermath of the special military operation in Ukraine, the US and EU pressured Africa to condemn Russia, but many African leaders took a neutral stance and spoke out in favor of a peacefully negotiated settlement. On February 23, 2023, at an emergency special session of the UN General Assembly, a vote was held on Resolution #A/RES/ES-11/6, the “Principles of the Charter of the United Nations underlying a comprehensive, just and lasting peace in Ukraine,” calling for the withdrawal of Russian troops from Ukraine and a “comprehensive, just and lasting peace.” 141 countries voted in favor, seven countries – Russia, Belarus, North Korea, Eritrea, Syria, Nicaragua and Mali – voted against, and 32 abstained.<sup>232</sup> Almost half of those who abstained were from Africa. African nations do not support sanctions, remembering how the USSR assisted them in their fight for independence and development, in addition to promoting security in the region.

Indeed, in the new geopolitical environment, Africa has become a focal point in Russia’s foreign policy. Yet it should be remembered that Moscow had been developing its relations with the region long before the Ukrainian crisis escalated. In 2019, Russia hosted the first Russia-Africa Summit, which became an important step in Moscow’s strategy of returning to the African continent. The second summit took place in St. Petersburg in July 2023. An important symbolic step by Russia was the cancellation of over USD 20 billion of debts owed by African countries, which was announced by Vladimir Putin at the Russia-Africa international parliamentary session on March 20, 2023.<sup>233</sup>

The number of official Russian visits to African nations has increased significantly in recent months: Russian Foreign Minister Sergey Lavrov visited Egypt, the Republic of Congo, Uganda and Ethiopia on July 24 – 28, 2022; South Africa, Eswatini, Angola and Eritrea on January 23 – 26, 2023; and Mali, Mauritania and Sudan on February 6 – 9, 2023. Nikolai Patrushev, Secretary of the Security Council of the Russian Federation, also visited Egypt in January 2023.<sup>234</sup> It is necessary

<sup>230</sup> Full text: China and Africa in the New Era: A Partnership of Equals // The State Council Information Office of the People’s Republic of China. November 26, 2021. URL: [http://english.scio.gov.cn/whitepapers/2021-11/26/content\\_77894768\\_4.html](http://english.scio.gov.cn/whitepapers/2021-11/26/content_77894768_4.html)

<sup>231</sup> Putin greets participants of the Assembly of the African Union // RIA Novosti. February 18, 2023. URL: <https://ria.ru/20230218/putin-1852833569.html?ysclid=Ihrix4h3ci609212446>

<sup>232</sup> UN General Assembly calls for immediate end to war in Ukraine // United Nations. February 23, 2023. URL: <https://news.un.org/en/story/2023/02/1133847>

<sup>233</sup> Russia cancels USD 20bn worth of debts to African countries // Kommersant. March 20, 2023. URL: <https://www.kommersant.ru/doc/5887336?ysclid=Ihrg1we7jf378286655>

<sup>234</sup> Patrushev arrives in Venezuela // TASS. February 28, 2023. URL: <https://tass.ru/politika/17163563>; Patrushev discussed security and economic issues with the President of Egypt // TASS. January 29, 2023. URL: <https://tass.ru/politika/6054116>

to step up diplomatic efforts in order to achieve several objectives, like gaining political support in Africa, preparing for the Russia–Africa summit in July and strengthening diversified cooperation with African countries, including in food security.

Russian exports to Africa are mainly food, minerals and arms, while import categories include fruits, vegetables, tobacco, cocoa and alumina. In 2021, the amount of Russian–African exports and imports reached USD 14.7 billion and USD 3 billion, respectively.<sup>235</sup> To compare, African trade with the EU, China and the US totaled USD 295 billion, USD 254 billion and USD 65 billion respectively over the same period.<sup>236</sup> Russia’s trade with African countries grew to USD 18 billion in 2022 and is likely to double by 2030. About 25% of Russian supplies to the African market were wheat and meslin and 22% were oil and petroleum products. Russia is also strengthening its investment in Africa: 60% to 70% of Russian investment in Africa is in oil, gas, uranium and iron ore exploration and production projects.<sup>237</sup>

Russia is developing cooperation with Africa in agriculture, energy, transport and digitalization. Particularly, in 2015, under an intergovernmental agreement, Russia provided Egypt with a USD 25 billion loan for the construction of its first nuclear power plant in Egypt by Rosatom.<sup>238</sup>

Considering external competition within Africa, the following recommendations would be useful for Russia to further strengthen its cooperation with African states.

