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Russian-Chinese Dialogue: The 2024 Model

Kirill Babaev
Vladimir Danilov
Yuri Kulintsev
Julia Melnikova
Stanislav Pritchkin
Artem Pylkin
Sergey Sazonov
Sergey Tsyplakov

Li Jianmin
Liu Huaqin
Liu Qian
Ma Bin
Xu Changzhi
Feng Yujun
Zhao Long

RUSSIAN INTERNATIONAL AFFAIRS COUNCIL
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Russian International Affairs Council

The Institute of China and Contemporary Asia of the Russian Academy of Sciences

The Institute of International Studies at Fudan University

Authors:

From Russia:

Kirill Babaev, Ph.D. in Philology, **Vladimir Danilov**, Ph.D. in Economics, **Yuri Kulintsev**, Ph.D. in Political Science, **Julia Melnikova**, Ph.D. in Political Science, **Stanislav Pritchkin**, Ph.D. in History, **Artem Pylin**, Ph.D. in Economics, **Sergey Sazonov**, Ph.D. in Economics, **Sergey Tsyplakov**, Ph.D. in Economics

From China:

Li Jianmin, Ph.D. in Economics, **Liu Huaqin**, Ph.D. in Economics, **Liu Qian**, Ph.D. in Economics, **Ma Bin**, Ph.D. in Law, **Xu Changzhi**, **Feng Yujun**, Ph.D. in Law, **Zhao Long**, Ph.D. in Law

Reviewers:

Sergey Lukonin, Ph.D. in Economics

Editors:

Svetlana Gavrilova, Ph.D. in History (Lead Editor); **Julia Melnikova**, Ph.D. in Political Science; **Lyubov Nechaeva**; **Gleb Gryzlov**; **Darina Sibul**; **Katerina Trotskaya**; **Daniil Rastegaev** (Publishing Editor)

The report was drafted with contributions from **Timofey Sokolov**, RIAC Intern.

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Russian-Chinese Dialogue: The 2024 Model is the tenth annual report that reviews Russian–Chinese cooperation in 2023 through Q2 2024. The bilateral relationship developed in a challenging international political context where spiraling conflicts, erosion of fundamental international frameworks and declining rates of global economic development combined to unsettle the balance of global and regional security. The annual report produced jointly by RIAC, ICCA RAS and the Fudan University focuses on the political and economic engagement between Moscow and Beijing in Central Asia and Eurasia as the key region of their shared interest. The report contains data monitoring the evolution of bilateral ties in business and trade, banking and finance, transport and logistics, and humanitarian sectors. Recommendations for relevant ministries and agencies can be found within the analysis of the report.

The opinions expressed in the herein reflect solely the personal views and analytical outlook of the authors and do not necessarily represent the views of the Russian International Affairs Council NP (Not-profit Partnership).

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Introduction

In 2024, Russia and China mark 75 years since the establishment of diplomatic relations. The Joint Statement between the People's Republic of China and the Russian Federation on Deepening the Relations of Comprehensive Partnership and Strategic Engagement, Entering a New Era, in the Context the 75th Anniversary of the Establishment of Diplomatic Relations Between the Two Countries, released during the visit of the Russian President Vladimir Putin to China on 16 May 2024, says: "As independent centers of the emerging multipolar world, Russia and China will fully use the potential of bilateral relations to promote this process in an equitable and orderly manner, democratize international relations, and consolidate their efforts to build a fair and rational multipolar world order".¹ These words, as well as the way the bilateral partnership has evolved in 2023-2024, confirm the consistent expectations that Moscow and Beijing have maintained with regard to each other and their commitment to coordinate their steps on the international arena.

The international political environment remains, with some constraints, favorable for achieving the objectives pursued by Russia and China. On the one hand, the countries of the global majority – or the Global South, a term more commonly used in China – have been strengthening their position amid the transformation of the world order. While this adds another job for Moscow and Beijing, which must structure this space or parts thereof, it also opens new opportunities for creating a fairer playing ground for global interaction. The shared approach of the two countries to fundamental principles and concepts such as democracy, noninterference in internal affairs, an inclusive security and multipolar world order set forth in the Joint Statement of 4 February 2022, helps them to sustain a high level of political coordination.

On the other hand, the political and cultural differentiation continues to increase across the world, whereas the spatial reorganization of the world order escalates the potential for conflict in a number of regions. In this context, there is a pressing urgency to seek new solutions to the problems of global security, international development and distribution of public goods. Russia and China take a similar stance on the most critical points of the global security agenda. More specifically, Moscow and Beijing have almost identical positions on the situation on the Korean Peninsula and in the Taiwan Strait. The military and political crisis that broke out between Israel and Palestine in October 2023 also resulted in Russia and China adopting a similar stance that is considerably different from the nearly uncompromising posture of the West, that is determined to support whatever Israel chooses to do. However, the similar positions of the leading players regarding the given security issues rarely make such issues disappear from the global agenda. There is still a need for expert analysis and insight into such matters.

¹ Joint Statement between the People's Republic of China and the Russian Federation on Deepening the Relations of Comprehensive Partnership and Strategic Engagement, Entering a New Era, in the Context the 75th Anniversary of the Establishment of Diplomatic Relations Between the Two Countries // President of Russia. May 16, 2024.
URL: <http://kremlin.ru/supplement/6132> (In Russ.).

In 2024, the Annual Report of the Russian International Affairs Council (RIAC), the Institute of China and Contemporary Asia (ICCA) of the Russian Academy of Sciences, and Fudan University marks its 10th anniversary. Considering the occasion as well as the above-mentioned global context, in which the Russia–China dialogue has been developing, it was decided to make some changes to the structure of the report. The Introduction reviews key elements of the international environment that are essential for Russia and China, while Chapter 1 with its collaborative analysis by Russian and Chinese experts — tracking the development of the Russian–Chinese partnership in business and trade, banking and finance, transport and logistics, as well as culture and humanitarian sectors — guide the reader to the central subject of this report, the role of Central Asia in Russia–China bilateral relations.

The Central Asian region is an integral component of Russia’s Greater Eurasian Partnership (GEP) concept and China’s Belt & Road Initiative (BRI). It is also the core of the Shanghai Cooperation Organization (SCO). In this respect, the coordination of efforts between Moscow and Beijing, as well as between them and Central Asian countries — Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan and Tajikistan — could help to build better regional connectivity and deepen trade and economic ties. Lack of such coordination, on the other hand, could allow Central Asia to become a contested turf for great powers and other international players and thwart the building of a single, indivisible security framework in the region. Russian and Chinese views concerning the political and economic setup of Central Asia presented in Chapters 2 and 3 reveal common as well as differing elements in each country’s approach.

Russia–China Partnership Development: International Political Context

The key trend influencing, among other things, the foreign policy of Russia and China, along with the nature of their cooperation, is the rising level of conflict and confrontation, both regionally and globally. Chinese analysts note that today’s regional conflicts present a major challenge to international peace and security. Policies prolonging regional conflicts — be it the Ukraine crisis or a new round of Israel–Palestine confrontation — remain the biggest factor that erodes global security. Russian experts also point to the worldwide acceleration of the arms race and unending discussions of a possible nuclear war that exacerbate international tensions. At a time when the international order, based mostly on consensus between the permanent members of the UN Security Council, has practically seized up and nations are again embracing “block mentality”, shifting their bets to building up their individual and combined military might.

In 2024, NATO has completed another round of expansion with the accession of previously-neutral Sweden and Finland. By the end of the year, according to experts, the combined defense spending of NATO’s European members is set to hit another historical record at \$380 billion, with at least 18 NATO countries having

to spend more than 2% of their GDP.² Many NATO governments are also discussing the possibility to lift restrictions on providing Ukraine with weapons that could be used to “strike inside Russia.”³ NATO’s European members are thinking hard about increasing their own defense potential and the competitiveness of the local defense industry⁴ as a “second life insurance”⁵ in case Donald Trump returns to the White House. Hence the EU’s new strategic concept, Strategic Compass, includes plans to create a 5,000-strong EU Rapid Response Force by 2025.⁶ Russia, in turn, is accelerating the military integration of the Union State of the Russian Federation and the Republic of Belarus by deploying tactical nuclear weapons on the latter’s territory and preparing for non-strategic nuclear exercises. According to Chinese experts, the purposeful arms race policy and high-intensity containment measures in Europe’s border areas are thus becoming a new normal of regional security.

The security situation in Asia is going down a similar path. For example, the rhetoric used by Western politician aims to create an illusory threat of conflict in the South China and East China Seas. Whereas, in fact, the United States is pressing on with its policy of building an “Asia-Pacific version of NATO”⁷ as it invites Australia, South Korea, Japan and New Zealand to participate in NATO summits, continues to develop the Quadrilateral Security Dialogue (QUAD) with Australia, India and Japan, and the AUKUS military alliance with Australia and the United Kingdom. These pursuits increase regional uncertainty and, understandably, raise concerns in China.

The confrontation in Europe and Asia is detrimental for global strategic stability and armaments control. The degradation of treaty regimes based on mutual security guarantees may eventually “dilute” restrictions on the use of nuclear weapons and the concept of “self-deterrence”, leading to the development of new equipment and systems for nuclear forces. The United States is modernizing its existing systems and is working on plans to deploy strategic nuclear weapons to the UK.⁸ AUKUS partners have agreed to build submarines for Australia. Russia, for its part, has suspended its participation in the Treaty on Measures for the Further Reduction and Limitation of Strategic Offensive Arms (New START), revoked its

² Secretary General welcomes unprecedented rise in NATO defense spending // NATO. February 14, 2024.
URL: https://www.nato.int/cps/en/natohq/news_222664.htm

³ Taking the Fight to Russia: The West Weighs Ukraine’s Use of Its Weapons // The New York Times. May 30, 2024.
URL: <https://www.nytimes.com/2024/05/30/world/europe/ukraine-russia-weapons-strike.html>

⁴ DeVos, M. How Europe Can Make Its Defense Industry a Global Competitor // ITIF. November 17, 2023.
URL: <https://itif.org/publications/2023/11/17/how-europe-can-make-its-defense-industry-a-global-competitor/>

⁵ Only military might will win Europe respect, Poland’s Tusk tells fellow leaders // POLITICO. January 12, 2024.
URL: <https://www.politico.eu/article/france-germany-and-poland-hail-revival-of-relations-while-admitting-differences/>

⁶ A Strategic Compass for Security and Defense — Fora European Union that protects its citizens, values and interests and contributes to international peace and security // Council of the European Union. March 21, 2022.
URL: <https://data.consilium.europa.eu/doc/document/ST-7371-2022-INIT/en/pdf>

⁷ ‘Reality Check: Falsehoods in US Perceptions of China // Embassy of the Peoples’ Republic of China in the Kingdom of Belgium. 20.06.2022. URL: https://be.china-embassy.gov.cn/eng/rv/202206/t20220620_107066591.htm

⁸ “US planning to station nuclear weapons in UK amid threat from Russia — report // The Guardian. January 27, 2024.
URL: <https://www.theguardian.com/uk-news/2024/jan/26/us-planning-to-station-nuclear-weapons-in-uk-amid-threat-from-russia-report>

ratification of the Comprehensive Nuclear-Test-Ban Treaty (CTBT), and has withdrawn from the Treaty on Conventional Armed Forces in Europe (CFE). At the same time, the global community expects Russia and China to take a more active position on preventing further nuclear proliferation.