Given the limited volume of Russian–African trade, it seems important not only to step up the search for new commercial opportunities, but also to use BRICS for developing a roadmap on how to stabilize the global grain supply situation for the developing world. It may also be useful to consider the creation of a working body on maritime safety, transport support and insurance within BRICS or SCO countries. Using multilateral mechanisms for promoting economic cooperation can create a scale effect for Russia in Africa.

It is necessary to consider the West’s renewed interest in the Global South after years of disengagement. For example, in August 2022, the US adopted the Strategy Toward Sub-Saharan Africa<sup>239</sup> to forge closer US–Africa ties. In February 2022, the 6<sup>th</sup> EU–African Union Summit<sup>240</sup> was held, which resulted in the EU pledging EUR 150 billion over seven years to Africa to finance infrastructure and energy

<sup>235</sup> What to expect from Russian-African economic relations // RBC. July 29, 2022.  
URL: <https://trends.rbc.ru/trends/innovation/62ddc8cb9a7947ad9188db4b>

<sup>236</sup> Siegle J. Russia Tries to Break Isolation by Engaging with Africa // ISPI. December 23, 2022.  
URL: <https://www.ispionline.it/en/publication/russia-tries-break-isolation-engaging-africa-37131>

<sup>237</sup> Ministry of Economic Development: trade between Russia and Africa may double by 2030 // Ministry of Economic Development of the Russian Federation. February 20, 2023.  
URL: [https://www.economy.gov.ru/material/news/minekonomrazvitiya\\_do\\_2030\\_tovarooborot\\_mezhdu\\_rossiye\\_i\\_afrikoy\\_mozhet\\_uvelichitsya\\_vdvoe.html?ysclid=liufv6o5j7863434188](https://www.economy.gov.ru/material/news/minekonomrazvitiya_do_2030_tovarooborot_mezhdu_rossiye_i_afrikoy_mozhet_uvelichitsya_vdvoe.html?ysclid=liufv6o5j7863434188)

<sup>238</sup> Media: Russia to lend Egypt USD 25bn for the construction of the first NPP // TASS. October 30, 2015.  
URL: <https://tass.ru/ekonomika/2485694?ysclid=ihrmw7hm88822981101>

<sup>239</sup> U.S. Strategy Toward Sub-Saharan Africa // The White House. August, 2022.  
URL: <https://www.whitehouse.gov/wp-content/uploads/2022/08/U.S.-Strategy-Toward-Sub-Saharan-Africa-FINAL.pdf>

<sup>240</sup> 6th European Union – African Union Summit: A Joint Vision for 2023 // African Union. February 18, 2022.  
URL: <https://au.int/en/pressreleases/20220218/6th-european-union-african-union-summit-joint-vision-2030>

projects and food security measures.<sup>241</sup> In December 2022, the second US–Africa Leaders Summit<sup>242</sup> was held at a time when Joe Biden announced a USD 55 billion aid package for the region, covering health care and climate change.

In comparison, at the Forum on China–Africa Cooperation (FOCAC) in 2021, China pledged to invest USD 40 billion in Africa. The fulfilment of these promises largely determines the context for developing relations with African countries<sup>243</sup>. As competition between the US and China intensifies, Africa must delicately balance between the two opponents. Right now, the region is in no hurry of openly supporting either side, hoping for more benefits with the US-China rivalry. Russia is also keenly interested in realizing its plans for further Russia-Africa cooperation.

African state economic development, as set out in the African Union’s Agenda 2063 and the principles of the African Continental Free Trade Area (AfCFTA), is not a priority for Washington.<sup>244</sup> In this regard, focusing on supporting African ideas can bolster trust between participants in the new Russia-Africa forums.

For Russia, stronger and more diversified ties with the developing world could generally help mitigate the risks of being “tied up” to one major partner in the context of switching to new markets amid Western sanctions.

<sup>241</sup> Faced With Chinese Competition, the EU Promises 150 Billion Euros to Africa // *Le Journal de l’Afrique*. February 19, 2022.  
URL: <https://lejournaldelefric.com/en/in-the-face-of-the-chinese-competition-read-promises-150-billion-euros-to-africa/>

<sup>242</sup> U.S. – Africa Leaders Summit // U.S. Department of State. URL: <https://www.state.gov/africasummit>

<sup>243</sup> Komminoth L. Africa in 2023: Can the Continent Outrun Global Headwinds? // *African Business*. January 4, 2023.  
URL: <https://african.business/2023/01/trade-investment/africa-in-2023-can-the-continent-outrun-global-headwinds->

<sup>244</sup> Scarfe J. What can the US-Africa Leaders Summit learn from China? // *African Business*. December 6, 2022.  
URL: <https://african.business/2022/12/trade-investment/what-can-the-us-africa-leaders-summit-learn-from-china/>

## Conclusions

In 2022, Russia-China relations were put to the test. It is hard to recall any other time when the political, trade and economic relations between the two countries have been subjected to such external challenges. They both bared witness to the implemented Western sanctions of the past year, and to the dramatic changes in global supply chains and macroeconomic stability.

However, it can be concluded that Russia–China relations have withstood all the testing times of this challenging year. Moreover, they entered 2023 even stronger than the year before, demonstrating a pace of development unseen in recent history.

Political ties between Moscow and Beijing have been quite intense in the past year, with numerous meetings and telephone conversations between the leaders of the two great powers serving as a guarantee for developing friendly relations between the two countries and peoples. Having identified in February 2022 the common ideological approaches to state formats and the construction of the future world order, Russia and China have created a solid political basis for establishing mutual trust. At the beginning of 2023, the prerequisites for building good friendly relations were also established with Russian Prime Minister Mikhail Mishustin and his Chinese counterpart Li Qiang, the new Premier of the State Council of the People's Republic of China. Russia and China are coordinating their work in international organizations more closely than ever before, notably in the UN, but also within the SCO, BRICS and other multilateral formats. In 2023, Russia and China must find a solution to the pressing issues of expanding BRICS and the SCO, in which more and more countries are willing to join. Additionally, they must jointly propose options for reforming the international security regulation system within the framework of the UN Security Council.

The recent growth in economic cooperation between the two countries is unprecedented. There has not been a single case in the world over the past 50 years that trade between the two great powers would grow at such an impressive pace. China has been Russia's largest trading partner for 13 years now, and the volume of bilateral trade has increased by 116% over the past decade, coming close to USD 200 billion in annual trade turnover. Both Russia and China are setting new ambitious goals for bilateral trade growth. This well proves the high complementarity of Russia and China's economies. While Russia, temporarily lacking imported industrial products following the withdrawal of Western companies from the Russian market, can, to a large extent, cover its needs with the help of Chinese suppliers. China, on the other hand, seeks to diversify its energy and agricultural supplies to ensure its energy and food security, and Russia is capable of providing such supplies to its eastern partner.

An important outcome of the past year is that the leaders of both countries share a clear understanding of what problems hamper their bilateral relations. These are entirely economic and are therefore quite solvable. It mainly involves expand-



ing logistics infrastructure, which received much attention in 2022, the results of which can already be described as positive. There are certain problems in providing financial support for the growing volume of transactions. Russia and China have crossed an important 50% mark in national currency payments, but there is still much work to be done to build a financial infrastructure that can quickly and smoothly handle RMB and RUB transactions that would benefit both the banks and businesses of the two countries.

Issues pertaining to attracting mutual investment and production localization beyond national borders have also been discussed. Here too, the commitment of both states to provide attractive conditions for investment projects is evident. The May 2023 Russian-Chinese Business Forum held in Shanghai, where state leaders attended, confirmed the immense interest of large corporations in Russia and China in investing in various sectors of the economy.