Moscow and Beijing both view the current world order as unfair, irrational and flawed. However, some differences remain in their understanding of how these problems could be resolved. Russia is looking to establish a new multipolar world order where the West would play a significantly diminished role,⁹ and, as Chinese scholars believe, is ready to advance its interests by any means. The PRC, however, considers that the existing world order can be carefully sustained through reforms and gradual improvement.¹⁰ In Beijing's worldview, competition can and should be mutually complementary and serve to jointly preserve world peace and support international development.

Concerning the Ukraine conflict, Russia and China have some common ground, but their positions are not identical. For instance, China has more than once spoken in favor of Ukraine's territorial integrity. Yet, according to Russia experts, in 2023-2024 Beijing made significantly fewer statements of this kind as it became increasingly disappointed with the ability of Kiev and Western countries to negotiate. Despite the PRC's peacemaking initiatives proposed in 2023 — endorsed by Russia and a number of the Global Majority countries — the West and Ukraine chose the military solution to the conflict. Chinese experts point out that not everybody in China share the view that the root cause of the security architecture crisis in Europe is the expansion of NATO to the East and the ignoring of Russia's national interests by alliance member countries, although it dominates the official narrative.

On the economic side, the world has been witnessing the disintegration of the global governance system and the degradation of related international economic, environmental and energy regimes. As a result, the world economy has become unstable. Countries increasingly resort to friendshoring in their global supply and value chains.¹¹ This drives competing powers to create trade protection walls and technological isolation zones. The focus on security rather than development slows down modernization. In its Global Economic Prospects report, the World Bank expects global economic growth to continue slowing down in 2024: the growth rate of the global economy declined from 3.0% in 2022 to 2.6% in 2023 and to 2.4% in 2024, which is three quarters of a percentage point (pp) lower than the average rate of the 2010s.¹² Protectionism is another trend making a rapid comeback. The Western concepts of America First, Decoupling, Small Yard and High Fence, and Derisking make emerging and developing markets seriously con-

⁹ Sakwa, R. The March of Folly Resumed: Russia, Ukraine and the West // Public Reading Rooms.
URL: <https://pruk.org/the-march-of-folly-resumed-russia-ukraine-and-the-west/>

¹⁰ Xi Meets Foreign Attendees to Imperial Spongs Infl Forum, Calls for Upholding Multilateralism // Xinhuanet. December 12, 2019. URL: https://english.www.gov.cn/news/topnews/201912/04/content_WS5de6f08ec6d0bcf8c4c1842e.html

¹¹ Friendshoring is a government policy of buying raw materials, components and industrial goods from strategic allies.

¹² Global Economic Prospects. A World Bank Group Flagship Report, January 2024 // World Bank.
URL: <https://openknowledge.worldbank.org/server/api/core/bitstreams/7fe97e0a-52c5-4655-9207-c176eb9fb66a/content>

sider ways to strengthen their economic and financial sovereignty and maintain stability of their manufacturing and supply chains to bypass Western platforms and institutions. The return of a bloc mentality, has an overall negative effect on the efforts to support the international development agenda. Only 15% of UN Sustainable Development Goals (SDG) are delivered in keeping with the agreed schedule, while the annual financing deficit runs to \$3.9 trillion.¹³

The Role of Russia and China in Developing the SCO and BRICS as New International Institutions

Considering the above trends, nations worldwide signal a growing demand for a more equitable model of international order. Countries in Central Asia, the Middle East, Southeast Asia, Africa and Latin America are increasingly seeking strategic autonomy. In these circumstances, Russia and China, which continue to coordinate their positions at the UN, SCO and BRICS, develop their own vision of the future world order and their place in it. They become players who can create a system of constructive relations both between each other and with other developing states on entirely new principles. The growing authority of Moscow and Beijing in the eyes of the Global Majority comes with added responsibility for shifting the focus of global cooperation from security to development.

Until now, however, Russian and Chinese policies toward developing nations have not been adequately coordinated. To start, there is a question of terminology. China widely uses the notion of the Global South, while Russia is increasingly replacing it with the Global Majority, seeing it as a more self-sufficient term without being the antithesis of the Global North. Chinese experts think that this divergence stems from the different identities of Moscow and Beijing in the international system. China perceives itself as a natural part of the Global South, whereas Russia was not active in developing a system of links with the Global Majority countries until after 2022. Western countries, on the other hand, trying to set the scene for confrontation, lump Russia, China, North Korea and Iran together as the Global East, thus cutting them off from the Global South. The partners need to first clarify the underlying semantics of the concept in question to further develop the SCO and BRICS.

To systematically strengthen their partnerships with Global South countries, Russia and China also need to work out a vision of this process based on mutual benefit rather than ideology, as Chinese experts note. Since not all the Global Majority nations are ready to take a stand against the West and rule out any further steps to deepen their cooperation, Russia and China should design a strategy to continue building a single community based on pragmatic principles. Moscow and Beijing could help their partners deal with the debt burden, climate change and food security problems, as well as propose specific plans to support digital economy development, trade investment, infrastructure projects, etc.

¹³ Only 15 Per Cent of Global Development Goals on Track, as Multiple Factors Stall, Hamper, Reverse Inclusive and Sustained Development, Third Committee Stresses // United Nations. September 28, 2023.
URL: <https://press.un.org/en/2023/gashc4372.doc.htm>

The development of the SCO and BRICS in 2023-2024 partially confirms the expectations of developing countries that Russia and China can play a constructive role in organizing a multilateral engagement based on the principles of non-alignment, mutual respect and mutual benefit. In 2024, BRICS has turned from a “Group of Five” into a “Group of Ten”. Despite their rather vigorous efforts, the United States and their allies have failed to prevent the expansion of BRICS, which has been joined by Egypt, Iran, the United Arab Emirates (UAE), Saudi Arabia and Ethiopia. In 2024, Russia hosted about 200 events as part of its BRICS chairmanship program¹⁴ with the motto “Strengthening Multilateralism for an Equitable Global Development and Security”, culminating in the 16th BRICS Summit in Kazan. This offers a unique chance to pursue a “horizontal” expansion policy via BRICS+, as well as deepen the cooperation between the member-states by transforming the forum into a full-scale international organization. The SCO has also added new members in 2024, bringing the total to ten countries: Belarus, India, Iran, Kazakhstan, China, Kyrgyzstan, Russia, Tajikistan, Pakistan and Uzbekistan, with Afghanistan and Mongolia as observers. Besides, the organization brings together 14 countries as dialogue partners and is currently reviewing applications for observer status from six countries and for dialogue partner status from three countries.¹⁵

Both Moscow and Beijing see huge potential in developing economic ties between Europe and Asia. Already in the next few years, it is important to focus on building trade, finance, customs and legal infrastructure across the Eurasian space. The Shanghai Cooperation Organization, with its mature institutional mechanisms and substantial experience of multilateral engagement, can be instrumental in providing united and indivisible security in Eurasia. The relevant opportunities available in the SCO will be further discussed at length in Chapter 2.

The task of giving BRICS and BRICS+ members a stronger voice in international affairs appears more challenging. Nevertheless, this process can be accelerated through coordinating the Russia and China’s positions.

First and foremost, there is a need to understand what the new BRICS states expect from this platform. After expansion, BRICS accounted for about one third of the Earth’s land area and over 40% of its population, boasting nearly 40% of global GDP based on purchasing power parity. Geographically, BRICS encompasses Eurasia, East, West and South Asia, Africa and South America. BRICS countries have diverse political systems and regimes, varying levels of resource availability, as well as distinct religions and cultural characteristics. Thus, their global needs differ accordingly. In this context, Russia, China and other BRICS members should work together to improve the system of control over the implementation of ongoing projects, in addition to defining criteria for launching new initiatives to drive the group’s continuous development.

¹⁴ Russia to Host About 200 Events as BRICS Chair in 2024, Lavrov says // TASS. December 13, 2023.
URL: <https://tass.ru/politika/19523033> (In Russ.).

¹⁵ Armenia, Azerbaijan, Bahrain, Cambodia, Egypt, Kuwait, Maldives, Myanmar, Nepal, Qatar, Saudi Arabia, Sri Lanka, Turkey and UAE.

Second, Russia, China and other member countries still to deliver a common objective of drafting a development strategy for BRICS and build its tiered membership structure with “partners”, “associates” and “observers”. Without a conceptual definition of how BRICS is supposed to work, it would be harder to consistently promote partnership in strategic, political, business, trade and cultural matters, especially after finalizing the expansion. Without a common strategy, it would be even harder to set up efficient communication between BRICS and the SCO, ASEAN, G20, APEC and other international associations and forums.

Third, as an essential practical dimension of their cooperation within BRICS, Russia and China should promote dialogue on using national currencies, payment instruments and platforms for trade settlement and financial transactions between group members. In this respect, the Chinese yuan has by far the biggest advantage. According to the International Monetary Fund (IMF), yuan-denominated reserves in the world’s central banks reached \$298.4 billion, or 2.69% of total reserves by the end of 2022. By the end of 2023, China signed bilateral currency-swap agreements with 40 countries participating in the Belt and Road Initiative and finalized renminbi-based clearing agreements with 17 BRI members.¹⁶ Note that ruble/yuan trade settlements between Russia and China already account for over 90% of all payments.¹⁷ The practice could be upscaled to cross-border transactions between other BRICS countries.

Yet, Chinese experts warn that unfriendly nations will continue trying to spread narratives about Russia and China’s dominance in the Global South and politicize relations within BRICS and the SCO. Therefore, Moscow and Beijing should make sure to avoid situations where non-Western mechanisms of multilateral cooperation could be labelled as a “Russia–China bloc” or an “anti-West camp”. The two countries need to increase inclusivity and flexibility of Russian–Chinese bilateral cooperation and promote similar principles in their relations with Global Majority states. Russian experts agree that the challenges facing Russia–China relations may become even tougher in 2024–2025. Nevertheless, considering history, the will of Russian and RPRC leaders and the mutual interest of the two nations give reason to expect that the two great powers will eventually overcome all the obstacles in the way of their cooperation.

¹⁶ 2023 Renminbi Internationalization Report (Chinese: 2023 年人民币国际化报告) // People’s Bank of China. October 7, 2023. URL: <http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/5114765/2023102720175126516.pdf>

¹⁷ Ruble and Yuan Used for 95% of Trade Payments Between Russia and China // Interfax. November 20, 2023. URL: <https://www.interfax.ru/business/931340> (In Russ.).

Chapter 1. Key Areas of Russia–China Bilateral Cooperation

1.1. Trade and Economic Cooperation: Traditional and New Sectors for Growing Trade

Since 2021, trade and economic relations between Russia and China have seen progressive structural change. A major trend is growth in trade volume, rates that are comparable only with the mid-2000s. This time, however, this is happening not in the context of economic globalization and the fast-paced growth of Russian and Chinese international trade, but amid rising international tensions and slowing global economy. However, the external trade dynamics of the two countries are prone to abrupt movements.