Another promising area is scientific and technological cooperation. After China has lifted its COVID restrictions, cooperation between scientific, educational and technological centers and companies in Russia and China have been gaining momentum; the number of conferences, forums and interpersonal relations between the scientists and experts of the two states has returned to pre-crisis levels. However, it is up to the governments to be the drivers of this growth by proposing new projects to establish joint high-tech development areas, which have worked so well in China, in addition to joint research and development projects. Exchanges in technological advancement and scientific achievements in fields such as artificial intelligence and machine learning, robotics, nuclear physics, and space industry can not only accelerate the scientific and technological progress of both countries, but also ensure national security interests in the Eurasian space.

The year 2023 will no doubt bring new challenges and new breakthroughs to Russia–China relations. The most important factor in progressing this development for the benefit of both peoples will be a high level of coordination and intensive cooperation at all levels, between national governments and regional authorities, between businessmen and managers, scientists and technologists, cultural and sports figures. Russia and China are building a new world, opening a new era of international cooperation, taking on the responsibility in forging a new common destiny for all of humanity.

# Recommendations

## Political Cooperation

Cooperation between Russia and China remains to be a crucial element in the emerging new world order. The four deficits identified by Xi Jinping at the 20<sup>th</sup> Congress of the Chinese Communist Party, namely the deficits of peace, development, security and governance that are associated with ongoing global transformational processes and the emergence of new dividing lines, urge Russia and China to cooperate and strategically coordinate actions to overcome these deficits. Maintaining an open dialogue between Moscow and Beijing based on cooperation, respect for sovereignty and national interests, and great power responsibility is necessary for building a multipolar world order.

In the current environment, promoting global development should be a key objective for Russia and for China. The countries should respect the basic principles of the UN Charter, fulfil in good faith the responsibilities of permanent members of the Security Council and enhance the Security Council's key role in maintaining global and regional peace.

The conflict in Ukraine has radically changed the perceptions Russia and the EU have of each other, and the main challenges for Russian diplomacy today are focused on the West. With the ongoing crisis, maintaining contacts in the East continues to be a priority for Russia. The importance of cooperating with its partners in the former Soviet Union and Asia has become all the more important as many of them have adopted a neutral stance in the conflict and are distancing themselves from assessing hostilities.

For China, its deteriorating relations with the West, primarily the US, have also significantly impacted development. Washington is using the conflict in Ukraine to mobilize its allies in the Asia-Pacific region and is accelerating the implementation of its Indo-Pacific strategy, creating a multilevel, multidisciplinary and inter-regional system of security alliances in East Asia. In this context, the Eurasian dimension of foreign policy is also growing in importance for Beijing, creating an impetus for furthering its cooperation with Russia.

Accordingly, policy coordination within Eurasia and the elaboration of a common vision of the region's development is becoming important for Moscow and Beijing like never before. It is necessary to reach a common understanding of how exactly this space will be organized and avoid bloc thinking.

The countries are facing a similar challenge in the Indo-Pacific as well. While Russia consistently opposes new dividing lines in the Asia-Pacific region, bloc thinking has taken over and new sub-regions have been artificially constructed. For example, China does not always interpret US actions in the Asia-Pacific as hostile. According to experts, the strengthening of the US alliance system in the Indo-Pacific region is preventive rather than offensive in nature. In this situation, the development of joint approaches to understanding the processes that take place in the region can help strengthen the positions of both Russia and China.

The development of a joint strategy for cooperation with Latin American and African countries also seems promising. A coordinated policy of Russia and China including the “world’s majority” in the long term can, to a certain extent, mitigate the negative consequences of the current confrontational agenda. Additionally, policy coordination including the “world’s majority” will open up new economic opportunities for Moscow and Beijing.

Cooperation between Moscow and Beijing is also essential to ensure the sustainable function and growth of the global economy. The Ukraine crisis has sped up the restructuring of global supply and production chains, also leading to volatility in stock and currency markets, while the WTO’s role in regulating macroeconomic processes has been weakening steadily over the past decades. Accordingly, both Russia and China need to find new formats for regulating the global economy, create new systems of settlements, supplies and production exchanges.