In 2021–2023, China’s international trade saw dramatic changes. Its annual turnover growth rate (in US dollars) was 28.8%, 4.3% and minus 5% respectively, with exports growing at an estimated 28%, 6.9% and minus 4.6%, while imports varied from 29.7% to 1% to minus 5.5%.¹⁸

Russian foreign trade found itself in a similar position as it came under mounting sanctions pressure imposed after February 2022, by Western governments, trying to isolate the Russian economy from the global market, disrupt the established export and import supply chains, and hobble the financial and bank payment systems used for trade settlement. Russia’s leadership had to act quickly and reroute the entire web of trade links to so-called friendly nations. Consequently, changes in trade volumes were even more drastic. The annual growth of trade turnover over the same period of 2021–2023 was 38%, 8% and minus 16% respectively, with exports growing by 45.8%, 20.5% and minus 28.3%, and imports by 26.7%, minus 13% and 11.2%.¹⁹ The success of rebooting Russian trade depended decisively on China. While Beijing had not joined the anti-Russian sanctions, most Chinese banks and companies still did not go against the imposed restrictions. Chinese experts regard the rapid growth of the Russian-Chinese trade as “an exceptional phenomenon at the exceptional time” driven by a host of factors.

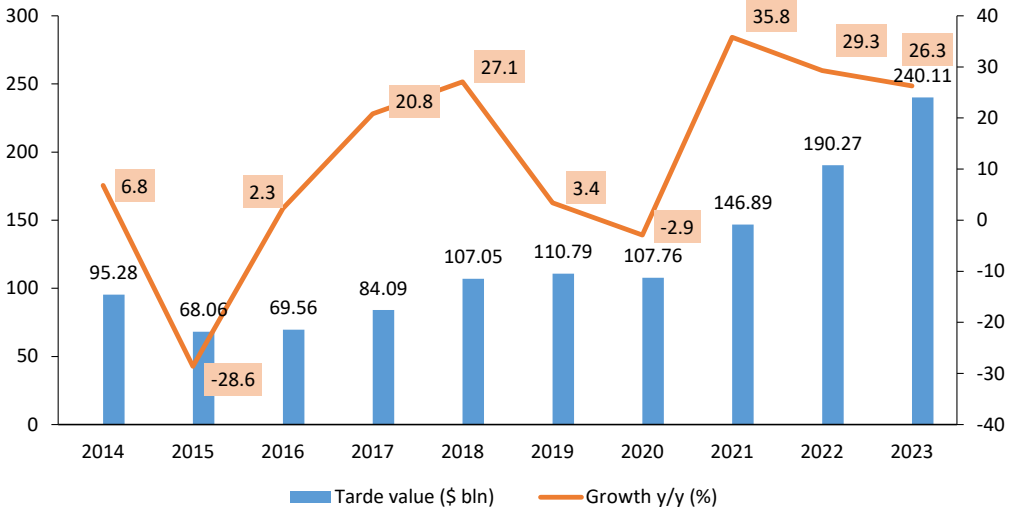
Mutual Trade in 2022-2023

Under the new circumstances, Russia-China bilateral trade demonstrated fairly high growth rates. In 2022, China’s imports of Russian products grew in monetary terms by a record 43.4%. Russia and China exceeded their trade target of \$200 billion in 2023, one year ahead of plan, when it reached \$240.11 billion, up by 26.3% year-on-year (Fig. 1).

¹⁸ Annual Monetary Value of Trade (US dollars) (Chinese: 进出口商品总值表(美元值) A:年度表) // General Administration of Customs, People’s Republic of China. January 18, 2024.
URL: <http://www.customs.gov.cn/customs/302249/zfxgk/2799825/302274/302277/302276/5637234/index.html>

¹⁹ The Year-to-Date Report on External Trade with All Countries // Federal Customs Service.
URL: <https://customs.gov.ru/statistic/vneshn-torg/vneshn-torg-countries>

Figure 1. Chinese-Russian trade in 2014-2023



Source: Compiled by the authors based on Chinese customs statistical data over 2014-2023.²⁰

The initial trade growth was driven by prices for energy and manufactured goods on global markets — which were favorable for Russian exports — as well as by China ramping up import volumes of Russian energy (oil, coal and natural gas), fish, seafood, and a range of agricultural products. In 2023, bilateral trade was still on the rise, supported by a massive influx of Chinese products filling up market segments previously occupied by Western companies. In the first half of 2023, Russian imports from China spiked by a record 46.9%, one of the reasons being a relatively low baseline in the same period of 2022. Chinese exports to Russia totaled \$110.97 billion.²¹

Chinese manufacturers considerably strengthened their footing in a number of segments, where historically their presence had been limited, including automobiles, construction and road-maintenance vehicles and machinery, and other types of machinery and equipment, spare parts and tools. They also became a dominant supplier of mobile phones, gadgets, household electrical appliances, etc. Russian exports to China, after some slowing down in March-May 2022, also showed a growth of 12.7%, reaching \$129.14 billion (Fig. 2).

As noted, the strong performance was primarily fuelled by energy exports. In 2023, China imported 107 Mt of crude oil from Russia, or 24% more than in 2022,²² making up 19% of the total crude oil imports to China over the same period. Russia became the top oil supplier to China. In addition, China imported

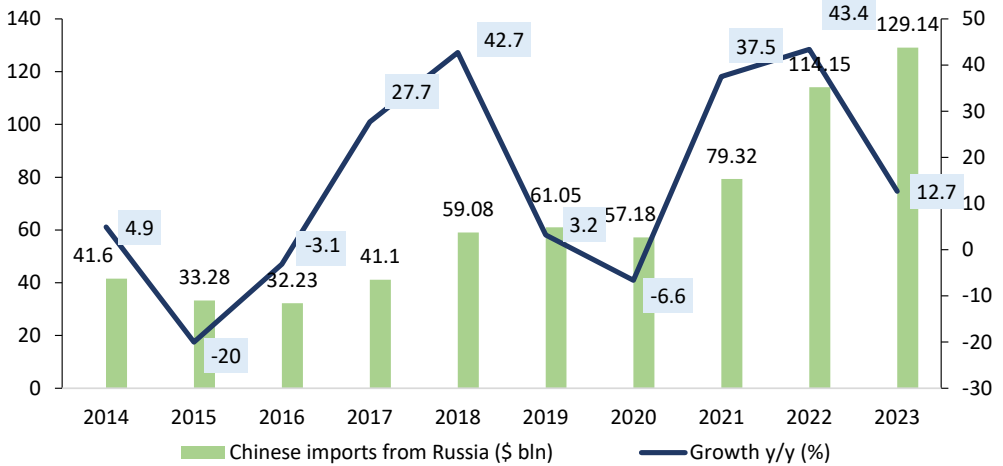
²⁰ Statistics // General Administration of Customs of the People's Republic of China. URL: <http://english.customs.gov.cn/statics/report/preliminary.html>

²¹ Expert: In 2024, China and Russia Should Work to Maintain the Current Pace of Bilateral Trade Growth // Xinhua News. January 12, 2024. URL: <https://russian.news.cn/20240112/526cbca7b19946af84974dcf0c5af873/c.html> (In Russ.).

²² Russian Crude Oil Supplies to China Up by 24% in 2023 // TASS. January, 20. 2024. URL: <https://tass.ru/ekonomika/19774429> (In Russ.).

8.05 Mt of LNG from Russia in 2023,²³ which was 23% more than the year before. Russia is the third biggest supplier of LNG to China.²⁴ Over the same period, China imported from Russia over 102 Mt of coal at \$14.4 billion,²⁵ or 27% of its total coal imports and 17.5% more than the volumes imported in the previous year. Russia exported 22.7 bcm of natural gas via the Power of Siberia pipeline, a 50% increase year-on-year,²⁶ supplying 35% of the total natural gas imports to China.²⁷ According to the Russian analysis of the 2023 year-end data, China accounted for approximately 45.7% of the Russian exports of oil, about 48% of coal, 23% of pipeline natural gas, and over 24% of LNG.²⁸

Figure 2. Chinese imports from Russia in 2014–2023



Source: Compiled by the authors based on Chinese customs statistical data over 2014–2023.²⁹

The year 2023 saw considerable growth in China’s exports to Russia of mechanical engineering and electronic products, totalling \$68.6 billion, or 62% of the total Chinese exports to Russia. Russia imported Chinese industrial equip-

²³ Russia Ramps Up LNG Export Volumes to China by 23% // RIA Novosti. January 20, 2024.
URL: <https://ria.ru/20240120/spg-1922464053.html?ysclid=lv5c01wk8g566414184> (In Russ.).

²⁴ China’s Crude Oil Imports from Russia Exceeds 100Mt First Time Ever (Chinese: 中国从俄罗斯进口原油首次超过1亿吨) // Baidu. January, 24, 2024.
URL: <https://baijiahao.baidu.com/s?id=178890858842777413&wfr=spider&for=pc>

²⁵ 2023 Coal Imports Summary Report (Chinese: 煤炭开采2023年煤炭进口全景梳理) // Sohu January 25, 2024.
URL: https://www.sohu.com/a/754208056_121889970

²⁶ Gazprom Delivers 50% More Gas to China in 2023 // TASS. January 3, 2024.
URL: <https://tass.ru/ekonomika/19670859> (In Russ.).

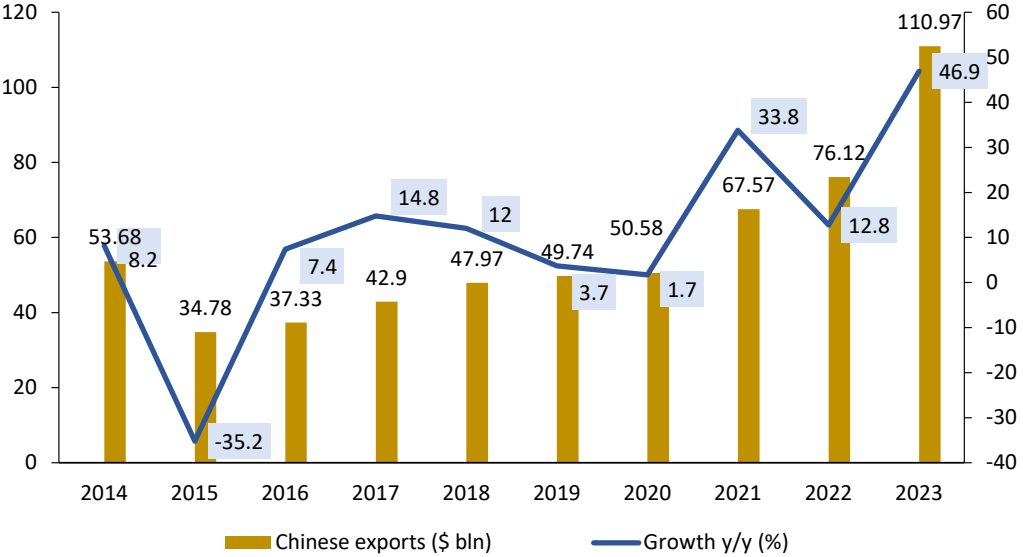
²⁷ In 2023, China imported 48.65 Mt of pipeline natural gas, or 64.9 bcm based on 0.75 m3/kg density at normal temperature and pressure. See: China’s LNG imports increased 12.6 percent in 2023 // LNG Prime. January 18, 2024.
URL: <https://lngprime.com/lng-terminals/chinas-lng-imports-increased-12-6-percent-in-2023/102619/>

²⁸ Economic Relations Between Russia and China Demonstrated “Robust Immunity” // Business Russia. May 16, 2024.
URL: <https://delorus.ru/press-centr/publikacii/ekonomicheskie-otnosheniya-ri-i-krn-prodemonstrirovali-ustoychivyy-immunitet/> (In Russ.).