Russia appreciates Beijing’s desire to help peacefully resolve the Ukrainian conflict. Russia and China have similar views on the need to consistently ensure equal and indivisible security. It is recommended to continue this cooperation in the traditional spirit of mutual respect to help overcome tensions in Europe.

### **Trade and Economic Cooperation**

Today’s changing environment calls for renewed strategic guidelines in all economic cooperation efforts between Russia and China. Today, Moscow and Beijing continue to overcome multiple hurdles and maintain stable bilateral trade, but short-term tactical thinking must give way to a more strategic approach.

The list of the key cooperation areas is determined by strategic documents and statements adopted by Russia and China. To promote stable Russia–China economic development, it is necessary to step up coordination through interdepartmental dialogue. The promising areas of cooperation include minimizing the negative effects of Western sanctions, intensifying efforts to prevent compliance risks and protecting the interests of Russian and Chinese companies in the context of external economic restrictions, reducing institutional barriers to settlements in national currencies, and eliminating trade barriers.

Regarding sanctions, developing financial cooperation between Russian and Chinese financial institutions requires new infrastructure for transactions bypassing the SWIFT system. The year 2022 saw an increase in the number of Russian banks connected to China’s national bank transfer system CIPS, which allows for settlements in RMB and the transmission of payment messages via a secure communication channel. The next step could be to look for opportunities to integrate China’s CIPS and Russia’s Financial Messaging System (FMS). The successful implementation of this project will help reduce Russia’s dependence on SWIFT and mitigate the impact of blocking sanctions on banks.

To overcome barriers in the energy sector, the two governments should promote a favorable environment for cooperation based on equality and mutual benefit, with Russian and Chinese businesses relying on market and legal norms for the most

effective cooperation on investment and practical issues. This will help maintain stability and promote further development of energy cooperation between the two countries.

At the same time, growing imbalances in bilateral trade need to be considered, and strategies must be developed to address them. In the context of deepening cooperation, Chinese exports are dominated by high-tech products, while Russian exports are mainly represented by agricultural products and energy resources, which in the medium term reduces cooperation benefits for China. Therefore, it is time to revise the economic and technological capabilities of the two countries, their complementarity or asymmetry, considering absolute and relative benefits, as well as development trends in the world economy.

## **Transport and Logistics Cooperation**

In 2022, Russia and China made progress in terms of transport and logistics by connecting the existing cross-border infrastructure facilities and using the existing initiatives to simplify transport and logistics procedures. However, work in this direction should be further developed.

Particularly, difficulties with customs clearance continue to impose significant constraints. It is important to speed up the development of a digital transport clearance infrastructure, including facilitating the transition to electronic transit waybills and electronic shipping documents. Prospects for developing digital customs procedures should also be considered.

Given the increased total volume of bilateral traffic, general improvements in the speed of transit trains, accelerated cargo containerization and increasing loaded traffic to increase the load factor of goods are also important areas for joint work. To optimize the load on the main supply routes, it is also necessary to improve the efficiency of the existing border checkpoints by increasing regular container traffic through other border crossings, in addition to building new checkpoints and transport infrastructure facilities.

In the current environment, it is essential to develop cooperation within the framework of the North–South international transport corridor. To deliver goods to Europe, Beijing is looking into building an alternative corridor through Central Asia, the Caucasus and the Middle East. In turn, Russia may consider the North–South route to integrate into regional transportation networks and hope that the SCO, BRICS, and EAEU member states will assist in its construction.

Also, the expansion of the Bely Rast logistics center in the Moscow region can further boost cooperation. The expansion of the logistics network is expected to reduce cargo travel time from Beijing to Moscow and onward to Europe, while also increasing containerized freight traffic on the China–Russia–Europe route. It is important for Russia to become more involved in transportation along the China–Europe route so that it can fill trains with its own goods.

## **Humanitarian Cooperation**

Chinese experts recommend conducting an objective analysis of the existent gaps between Russia and China in science, technology and education in order to assess the different advantages of the two countries and adjust the directions of bilateral scientific, technical and educational cooperation to maximize the benefits.

Promoting the development of interpersonal ties between Russian and Chinese professionals through various exchanges is vital as the world recovers from the COVID-19 pandemic.

## **Merging the EAEU and BRI**

Merging goals of the Belt and Road Initiative and the Greater Eurasian Partnership still requires additional conceptual work. To effectively merge efforts, Russia and China, as the driving forces of Eurasian integration, need to determine which type of format is most suitable: the “5+1” approach where BRI serves as a framework, or the “1+1” model in which the central role is played by the EAEU as a unified organization representing the core of the Greater Eurasian Partnership.

Despite common goals, these different approaches suggest different mechanisms for achieving them, and the effectiveness of joint project depends on promptly choosing the correct format choice.

Among the potential factors hindering BRI and EAEU cooperation initiatives, Chinese experts point to the lack of fixed standards and a single mechanism for organizing cooperation within the scope of the project and the lack of institutional mechanisms to define the criteria for participation. Additionally, comprehensive economic cooperation within the EAEU has not been developed enough in terms of its foreign economic partners, in addition to there being an uneven distribution of economic benefits among the member states. Also, there is a lack of common standards in transportation, finance, information, digital and customs spheres. Therefore, creating joint projects requires systematic changes to remove hurdles presented to both sides.

## **SCO and BRICS Development**

To evolve efficiently, the SCO needs to become a key player in addressing regional and international security and development challenges. There remains a need to develop common goals and a collective understanding of the desired direction of the organization’s development. To address these challenges, Russia and China need to focus on the unique membership structure and functional nature of this organization, emphasizing key concepts the SCO stands for, such as non-alignment, openness, non-targeting of third countries, equality, respect and non-interference in state internal affairs.

In practical terms, it is important to continue developing an effective mechanism for managing the organization, considering the current and future expansion of its membership. Any institutional reforms should include the development of unified criteria for the admission of new members and for membership termination, as

well as efficient mechanisms for maintaining political stability and security within the SCO space.

It is important that Russia and China make joint efforts to coordinate the SCO's policy in Central Asia as a key area for the organization's development.

Another area in SCO development is utilizing the complementary economies of member states to intensify cooperation. The group's ability to promote innovation and technological development of its members can be realized, inter alia, by working within the SCO framework to link the North-South International Transport Corridor and the Russia–Azerbaijan–Iran (INSTC) corridor with regional projects such as the China–Kyrgyzstan–Uzbekistan railway line and BRI routes.

Transport network integration will facilitate trade and market cooperation mechanisms between the Middle East, East Asia and Central Asia, thus keeping ports running smoothly and increasing the capacity of China-Europe routes.

Another important area of cooperation within the SCO includes stabilizing energy supply chains through multifaceted dialogue within the organization. US and EU sanctions and the price ceiling imposed on Russian energy resources have prompted international energy supply chains to be restructured. At the same time, Iran has become a SCO member, and many Middle Eastern countries have received dialogue partner status, which can be used to strengthen the energy supply-demand nexus within the SCO, while also developing new oil and gas supply routes, implementing new projects such as the SCO Energy Club, and developing the program to stabilize the SCO's supply chains.

It is important to pay special attention to creating financial institutions within the SCO and BRICS. Moscow and Beijing could also work to increase the share of member state national currencies in mutual trade and accelerate the recognition of the yuan as a regional currency.

Russia and China need to make joint efforts to enhance coordination within BRICS, converge member state positions on key international issues, align national development strategies, and ensure openness and stability of regional and global supply chains. Both Russia and China have great potential to shape the conceptual framework of BRICS and its long-term development plans.

## **Cooperation in Africa**

In 2021, trade between Russia and African countries amounted to just USD 14 billion, which is significantly less than Africa's trade turnover with the EU, China and the US. In view of the limited volume of the Russian-African trade, it is imperative for Russia not only to step up efforts to find new commercial opportunities in Africa to boost trade, but also to take more urgent measures to stabilize the global supply of grain, energy and fertilizers to the developing world. In this regard, BRICS's potential can be harnessed, and its member states can be involved in developing a roadmap for resolving this issue and developing joint programs for Africa. The use of multilateral mechanisms to develop economic cooperation can create a scale effect for Russia in Africa.