²⁹ Statistics // General Administration of Customs, People’s Republic of China.
URL: <http://english.customs.gov.cn/statics/report/preliminary.html>

ment (machine tools), automobiles and components thereof, home appliances and electronic products (mobile phones, computers), etc. The fastest-growing nomenclature group in 2023 were cars and their components. Their import to Russia from China increased by 3.5 times to \$22 billion,³⁰ making Russia the main export destination for this category, bigger than European countries.

Figure 3. Chinese exports to Russia in 2014-2023



Source: Compiled by the authors based on Chinese customs statistical data over 2014-2023.³¹

In 2023, China lifted restrictions on Russian pork imports,³² an historic event for the bilateral trade. All in all, according to Russia’s Federal Service for Veterinary and Phytosanitary Supervision (Rosselkhoznadzor, an agriculture sector watchdog), Russia has doubled its agro-industrial exports to China, which increased from 2.87 Mt in 2022 to 5.4 Mt in 2023.³³ Thus, import and export volumes between the two countries hit a historical peak. Chinese experts believe that agricultural trade played a positive role in expanding the market supply of the two countries and developing the bilateral economic relations in general.

In 2023, the overall trade in agricultural products grew by 33% to \$11.3 billion. China’s export to Russia went up by 4.9% to \$2.5 billion, while its imports from Russia increased by 44%, totalling \$8.8 billion. This product category was dominated by supplies of fish and seafood, and vegetable oils, with respective

³⁰ Cars Up by 258%: Russia’s Growing Imports from China. Infographics // RBC. January 29, 2024. (In Russ.)
URL: <https://www.rbc.ru/economics/29/01/2024/65b6b5429a7947ee190a4a8a>

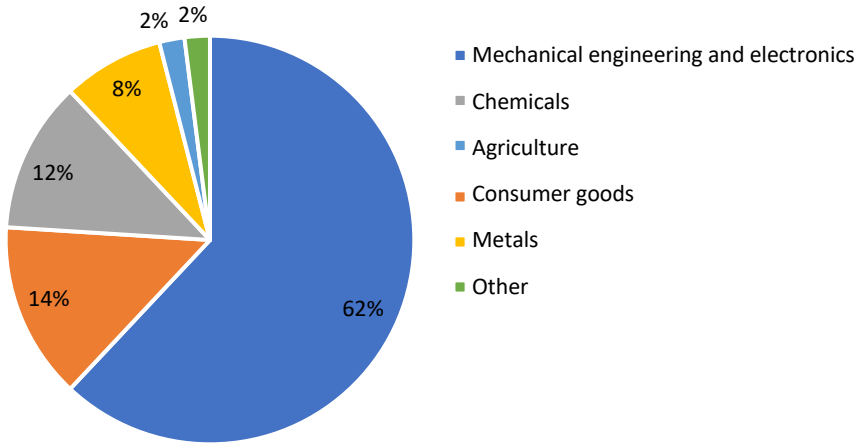
³¹ Statistics // General Administration of Customs, People’s Republic of China.
URL: <http://english.customs.gov.cn/statics/report/preliminary.html>

³² China Greenlights Pork Imports from Russia from January 24 // Interfax. January 25, 2024. (In Russ.)
URL: <https://www.interfax.ru/business/941959>

³³ Russia Nearly Doubles Agricultural Exports to China in 2023 // Finmarket. March 21, 2024. (In Russ.)
URL: <https://www.finmarket.ru/news/6143413>

monetary values of \$2.89 billion and \$2.58 billion. In turn, the purchases of cereals, such as barley, corn and buckwheat rose by 275.5%, valued at \$320 million.³⁴ Growing at a fast rate were the exports to the Chinese market of Russian meat, especially beef.³⁵

Figure 4. Chinese exports to Russia in 2023 by sector



Source: *China's Total Export & Import Values (USD) by Country/Region, December 2023*.³⁶

However, in the second half of 2023, Chinese export began to slow down in terms of monthly growth rates as the Russian market was filling up. Another constraining factor was the ruble exchange rate, which had become increasingly weaker since the summer of 2023. Still, Chinese overall exports to Russia during the year stayed at 46.9%, which is a fairly strong performance.³⁷

The monetary value of Russian exports to China continued to grow throughout 2023, but at a lower rate compared to 2022, 12.7%.³⁸ The principal reason for the slowdown was that the prices, especially for energy commodities, were not as favorable for Russian exporters as in 2022. The positive dynamics were supported by the faster-growing physical volumes of supplied products, such as the above-mentioned energy and agricultural products. Cooperation in transport, finance and tourism services also contributed quite substantially to progressing

³⁴ General Status of Agricultural Trade Between China and Russia in 2023 (Chinese: 2023年中国与俄罗斯农产品贸易概况) // NetEase. February 27, 2024. URL: <https://www.163.com/dy/article/IRVF1JGH0514EAHV.html>

³⁵ Russia Ups Beef Supplies to China by 30% // Agroinvestor. May 21, 2024. (In Russ.) URL: <https://www.agroinvestor.ru/markets/news/42308-rossiya-na-tret-uvlichila-postavki-govyadiny-v-kitay/>

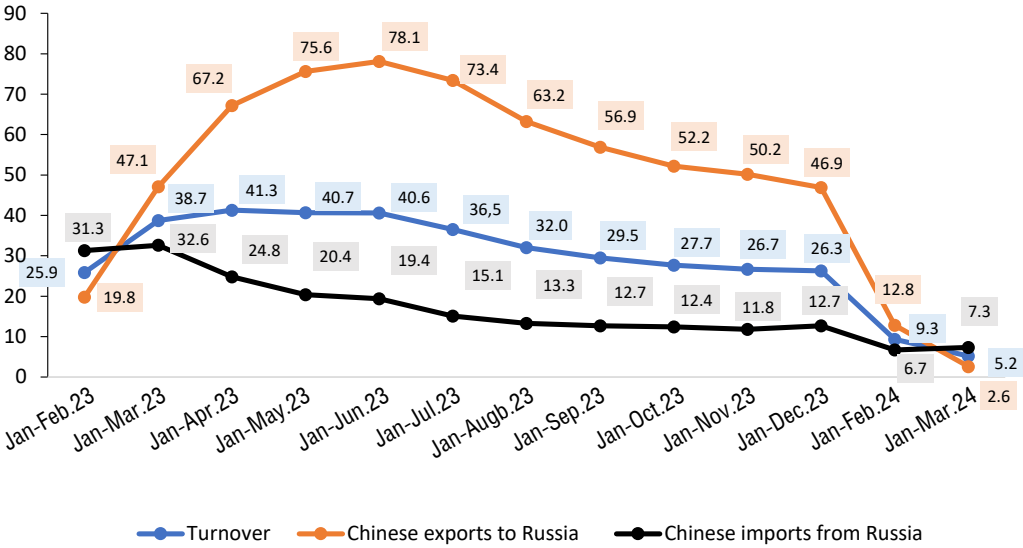
³⁶ China's Total Export & Import Values by Country / Region, December 2023 (in USD) // General Administration of Customs, People's Republic of China. January 1, 2024. URL: <http://english.customs.gov.cn/Statics/e1351568-5e17-4534-affd-c369e3506613.html>

³⁷ Written Interview of Chinese Ambassador to Russia Zhang Hanhui to Izvestia Newspaper // The Embassy of the People's Republic of China in the Russian Federation. April 1, 2024. (In Russ.) URL: http://ru.china-embassy.gov.cn/rus/gdwxw/202404/t20240401_11274349.htm

³⁸ The Non-Silk Road // Vedomosti. April 22, 2024. (In Russ.) URL: <https://www.vedomosti.ru/partner/articles/2024/04/22/1032608-neshelkovii-put>

the Russian-Chinese trade to a new level. These areas of engagement will be discussed below in more detail.

Figure 5. Chinese-Russian trade in 2014-2023 (%)



Source: Compiled by the authors based on Chinese customs statistical data over the respective monthly periods in 2023-2024.³⁹

An important component of Russian-Chinese relations is interregional cooperation, which has become an increasingly self-sustaining area of growth. In November 2023, the city of Nanchang (Jiangxi province) hosted the 4th Meeting of the Volga-Yangtze Council for Interregional Cooperation between the Volga Federal Region of Russia and the Upper and Middle Reaches of the Yangtze River in China,⁴⁰ and in December 2023, a meeting was held of the Intergovernmental Russian-Chinese Commission on Cooperation and Development of the Russian Far East and Baikal Region and Northeast China.⁴¹ These events aim to deepen strategic engagement, improve transport connectivity, and expand trade and investment partnership and cooperation in tourism. Moreover, to expand investment and logistic cooperation between companies, the Sino-Russian Industrial Park and the China-Mongolia-Russia Logistics Demonstration Park were opened in Shenyang (Liaoning province, China).⁴² Some cities in the provinces of Shandong,

³⁹ 2023-2024 Monthly Statistical Report (Chinese: 2023年统计月报) // General Administration of Customs, the People's Republic of China. URL: <http://www.customs.gov.cn/customs/302249/zfxxgk/2799825/302274/302277/5668662/index.html>

⁴⁰ Jiangxi Province in China Hosts the Council for Interregional Cooperation between Russia's Volga Federal Region and China's Upper and Middle Reaches of Yangtze // Government of the Nizhny Novgorod Region. November 8, 2023. (In Russ.). URL: <https://nobl.ru/novosti-nizhegorodskoj-oblasti-za-vse-vremya/v-kitayskoy-provintsi-tszyansi-proshel-sovet-po-sotrudnichestvu-regionov-pfo-rf-i-srednego-techeniya>

⁴¹ Cooperation between Russian Far East Regions and Northeast China Making Good Progress // CGTN. December 15, 2023. URL: <https://russian.cgtn.com/news/2023-12-15/1735687963455717378/index.html>

⁴² Sino-Russian Industrial Park of Trade and Economic Cooperation in Shenyang, Liaoning // Russian-Asian Union of Industrialists and Entrepreneurs. July 18, 2024. (In Russ.). URL: https://raspp.ru/en/business_news/industrial-park-china/

Guangdong, Heilongjiang, Jiangsu and the Inner Mongolia Autonomous Region took an active part in the events in the framework of the regional friendly cooperation between Russia and China: Harbin hosted the Russian-Chinese Digital Economy Forum⁴³ and Krasnoyarsk welcomed the Inner Mongolia–Krasnoyarsk Region Forum and Exhibition.⁴⁴ In fact, it is the Far Eastern regions that rank at the top of the Russian-Chinese Investment Index released in the early 2024 by ICCA RAS.⁴⁵

The Role of Russia and China in Mutual Trade

The trade growth in 2022–2023 has enhanced Moscow’s and Beijing’s roles as mutual trade partners.

For Russia, China has advanced as an absolute leader among its major trade partners for both exports and imports. In terms of exports, the PRC has become the key market for Russian energy commodities, while imports from China, particularly machinery and engineering products, has essentially turned into single-source supplies without a viable alternative. It is also important to note that, as seen by Russian experts, China’s actual market share was larger than indicated by Chinese customs data. The year 2023 witnessed a rapid growth of Chinese exports to the EAEC and some Central Asian markets. For example, in 2023, China increased its exports to Kazakhstan by 52.8%, to Kyrgyzstan by 29%, to Belarus by 79.9%, to Uzbekistan by 67.2%, and to Tajikistan by 68.4%.⁴⁶ It would be fair to assume that a rather substantial portion of Chinese goods coming through the above countries was reexported to Russia. So, China has clearly remained Russia’s largest trade partner for 14 years running.