When developing areas of strategic cooperation, it is necessary to consider the West's renewed interest in the Global South after its many years of disengagement.

Russia-China cooperation in this area can allow Russia to quickly integrate into Africa's development processes and to further strengthen the results that will be achieved within the framework of a Russia-Africa Forum.

It is reasonable for Russia to use its 22-year experience in FOCAC meetings. Additionally, it would be most appropriate to organize consultations between the Sherpa in China-Africa and Russia-Africa forums on issues of common interest.

This could initiate the practice of targeted mutual communication between Russia and China on their endeavors in the Global South, including the pressing issue of expanding RMB trade settlements with developing countries.

## About the Authors

### Russian Side:

**Kirill Babaev** (Head) – Dr. of Philological Sciences, Director of the Institute of China and Contemporary Asia of the Russian Academy of Sciences (ICCA RAS), Dean of the Faculty of International Economic Relations at the Financial University under the Government of the Russian Federation, Deputy Chair of the Russian-Chinese Friendship Society, RIAC Member.

**Andrey Kortunov** (Head) – Ph.D. in History, RIAC Academic Director.

**Igor Denisov** – Senior Research Fellow and Deputy Head of Center for World Politics and Strategic Analysis, Senior Research Fellow at the Russia, China, World Center of ICCA RAS, Senior Research Fellow at the Center for East Asian and SCO Studies, Institute for International Studies, MGIMO University.

**Ivan Zuenko** – Ph.D. in History, Senior Research Fellow at the Center for Euro-Asian Studies, MGIMO Institute of International Studies, Leading Research Fellow at the Center for World Politics and Strategic Analysis of ICCA RAS.

**Yury Kulintsev** – Ph.D. in Political Science, Head of the Center for World Politics and Strategic Analysis, Deputy Director for Youth Policy at ICCA RAS.

**Alexander Larionov** – Ph.D. in Political Science, Ph.D. in Economics, Associate Professor at the Department of State and Municipal Finance at the School of State Audit, Lomonosov Moscow State University.

**Vladimir Matveyev** – Ph.D. in Economics, Lead Research Fellow at the Russia, China, World Center of ICCA RAS.

**Vladimir Petrovsky** – Dr. of Political Science, Chief Research Fellow at the Russia, China, World Center of ICCA RAS.

**Sergey Sazonov** – Ph.D. in Economics, Lead Research Fellow at the Russia, China, World Center of ICCA RAS.

**Elena Safronova** – Ph.D. in Economics, Lead Research Fellow at the Russia, China, World Center, Managing Editor of annual report “China in World and Regional Politics: History and Modernity” of ICCA RAS.

**Sergey Uyanayev** – Ph.D. in History, Deputy Director for Science, Head of the Russia, China, World Center of ICCA RAS.

**Yulia Melnikova** – RIAC Program Manager.



### **Chinese Side:**

**Feng Yujun** (Head) – Dr. of Law, Professor, Deputy Director of the Institute of International Studies, Director of the Center for Russia and Central Asia Studies at Fudan University

**Gao Jixiang** – Dr. of Economics, Chief Research Fellow, Deputy Director of the Russian Economic Research Department, Institute of Russian, East European and Central Asian Studies, the Chinese Academy of Social Sciences (CASS).

**Liu Huaqin** – Dr. of Economics, Chief Research Fellow, Director of the Institute of Europe and Eurasia at the Chinese Academy of International Trade and Economic Cooperation under the Ministry of Commerce of the People's Republic of China.

**Liu Qian** – Dr. of Economics, Associate Professor, Deputy Director of the Center for Russian and Central Asian Studies, China University of Petroleum.