Table 1. China’s share in Russian external trade (%)

	2010	2015	2020	2021	2023
Share of total trade turnover	9,5	12,1	18,3	17,9	33
Share of total exports	5,1	8,3	14,6	13,8	28
Share of total imports	17	19,1	23,7	24,8	39

*Source: Compiled by the authors based on statistical data of the Federal Customs Service of Russia.*⁴⁷

⁴³ Sino-Russian Digital Economy Forum Takes Place in Harbin // CGTN. November 2, 2023. (In Russ.)
URL: <https://russian.cgtn.com/news/2023-11-02/1720020441817612290/index.html>

⁴⁴ Krasnoyarsk welcomes the 1st Krasnoyarsk Investment Forum and the Krasnoyarsk Region & Inner Mongolia Autonomous Region EXPO // Central Siberian Chamber of Commerce and Industry. October 31, 2023. (In Russ.)
URL: <https://krasnoyarsk.tpprf.ru/news/518587/>

⁴⁵ Russian-Chinese Investment Index. (In Russ.)
URL: <https://aprcenter.ru/wp-content/uploads/2024/03/indeks-na-russkom-yazyke.pdf>

⁴⁶ Import and Export Indicators for Individual Countries (Regions) in December 2023 (in USD) (Chinese: 2023 年12 月进出口商品国别 (地区) 总值表 (美元值) // General Administration of Customs, the People’s Republic of China. January 18, 2024
URL: <http://www.customs.gov.cn/customs/302249/zfxgk/2799825/302274/302277/302276/5637259/index.html>

⁴⁷ External Trade of the Russian Federation // Federal Customs Service of Russia. (In Russ.)
URL: <https://customs.gov.ru/statistic>

Russia also expanded its share in China’s external trade from 3% in 2022 to 4% in 2023. The share of exports went up from 2.1% to 3.3% and the share of imports increased from 4.2% to 5.7%. By the end of 2023, Russia, in terms of monetary trade value, rose to the 5th place among China’s trade partners, 7th in exports and 5th in imports. For comparison, in 2019, Russia held 11th, 12th and 10th places respectively.

Table 2. Russia’s share in Chinese external trade (%)

	2010	2015	2020	2021	2023
Share of total trade turnover	1,86	1,72	2,37	2,45	4,04
Share of total exports	1,88	1,53	1,95	2,04	3,28
Share of total imports	1,86	1,98	2,77	2,96	5,05

Source: Compiled by the authors based on statistical data of the PRC.⁴⁸

While in 2019 Chinese exports to Russia accounted for about 62% of its product flows to Germany — Beijing’s biggest partner in Europe — in 2023, Russia shot ahead of Germany by 11 percentage points, becoming the largest trade partner of the PRC in Europe, primarily by ramping up energy exports. For the first time since 2018, Russia has overtaken Saudi Arabia as the top crude oil supplier with a 20% share in China’s total energy imports and the second biggest coal supplier with 21% after Indonesia.⁴⁹

Russian-Chinese Trade and Economic Cooperation: Challenges and Risks

By 2024, the rapid upscaling of bilateral trade and economic ties and the early accomplishment of the \$200 billion target set by China and Russia for their bilateral trade volume have highlighted the need for adopting a program of further trade and economic cooperation.

During the state visit of PRC President Xi Jinping to Russia in March 2023, the parties adopted the Joint Statement of the President of the Russian Federation and the President of the People’s Republic of China Regarding the Plan to Develop Key Areas of Russian-Chinese Economic Cooperation to 2030.⁵⁰ The plan sets out eight goals:

- Expand the scale and optimize the structure of trade, and promote investment cooperation
- Develop an interlinked logistical system

⁴⁸ Statistics // General Administration of Customs, the People’s Republic of China. URL: <http://english.customs.gov.cn/statics/report/preliminary.html>

⁴⁹ What Russia sold to and bought from China in 2023 // RBC. 24.01.2024. (In Russ.) URL: <https://www.rbc.ru/economics/24/01/2024/65af9e809a79472aaca18347?ysclid=lv5feqkq9230900220>

⁵⁰ Joint Statement of the President of the Russian Federation and the President of the People’s Republic of China Regarding the Plan to Develop Key Areas of Russian-Chinese Economic Cooperation to 2030 // President of Russia. March 21, 2023. (In Russ.). URL: <http://www.kremlin.ru/supplement/5919>

- Increase financial cooperation, including by expanding the use of national currencies
- Strengthen the comprehensive partnership in the energy sector
- Develop supply chains for basic products and mineral resources
- Expand cooperation in technology and innovation sectors
- Enhance the quality of industrial cooperation, including the harmonization of industry standards and technical requirements
- Increase cooperation in agriculture to provide food security for the two countries.

In practical terms, the objective of the Statement was to draw up a roadmap for developing economic cooperation between Moscow and Beijing in the medium term. The governments of the two countries were supposed to work on the roadmap and their progress was to become the central point of discussion during regular meetings between the government heads. By the end of 2023, however, the parties were still short of completing all the necessary tasks. They have yet to agree on important elements of the roadmap, including a new draft Plan of Bilateral Investment Cooperation and are still negotiating a new version of the Agreement on the Encouragement and Protection of Investments.

Nevertheless, Chairman of the Russian Government Mikhail Mishustin, while presenting the annual government performance report to the State Duma in April 2024, said that the recently approved Russian External Trade Strategy until 2030 considered all modern trends in the global economy,⁵¹ and it seems the key provisions of this document will provide the basis for the Russian negotiating position during the drafting of the economic cooperation development program together with China.⁵²

Russian and Chinese experts agree that despite an active political dialogue and negotiated agreements, there are still barriers to increasing mutual trade between Russia and China.

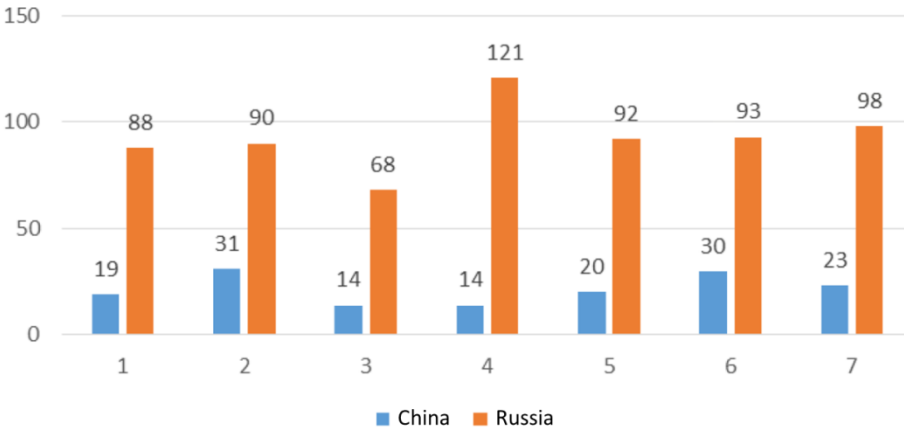
On the one hand, the rapid rise of quantitative metrics reflects an essentially extensive growth. The commodity composition of mutual trade — the predominant form of economic exchange — has not changed in any significant qualitative way. Russia continues, albeit on a larger scale, to supply energy and raw materials, as well as metals and fertilizers, in addition to some recently added agro-industrial products. China, for its part, is building up its presence in the Russian market across a wide range of machinery, engineering and consumer products. On the other hand, Russia's swift pivot to the East cannot fundamentally transform trading patterns that are defined by the sectoral makeup of the Russian and Chinese economies. Such an interaction model cannot support stable and progressive bilateral cooperation development or shield it from market swings, as Russian export prices depend heavily on the global price variations and Chinese export volumes are driven by effective industrial and consumer demand in Russia.

⁵¹ 2023 Government Performance Report on to the State Duma // The Russian Government. April 3, 2024. (In Russ.)
URL: <http://government.ru/news/51246>

⁵² The content of the Strategy has not been published in open sources.

The data for the first half of 2024 shows that the risk of a trade slowdown has become more apparent. Over the first six months, Russia-China sales totaled \$116.87 billion, 1.8% up from 2023.⁵³ However, the first quarter growth was 5.2% suggesting sluggish progress in the second quarter 2024.⁵⁴ Imports from China have been going down. For example, in March, Chinese exports to Russia shrank by 16% – the lowest level throughout 2021-2023.⁵⁵

Figure 6. Logistics Performance Index: Russia vs China in 2023



(1) Place in Global Logistics Performance Index Ranking 2023 (LPI); (2) Customs and Border Control; (3) Infrastructure; (4) Ease of arranging competitively priced shipments; (5) Competence and quality of logistics services; (6) Ability to track and trace consignments; (6) Timeliness of shipments.

Source: World Bank, Global Ranking 2023.⁵⁶

The biggest constraint for trade growth, according to China, is the quality of the transport and logistics infrastructure and multiple bottlenecks. Improvements in port and transport infrastructure, in addition to logistical management quality, are traditionally outpaced by trade growth, leading to higher trade costs due to congested transport systems and longer delivery times.

The problem is the inadequate seaport and border-crossing infrastructure. For instance, a long line of traffic formed at the Zabaikalsk international road border-crossing point in May 2023 because Russia had not completed its construc-

⁵³ China-Russia Trade Up by 1.8% in H1 2024 // RIA Novosti. July 12, 2024. (In Russ.)
URL: <https://ria.ru/20240712/tovarooborot-1959131608.html>

⁵⁴ Trade Between Russia and China Down by 2% in March, Up by 5% in Q1 // InfraNews. April 22, 2024. (In Russ.)
URL: <https://www.infranews.ru/novosti/statistic/64879-tovarooborot-rossii-i-kitaya-v-marte-sokratilsya-na-2-za-i-kvartal-vyros-na-5/>

⁵⁵ Chinese Exports Shrinking for Two Months in a Row // Gazeta.ru. May 14, 2024. (In Russ.)
URL: <https://www.gazeta.ru/business/news/2024/05/14/23003527.shtml>

⁵⁶ Logistics Performance Index (LPI) 2023 // World Bank. URL: <https://lpi.worldbank.org/international/global>

tion of a truck corridor by the side its border.⁵⁷ According to the World Bank’s Logistics Performance Index (LPI) Report, Russia’s ranking is 88 out of 139. On five metrics — customs and border control, ease of arranging competitively priced shipments, competence and quality of logistics services, ability to track and trace consignments, and timeliness of shipments — Russia ranked below 90, including in the category “ease of arranging competitively priced shipments”. Today, however, Russia is upgrading its side of the border checkpoints. A more detailed discussion of the transport and logistics aspects is provided further in this report.

High uncertainty around Russia’s policies poses another challenge for China. Chinese analysts point out that with the ongoing Ukraine crisis, the Russian government has been making frequent changes to its economic policy, increasing risks for the business environment. For example, responding to sanctions in May 2022, the Russian government allowed car makers to lower environmental and safety standards as a temporary measure,⁵⁸ but later this permission was withdrawn before the initially approved date,⁵⁹ affecting Chinese car exports. Another example concerns export restrictions: the Russian government has more than once prolonged its ban on rapeseed exports, first to February 28, 2023, and then to August 31, 2023.⁶⁰ To protect the domestic market, the Russian government agreed to introduce flexible export duties on a range of goods linked to the ruble exchange rate from October 1, 2023, until the end of 2024.⁶¹ Such changes, according to Chinese experts, entail higher risks for businesses and limit trade opportunities.