**Ma Bin** – Dr. of Law, Associate Professor, Deputy Director of the Center for SCO Studies at Fudan University.

**Xu Changzhi** – Vice President of the Council on Strategic Interaction between China and Russia at the Chinese Academy of Social Sciences, Chief Research Fellow at the Institute of Eurasian Social Development, Development Research Center of the State Council.

**Zhao Long** – Dr. of Law, Chief Research Fellow, Deputy Director of the Institute for Global Governance Studies, Shanghai Institutes for International Studies.

**Sheng Shiliang** – Senior Research Fellow at the China Foundation for International Studies.

## Russian International Affairs Council

The Russian International Affairs Council (RIAC) is a non-profit organization focused on conducting research in the field of international relations and developing practical recommendations on foreign policy and international relations matters for Russian government authorities, businesses and non-profit organizations. The Council was established by the decision of its founders in accordance with the Decree of the President of the Russian Federation of February 2, 2010.

RIAC is one of Russia's leading analytical centers, tackling over 20 research areas annually. The Council's expertise is highly demanded by Russian agencies, the academic community, as well as Russian and foreign businesses engaged in international activities.

Along with analytical work, RIAC actively builds a sustainable community of young professionals in the field of foreign policy and diplomacy. The Council is also an active contributor to expert diplomacy, maintaining partner relations with foreign research centers, universities and business associations.

RIAC Board of Trustees is chaired by Sergey Lavrov, Minister of Foreign Affairs of the Russian Federation. RIAC President, Corresponding Member of the Russian Academy of Sciences Igor Ivanov served as Minister of Foreign Affairs of the Russian Federation from 1998 to 2004 and as Secretary of the Russian Security Council from 2004 to 2007. The Council's Director General is Ivan Timofeev. The Academic Director of the Council is Andrey Kortunov.

## **Institute of China and Contemporary Asia, Russian Academy of Sciences**

The Institute of China and Contemporary Asia of the Russian Academy of Sciences (also known as the Institute of the Far East of the Russian Academy of Sciences prior to July 2022) is the leading center of Russia's Chinese studies, focusing on analytical research in the fields of politics, economics, social processes, culture and contemporary history of China and other East Asian countries, commissioned by the top authorities of the Russian Federation.

The Institute's activities include the comprehensive analysis of socio-political and economic development of East Asian countries; the study of various aspects of political and economic integration processes in East Asia and the Asia-Pacific region; the analysis of the activities of international organizations and dialogue structures (SCO, RIC, BRICS, ASEAN, APEC, etc.).

# Fudan University

Fudan University was established in 1905 as Fudan Public School. It was China's first higher education institution founded by a prominent educator of the time, Ma Xianbo. The name of the school was taken from the classic historical work "Biography of Yuxia" (尚书大传 虞夏传), where the two characters, fù 复 ("return") and dàn 旦 ("dawn") are found in the famous lines: "Brilliant are the sunshine and moonlight, again the morning glory after the night," signifying continuous self-renewal. "Fudan" symbolizes the hope that China will one day become a country with a developed higher education system built and managed by Chinese intellectuals.

Fudan University merged with Shanghai Medical University in 2000.

Being one of the participants in 211 out of 985 projects, Fudan has developed into a comprehensive research university, backed by the Departments of Philosophy, Economics, Law, Education, Literature, History, Science, Engineering, Medicine, and Management.

Fudan University celebrated its 100<sup>th</sup> anniversary in 2005.

Russian International Affairs Council  
Institute of China and Contemporary Asia of the Russian Academy of Sciences  
Institute of International Studies of Fudan University

**RUSSIAN-CHINESE DIALOGUE: THE 2023 MODEL**

Report No. 87 / 2023

Cover photo credit:  
EPA-EFE/THOMAS PETER/Vostock Photo

Layout – Olga Ustinkova

Format 70×100 1/16 offset

75 copies



Tel.: +7 (495) 225 6283  
Fax: +7 (495) 225 6284  
[welcome@russiancouncil.ru](mailto:welcome@russiancouncil.ru)

119049, Moscow,  
8, 4<sup>th</sup> Dobryninsky pereulok

[russiancouncil.ru](http://russiancouncil.ru)