Unilateral restrictions imposed by Western governments continue to pose a serious barrier to the further development of Russian-Chinese trade. In 2022, the reaction to unprecedented Western sanctions against the Russian financial and banking system was an accelerated dedollarization of bilateral trade payments. As a result, by March 2024, the share of national currencies, primarily the Chinese yuan, in trade settlements soared to about 92%.⁶² However, in the end of 2023, the United States and its Western partners slapped on yet another package of sanctions against Russia, threatening China’s financial institutions and companies with wider secondary sanctions unless the PRC stops supplying Russia with the so-called dual-use products.⁶³ About 50 companies were subsequently included in

⁵⁷ Zabaikalsk–Manchuria Border Crossing to Continue 24/7 Operation for Another Six Months // TASS. May 9, 2024. (In Russ.) URL: <https://tass.ru/ekonomika/20749893>

⁵⁸ Car manufacturers were allowed to forego the requirement to equip vehicles with the anti-lock braking system (ABS). See RF Government Resolution No. 855 of 12 May 2022. (In Russ.) URL: <http://government.ru/docs/all/140920/>

⁵⁹ Russia Gradually Rolling Back Permissions to Loosen Standards for the Automotive Sector (Chinese: 俄逐步取消汽车认证宽松政策) // Economic and Commercial Office of the Embassy of the People’s Republic of China in the Russian Federation. July 13, 2023. (In Russ.) URL: <http://ru.mofcom.gov.cn/article/jmxw/202307/20230703421424.shtml>

⁶⁰ Export Ban Extended Again (Chinese: 出口禁令，再次延期) // Baidu. August 29, 2024. (In Russ.) URL: <https://baijiahao.baidu.com/s?id=1775547305980296786&wfr=spider&for=pc>

⁶¹ Russia to Use Flexible Export Duties on Some Products (Chinese: 俄罗斯将对多种出口商品实行弹性关税政策) // Baidu. September 22, 2023. (In Russ.) URL: <https://baijiahao.baidu.com/s?id=1777708444947261798&wfr=spider&for=pc>

⁶² Deputy Prime Minister Overchuk: National Currencies Account for 92% Russian-Chinese Crossborder Payments // TASS. March 27, 2024. (In Russ.) URL: <https://tass.ru/ekonomika/20371937>

⁶³ However, Washington uses a rather arbitrary list of such products. See: China is giving Russia significant support to expand weapon manufacturing as Ukraine war continues, US official say // CNN. April 12, 2024. URL: <https://edition.cnn.com/2024/04/12/politics/china-russia-support-weapons-manufacturing/index.html>

the Western sanctions list and subjected to secondary sanctions, leading to even higher trade risks in Chinese-Russian relations.⁶⁴ Since the beginning of 2024, Chinese banks tightened compliance requirements, slowing down or, in some cases, withdrawing their transactional services regarding trade payments between Russian and Chinese companies,⁶⁵ which delayed mutual settlements and affected trade activities. Up to 70-80% of Russian payments were declined and about half of crossborder payments had to be redirected through intermediaries and other workarounds. This led to losses for companies exporting Chinese cars, car equipment and components to Russia. According to the PRC's General Administration of Customs, in March 2024, Chinese exports to Russia of machinery, equipment and parts thereof was down by 15% year-on-year to \$2.9 billion, and the export of passenger cars and freight trucks, tractors, and parts and accessories thereof dropped by nearly 20%, down to \$1.4 billion.⁶⁶

Mutual investments have also lagged behind targets. Russian experts, while speaking at the Russia-China Business Forum in Shanghai in May 2023 — in the presence of the Russian prime minister, top executives of Russia's largest financial and industrial groups — noted that they are looking forward to more Chinese investment coming to Russia and expect China to open up its market for Russian financial institutions.⁶⁷ None of these expectations, however, have materialized during the year.

There are also headwinds emerging in the natural gas sector. Throughout 2023, the gas industry entertained high expectations about an agreement on building the Power of Siberia 2 gas pipeline from the Yamal gas fields via Mongolia to China. By mid-2024, no agreement is in sight as the parties cannot reach a compromise on the gas export price for China.⁶⁸ Along with crossborder payments, Russian experts expect the pipeline issue to become one the major concerns in Russian-Chinese relations in 2024-2025.⁶⁹ Exports of Russian coal to China can also slow down in that period, forcing Russian mining companies to cut production.

Chinese economists also cite the general deceleration of the global economy as a constraining factor. According to the World Economic Situation and Prospects 2024, a UN report, the global economic growth is expected weaken from 2.7% in 2023 to 2.4%.⁷⁰ The International Energy Agency has lowered its forecast for

⁶⁴ In April 2024, US lawmakers introduced a bill called the No Limits Act to impose restrictions on any Chinese defense company deemed to be cooperating with Moscow. The Act will trigger "full blocking sanctions" against China's multiple large defense firms doing business in the United States, if they refuse to exit the Russian market within 180 days. See: H.R.8043 - NO LIMITS Act of 2024 // Congress.gov. April 17, 2024.

URL: <https://www.congress.gov/bill/118th-congress/house-bill/8043/text>

⁶⁵ VTB's Kostin Reports Growing Number of Friendly Banks Stopping Payments // RBC. April 11, 2024. (In Russ.)

URL: <https://www.rbc.ru/finances/11/04/2024/6617cbb19a7947c8c6001f9c?utm>

⁶⁶ Chinese Equipment Exports to Russia Decline for the First Times Since End of 2022 // RBC. April 23, 2024. (In Russ.)

URL: <https://www.rbc.ru/economics/23/04/2024/662664779a7947ad752fb84e>

⁶⁷ The matter was discussed at the closed session of the forum.

⁶⁸ "Twisting the Arms": Russia Haggles Over Gas Price with China // Gazeta.ru. 03.06.2024. (In Russ.)

URL: <https://www.gazeta.ru/politics/2024/06/03/19188409.shtml>

⁶⁹ Russian-Chinese Relations in 2023 // MGIMO MFA of Russia, Year in Review. January 4, 2024. (In Russ.)

URL: <https://mgimo.ru/about/news/experts/russia-china-2023/>

⁷⁰ World Economic Situation and Prospects 2024 // UN. January 4, 2024. (In Russ.)

URL: <https://wwwiin.org/development/desa/dpad/publication/wold-economic-situation-and-prospects-2024/>

the global oil demand in 2024.⁷¹ Considering these factors and increased defense spending, Chinese experts, expect Russian GDP growth to slide from 3.6% in 2023 to 2.3% in 2024.⁷² The Chinese economy also feels pressure from the declining demand across the global economy. According to a report published by the Center for Forecasting Science (CEFS) of the Chinese Academy of Sciences, “Forecasts and Prospects of the Chinese Economy Growth in 2024”, China’s economy will continue to grow in 2024 at 5.3% as in 2023.⁷³

Under the circumstances, the need for adjusting bilateral trade and economic ties becomes considerably more likely, further stressing the criticality of deeper expert discussions and practical development of new forms and mechanisms of long-term cooperation.

1.2. Russia–China Engagement in Banking and Finance: De-dollarization

Financial services are an important component of the Russian–Chinese cooperation, implemented as an infrastructure that facilitates payment exchanges and further increases trade turnover. Today, financial and banking cooperation between Russia and China is going through a tough period and is primarily focused on dedollarization.⁷⁴ Trade settlements in national currencies help develop direct economic ties between the two countries and better guard them against forex rate fluctuations on the global market as well as geopolitical turmoil. Yet, while the Chinese government does not support sanctions against Russia, Chinese banks refuse, in some cases, to process Russian payments.⁷⁵ At the same time, the plans of Moscow and Beijing to boost their bilateral trade to \$300 billion by 2030 require continuous trouble-free payment transactions to underpin trade, loans and investment cooperation.⁷⁶

Cooperation in De-dollarization Amid the Ukraine Crisis

Russia and China announced that the yuan and the ruble would be used in bilateral trade for direct payments back in the 2000s. In parallel, the two countries were creating appropriate institutional infrastructure for financial cooperation to

⁷¹ IEA Lowers Global Oil Demand Forecast for 2024 to 0.9 mmbbl // Interfax. September 12, 2024. (In Russ.)
URL: <https://www.interfax.ru/business/981677>

⁷² Putin: Russia’s GDP Will Grow by 3.6% in 2023 // Huanqiu. February 12, 2024. (In Russ.)
URL: <https://world.huanqiu.com/article/4GYrZOMQIPD>

⁷³ The Center for Forecasting Science (CEFS) at the Chinese Academy of Sciences: In 2024, China’s Economy Will Continue As Usual with Annual GDP Growth Rate Expected to Be About 5.3% (Chinese: 中国科学院预测科学研究中心: 2024年我国经济将平稳运行 预计全年GDP增速为5.3%左右) // Baidu. January 10, 2024. URL: <https://baijiahao.baidu.com/s?id=1787658100197136817&wfr=spider&for=pc>

⁷⁴ China Admits 80% of Settlements with Russia Stopped Due to Sanctions // Lenta.ru. May 16, 2024. (In Russ.)
URL: <https://lenta.ru/news/2024/05/16/priznali/?ysclid=lxmyqu9qdy925390026>

⁷⁵ Given the comprehensive efforts taken by banks on both sides to maintain transaction channels, occasional media publications (mostly in Russia) highlighting isolated instances of rejected payments create additional obstacles for transactions as the media pressure can have a significant impact on this process. See, for example: Some Large Chinese Banks No Longer Accept Payments from Russia // RBC. April 17, 2024. (In Russ.)
URL: <https://www.rbc.ru/business/17/04/2024/661f4a3c9a7947ce48d663ca>

⁷⁶ Deputy Prime Minister Chernyshenko: China and Russia Intend to Boost Trade to \$300 billion by 2030 // TASS. December 18, 2023. (In Russ.) URL: <https://tass.ru/ekonomika/19568507?ysclid=lxmywnopa158254691>

accomplish the objective. In 1999, an Interbank Cooperation Commission was set up as part of the Russian-Chinese Commission for Preparing Regular Meetings of Heads of Government (from 2009, the Financial Cooperation Subcommission). In 2006, a bilateral dialogue was launched at the level of finance ministers to coordinate fiscal and financial policies, the sharing of best practices in financial reforms, and cooperation in international financial markets. In 2014, the Russian-Chinese Intergovernmental Commission on Investment Cooperation became operational at the level of the PRC's vice premier of the Government Council and the Russian deputy prime minister. The Commission has reviewed mechanisms, including those still relevant today, for implementing major and significant investment projects, participation in foreign exchange swaps, clearance payments in national currencies, cooperation in developing national payment systems, use of bank cards, and interactions in financial and insurance services markets.

Since 2023, the use of the yuan has been expanding across all the key items of Russian bank balance sheets: deposit accounts, loans, securities, store-of-value products and instruments. By the end of 2023, the yuan's share of payments for Russian exports had taken a quantum 86-fold leap from 0.4% in 2021 to 34.5%. As for payments for Chinese exports, the yuan now accounts for 36.4%, up from 4.3%, demonstrating an over 8-fold increase over the same period.⁷⁷ The combined share of national currency payments in bilateral trade has reached 92%, though it was only 18.9% in 2019.⁷⁸

Russia has been widely using the yuan with third parties, such as Malaysia, Mongolia, the UAE, Singapore, Tajikistan, Thailand, Taiwan, the Philippines and Japan.⁷⁹ Japanese newspaper Nikkei reported that, since 2023, Japanese stakeholders in Sakhalin-1 and Sakhalin-2 offshore projects have also received dividends in yuan. So, estimates show that the renminbi has become the most widely used currency in Russia's external trade transactions. As a result, Moscow has turned into the biggest foreign yuan-trading market after Hong Kong (China) and London (UK). It is important to note, however, that despite the heightened interest and enthusiasm of debt issuers, the yuan-denominated bonds account for the puny 3% of the total corporate bond offering (\$18.9 trillion).⁸⁰

The yuan has also replaced the dollar as Russia's primary reserve currency. At the beginning of 2022, Russia held its foreign exchange reserves in the following currencies and assets abroad: 33.9% in euros, 21.5% in gold, 17.1% in yuan, 10.9% in US dollars, 6.2% in pound sterling, and 10.4% in other currencies. In 2023, Russia continued to adjust its forex reserve mix, cutting dollars and increasing the share of its gold and yuan assets. As of April 19, 2024, Russia's international forex reserves,

⁷⁷ Central Bank's Nabiullina Spoke About Growing Share of Yuan in Payments for Russian Exports // RIA Novosti. January 30, 2024. (In Russ.) URL: <https://ria.ru/20240130/eksport-1924262944.html>

⁷⁸ Dollar and Euro Five Times Ahead of National Currency in Russia-China Trade // RBC. May 31, 2019. (In Russ.) URL: <https://www.rbc.ru/economics/31/05/2019/5cfeb2a09a79472aaa9047e4?ysclid=ix8rkwgi4x788253583>

⁷⁹ The Russian Ministry of Economic Development Reveals the Scale of Russian Trade "Yuanization" With Countries Other Than China // RBC. September 28, 2023. (In Russ.) URL: <https://www.rbc.ru/economics/28/09/2023/651465e49a79473740bd3834?ysclid=lv3w197psj912474030>

⁸⁰ Financial Markets Risks Review // Bank of Russia. November-December 2022. No. 11 (69). P. 4. (In Russ.) URL: https://cbr.ru/Collection/Collection/File/43666/ORFR_2022-11.pdf

including the \$300 billion worth of frozen assets, totaled \$630.2 billion.⁸¹ According to Russian experts, the liquid \$150 billion portion of Russian forex reserves is mostly in yuan with a similar amount (\$155.9 billion) held in gold.⁸²

The National Welfare Fund (NWF) is an integral part of Russia's forex reserves. Even before the Ukraine crisis, on 6 July 2021, the Bank of Russia reduced the NWF's dollar share of \$119 billion to nil by replacing them with euros and yuan. The NWF's currency composition was readjusted as follows: 40% euros, 30% yuan, 20% gold, 5% pound sterling, and 5% Japanese yen. In February 2023, the Russian Finance Ministry decided to replace the NWF's reserves in euros and other unfriendly currencies during 2023, leaving only gold and yuan assets. This step increased the yuan share to about 60% and the share of unallocated gold holdings to 40%.⁸³

The renminbi is becoming the principal currency for mutual investments between Russia and the PRC. Since 2022, most Russian investors have lost access to foreign investment, while yuan-denominated bond issues have been one of the few options for large Russian companies to diversify their investment portfolios. From August 2022, Russian companies began raising funds by floating renminbi bonds on the Moscow Stock Exchange. In March 2023, 10 bond-issuing corporations, including Rusal, Polus, Metalloinvest, Rosneft, Segezha Group and others, floated 17 yuan-denominated bond issues on the Moscow Stock Exchange.⁸⁴

In Q1 2024, out of the nearly 11 trillion rubles worth of forex market transactions the renminbi accounted for more than half of all the trading for the first time in history. Its share soared from 0.32% in 2022 to 44.6% in December 2023 and to 50.6% in January 2024.⁸⁵ All these trends, according to Chinese analysts, “breathe new life” into the process of internationalizing the renminbi. In September 2023, the share of the yuan in SWIFT transactions reached, for the first time, 5.8%, making it the second biggest trade currency after the dollar, while Russia rose to the top five economies in terms of yuan payments after the UK, Hong Kong, Singapore and the US.⁸⁶ At the end of 2023, the combined share of the renminbi in international currency reserves added up to \$216.7 billion, or 2.29%.⁸⁷ Its share in Russian forex reserves is much bigger.

⁸¹ International Reserves of the Russian Federation // Bank of Russia. (In Russ.)
URL: https://www.cbr.ru/hd_base/mrrf/mrrf_7d

⁸² Russian Foreign-Currency Reserves and the National Welfare Fund: What's the Difference // RIAMO. February 2, 2024. (In Russ.) URL: https://riamo.ru/articles/aktsenty/zolotovalyutnye-rezervy-rossii-i-fond-natsionalnogo-blagosostoyaniya-v-chem-ih-otlichie/?from=inf_cards

⁸³ Russian Finance Ministry Raises the National Welfare Fund's Maximum Renminbi Requirement to 60%, Gold to 40% // Interfax. December 30, 2022. (In Russ.) URL: <https://www.interfax.ru/business/879272>

⁸⁴ Renminbi-Denominated Bonds // Kommersant. March 23, 2023. URL: <https://www.kommersant.ru/doc/5873289>

⁸⁵ Chinese Renminbi Overtook US Dollar on Russian Bank Accounts in 2023 // Forbes.ru. February 9, 2024. (In Russ.) URL: <https://www.forbes.ru/finansy/505876-uan-po-itogam-2023-goda-obosel-dollar-na-sctah-v-rossijskih-bankah?ysclid=ltv007qogs610753340>

⁸⁶ Money Drain: What Has Russia Traded SWIFT For? // Prime Economic Information Agency. November 24, 2023. (In Russ.) URL: https://dzen.ru/a/ZWCzDuhFxFZI_30c

⁸⁷ Guan Tao: Changes in China's International Global Currency Reserves and Capital Flows in 2023. (Chinese: 管涛: 2023年全球外汇储备变化与中国资本流动状况) // Xinhua Finance. April 8, 2024. URL: https://www.cnfn.com/hs-lb/detail/20240408/4032652_1.html

In 2023, out of 361 Russian lending institutions, about 50 offered renminbi deposit accounts – i.e. nearly three times more than in the early 2022. According to the Bank of Russia Financial Market Risks Review (3/2024), the renminbi deposits in Russian commercial banks doubled to \$68.7 billion in dollars in 2023. Thus, the Chinese yuan took the lead among foreign currencies in terms of the deposit share, which amounted to 5.6%. Among “non-toxic” currencies, the share of renminbi exceeds 96%, taking it to the top level.⁸⁸ These changes are driven by several factors: the expansion results mostly from conversions of loan agreements from “toxic” currencies into the renminbi, and the simultaneously widening use of the Chinese currency for export transactions as well as a store-of-value asset.⁸⁹ Unsurprisingly, the above trends have boosted trading in renminbi-nominated securities on the Russian stock market up to 43%, or up to \$11.8 billion in equivalent dollars.⁹⁰

To make these financial transformations possible, China and Russia had to implement a whole range of financial and banking tools, which will still require further upgrades.

An important measure for supporting trade, economic and investment activities of Chinese and Russian companies as well as maintaining bilateral financial and banking cooperation in the changed macroeconomic environment was the bilateral national currency swap agreement finalized in 2014.⁹¹ To implement it, the parties continued cooperating on identifying barriers to the further development of Russian-Chinese financial cooperation and undertook joint efforts to resolve them. During the term of the agreement, Russia took steps to gradually reduce the share of foreign currency deposits on bank books⁹² by increasing credit risk ratios⁹³ for corporate loans and security transactions in foreign currencies, as well as by raising the foreign-currency reserve requirement to make sure banks can honor their obligations towards organizations.⁹⁴ In order to ensure the steady development of settlements in national currencies between Russian and China, the Bank of Russia launched a new standing facility on January 19, 2023: overnight renminbi-ruble sell/buy forex swaps. The maximum daily limit for this instrument was ten billion yuan.⁹⁵

⁸⁸ Russian Central Bank Notes Significant Rise in Yuan Loans and Deposits in 2023 // TASS. February 8, 2024. (In Russ.) URL: <https://tass.ru/ekonomika/19935687>

⁸⁹ Financial Markets Risks Review. March 2024 // Bank of Russia. (In Russ.) URL: https://www.cbr.ru/Collection/Collection/File/49067/ORFR_2024-03.pdf

⁹⁰ Russian Central Bank Notes Significant Rise in Yuan Loans and Deposits in 2023 // TASS. February 8, 2024. (In Russ.) URL: <https://tass.ru/ekonomika/19935687>

⁹¹ Bank of Russia Signs Currency Swap Agreement with the People's Bank of China // Bank of Russia. October 13, 2014. (In Russ.) URL: https://cbr.ru/press/PR?file=13102014_154408if2014-10-13T15_39_28.htm

⁹² Share of foreign currency deposits is the share of deposits denominated in foreign currencies in the overall amount of deposits of a lending institution.

⁹³ Credit Risk Ratio (CRR) is a ratio of potential losses to the amount of loaned capital. The CRR indicates whether the lender has sufficient funds to cover its losses in case of default on its credit contracts.

⁹⁴ Reserve requirement is a specific amount of cash funds that a lending institution is required to keep on its account in the Central Bank.

⁹⁵ Bank of Russia Launches Currency Swaps as a Source of Renminbi // Bank of Russia. January 17, 2023. (In Russ.) URL: <https://www.cbr.ru/press/PR?file=638095661527023149DKP.htm>

In March 2024, the renminbi came out on top, dominating shares in the on-exchange and over-the-counter spot trading, reaching record highs of 53% and 39.6% of the on-exchange and OTC markets respectively. The share of “toxic currencies”, on the other hand, dropped to 46.4% and 54.7% in on-exchange and OTC trading respectively.⁹⁶ These changes, according to Chinese experts, reflect Russia’s strategy of modifying its financial policy to counter global financial risks.

Banks have also taken steps to ensure bank asset liquidity in national currencies, specifically the RUB/CNY pair.⁹⁷ This calls for closer cooperation between infrastructure organizations to further make national currency liquidity accessible to economic agents in China and Russia, develop RUB/CNY Payment versus Payment (PvP)⁹⁸ mechanism, and expand the use of low credit risk transactions, such as letter of credit advising. At the same time, banks need to maintain and expand interbank credit lines in compliance with current standards of financial analysis, oversight, anti-money laundering and countering the financing of terrorism.

Another focus of Russian-Chinese financial relations is the enhancement of the crossborder payment system. Today, the border areas conduct regular consultations between national regulators, exchanging statistical data on national currency payments and expertise in combatting counterfeit money. Russian experts believe that China and Russia need to engage more actively in their regional banks, tapping into more of their potential to further increase crossborder payments in the national currencies. There is already a growing number of Russian lenders that use the Chinese Cross-border Interbank Payment System (CIPS) in the border areas and provide cash deposit/withdrawal and commercial payment services. After being disconnected from SWIFT, the best practicable option for most Russian banks was to use the CIPS, the renminbi and other unsanctioned currencies for dollar-denominated payments. By May 2023, 30 Russian banks joined the CIPS,⁹⁹ indirectly in the Far East Federal District through their head offices, branches, internal organizational units, and electronic payment systems.¹⁰⁰ In turn, many Chinese banks, especially regional commercial banks, have joined the System for Transfer of Financial Messages (SPFS) of the Bank of Russia. However, as Chinese experts observe, most banks using SPFS continue to convey information via SWIFT, as the SPFS is not only based on US technology and software but also uses SWIFT services controlled by the United States. Now, the servers that store data of interbank transfers and links are located only in Europe and the US. This means that all the information regarding crossborder payments between Russia and China is still available for monitoring by the United States; Russian banks can still be restricted in terms of their ability to make crossborder payments.

⁹⁶ Financial Markets Risks Review. March 2024 // Bank of Russia. March 29, 2024. (In Russ.)
URL: https://www.cbr.ru/Collection/Collection/File/49067/ORFR_2024-03.pdf

⁹⁷ Liquidity refers to the ease with which an asset can be sold at a price close to the market price. Usually, the most liquid assets include cash and short-term investments.

⁹⁸ Payment versus Payment, PVP is a settlement principle that requires that the transfer of a payment in one currency should occur simultaneously with the transfer of a payment in another currency.

⁹⁹ 30 Russian Banks Become Indirect Participants of Chinese CIPS // Vedomosti. May 26, 2023. URL: <https://www.vedomosti.ru/finance/articles/2023/05/26/976987-kosvennimi-uchastnikami-kitaiskoi-sistemi-cips-stali-30-rossiskih-bankov> (In Russ.).

¹⁰⁰ A Smart Move. Russia and China Steer Off the Beaten Track // RIA Novosti. May 31, 2023. (In Russ.)
URL: <https://ria.ru/20230531/platezhi-1875134566.html2ysclidHxn1j8plq6341935643>

Thus, it can be concluded that Russian and Chinese financial institutions have achieved relative resilience to outside pressure and readiness to seek solutions to existing challenges, including those associated with bilateral financial transactions. Russian banks hold renminbi Nostro accounts¹⁰¹ in regional Chinese banks and open new Loro accounts for them in Russia to ensure service continuity for their clients.¹⁰² Besides, Russian export-oriented companies show a strong demand for such financial instruments as renminbi-denominated deposits, services of import/export competence centers, and export credit insurance.¹⁰³ Some Chinese banks are also working hard to refine mechanisms that support trade and investment transactions between Russian and Chinese companies, including the exchange of information to provide a more detailed understanding of partners and a basis for mutual acceptance of risks in sensitive transactions.

To identify new, more focused measures to advance the financial and banking cooperation between Russia and China, in December 2023, China hosted the 9th Russia–China Financial Ministerial Dialogue chaired by the Russian Finance Minister Anton Siluanov the Chinese Finance Minister Lan Foan.¹⁰⁴ Among the top objectives of their financial cooperation, the parties highlighted the need to increase the number of mutual correspondent accounts in national currencies based on appropriate compliance requirements and market principles;¹⁰⁵ continue the dialogue to potentially simplify the procedure of opening correspondent accounts for non-resident banks; assist Chinese banks to join the Russian System for Transfer of Financial Messages; and inform each other about changes in relevant legislation coming into force.

As an important achievement of the bilateral meeting, the parties signed a memorandum, recognizing the equivalence of audit systems between the finance ministries of Russia and China to provide supportive framework for issuing bonds on stock markets in both countries.¹⁰⁶ For Russian issuers, in terms of Chinese language reporting requirements, this means easier access to China's debt market.¹⁰⁷ Chinese brokers licensed as Qualified Domestic Institutional Investors (QDII) can now receive support when investing in securities issued by Russian entities.¹⁰⁸ Both parties also embrace regular exchanges of information and expertise in regulating

¹⁰¹ Nostro account refers to an in a correspondent bank via which mutual payments are processed.

¹⁰² Loro account is an account opened with a lending institution for its correspondent banks that records all transactions effected upon their instructions.

¹⁰³ Export credit is an instrument of encouraging export activity; a loan provided to foreign banks or buyers to finance the sale of exporters' goods and services.

¹⁰⁴ The 9th China-Russia Financial Dialogue Held in Beijing on 18 December 2023 // Ministry of Finance of the Russian Federation. December 18, 2023. URL: https://minfin.gov.ru/ru/press-center/?id_4=38799-18_dekabrya_2023_goda_v_pekine_sostoyalsya_devyatyi_kitaisko-rossiiskii_finansovyi_dialog

¹⁰⁵ The Russian Finance Ministry helped to simplify the process of opening correspondent accounts in Russian rubles was played by issuing an order that reduced the list of prerequisite documents for establishing such accounts and abolished the requirement to register multiple time with the tax authority in order to open accounts in several Russian banks that are registered with tax authorities in different regions of Russia.

¹⁰⁶ Russia and China Sign Memorandum Recognizing Equivalence of Their Audit Systems // TASS. December 18, 2023. (In Russ.) URL: <https://tass.ru/ekonomika/19567203?ysclid=lxn3enuxsl827273045>

¹⁰⁷ Issuer is a legal entity that issues securities in order to raise additional funds for its business development.

¹⁰⁸ Qualified domestic institutional investor is a legal entity that meets specific criteria for investing in securities in foreign markets.

specific financial sectors as an additional measure contributing to a stronger audit and oversight collaboration. To this end, Russia and China plan to step up their communication efforts to clarify procedures for accessing national stock markets.

In the course of the Financial Ministerial Dialogue, Russia and China also agreed a number of points to coordinate their policy in the framework of multilateral forums, such as the G20, BRICS, SCO¹⁰⁹ and Asia-Pacific Economic Cooperation (APEC), as well as such international organizations as the International Monetary Fund (IMF), World Bank Group (WBG), Asian Infrastructure Investment Bank (AIIB) and BRICS New Development Bank (NDB). Previously, the partners could coordinate their policies through the Financial Action Task Force on Money Laundering (FATF), but it suspended Russia's membership in 2023. According to Russian experts, there is also the untapped potential of the Asian Development Bank (ADB) where Russia is not yet a member.

Barriers to Expanding Russia-China Financial and Banking Cooperation

To further mitigate risks and improve the efficiency of interbank links for bilateral settlements, it is essential to continue looking for options to expand the use of the national currencies. Despite the strong and rising metrics, there will be several factors coming into play in the medium term that may demotivate China from RUB/CNY payments.

First, large Chinese banks, as noted previously, follow a conservative policy regarding Russian counterparties and tend to overcomply to sanction regimes, especially with respect to a number of Russian banks and companies. They check every payment related to Russia, including those made in national currencies, for compliance with sanction requirements, even if such transactions do not involve any banks or clearing systems of the countries which have initiated such sanctions.¹¹⁰ For example, the headquarters of major Chinese banks refuse to advise,¹¹¹ confirm or discount¹¹² letters of credit,¹¹³ include currency clauses in US dollar-denominated letters of credit that are subject to execution and discounting.¹¹⁴ Very few of them are willing to finance LCs in rubles and renminbi issued for up to one year. Small regional Chinese banks also, quite commonly, delay their decisions on opening correspondent accounts for Russian banks which are not on sanctions lists and refuse to process renminbi payments citing lack of technical capability. Such rejections often appear strange to Russian financial institutions as there are no formal restrictions imposed by the People's Bank of China on renminbi settlements and all the technical systems for such transactions are available.

¹⁰⁹ Russia and China are interested in establishing the SCO Development Bank.

¹¹⁰ Though the blocked transactions can include payments that have been approved by American intermediary banks.

¹¹¹ Letter of credit advising is a message that the export bank sends to inform the exporter that a letter of credit has been opened for it.

¹¹² Letter of credit discounting is a short-term credit financing provided to the exporter by its bank subject to a commitment by the buyer to make payment for delivery at a future date.

¹¹³ Letter of Credit (LC) is cashless method of settlement between the buyer and the seller mediated by the bank that makes sure as the guarantor that both parties to the transaction honor its terms and conditions.

¹¹⁴ Currency clause is a clause in a currency future contract to mitigate the risks of forex rate fluctuations. It is based on a reference currency (e.g. renminbi) that the parties to the transaction use for settlements.

Second, big Chinese companies do not want to abandon the dollar in favor of renminbi transactions due to high tariff rates charged on the latter and their unwillingness to modify the established business processes and frameworks. According to Russian experts, other reasons for the low motivation to transition to yuan-based payments include rather limited communication efforts by the BOC and China's regional banks in promoting the advantages of transactions in the national currency among Chinese companies and the absence of preferences to incentivize such practices.

Third, another factor stalling the expansion of interbank cooperation and the share of national currencies in bilateral payments is the lackluster interest on the part of the PRC's banking community in developing their treasury services with forex¹¹⁵ and derivative¹¹⁶ transactions and cross-currency swaps.¹¹⁷ The main problem for Chinese banks is to convince their clients that such transactions are safe. Nevertheless, as these transactions involve minimal sanction-related risks, Russian experts consider them as the most promising area of financial cooperation, which will hopefully be consistently promoted during subsequent negotiations with Chinese partners.

1.3. Forging People-to-People Ties: Russia-China Cultural and Humanitarian Cooperation and Tourism Engagement

Developing people-to-people ties is one of the pillars of Russian-Chinese relations, along with supporting political dialogue and an economic partnership. Over recent years, cultural and humanitarian cooperation between the two nations has taken multiple new shapes and its progress has become more visible as a result. China and Russia continue to expand their cooperation in science and technology, education, youth policy and tourism, as well as weave a wider and thicker network of twin cities.¹¹⁸

Positive changes have largely resulted from the political will of the countries' leaders and strong institutional support. In 2006, China and Russia hosted their first cross years of culture that became an integral component and the driving force of humanitarian cooperation and deeper mutual understanding between the two nations. From then on, China and Russia have launched Tourism Years, Media Exchange Years, Local Cooperation and Exchange Years, Technology and Innovation Years, and Years of Cooperation in Sports and Fitness. In 2023, the partners updated the key framework for strengthening cooperation between people, the 2030 Russian-Chinese Humanitarian Cooperation Roadmap.¹¹⁹ Moscow and Beijing stated their commitment to ensure barrier-free engagement between Rus-

¹¹⁵ Forex transaction is an exchange of currencies between banks and other lending and financial institutions at a predetermined cross rate.

¹¹⁶ Derivative transaction is a contract made by the parties which undertake to buy/sell a specific asset at a certain time.

¹¹⁷ Cross-currency swap is an exchange of payments in national currencies at particular dates in the future at a spot rate at the time of the transaction.

¹¹⁸ At present, there are 155 pairs of twin cities and twin regions in Russia and China.

¹¹⁹ China and Russia Begin Drafting Economic Cooperation Development Plan to 2030 // TASS. March 28, 2023. (In Russ.) URL: <https://tass.ru/ekonomika/17390399>

sian and Chinese universities in fundamental research, assist bilateral academic exchanges, and expand language learning programs in higher, elementary, vocational and digital education.

To implement joint educational projects Russia and China intensified their efforts in 2023–2024 to broaden the web of contacts between Russian and Chinese universities, coming up with initiatives such as the Joint Education Plan for 10 Chinese and 10 Russian Talents at the best universities of Russia and the PRC, the Plan to build a Russian-Chinese Joint Science and Education Center,¹²⁰ and the Plan to create a Russian-Chinese alliance of partner universities.¹²¹

Throughout 2023–2024, with bilateral academic exchange programs and the promotion of learning the Chinese language in Russia vice versa, the two countries set up summer schools for students, developed cooperation in vocational education, supported exchanges between young scientists and created school alliances. As a result, the number of students studying in Russia and China under exchange programs is rapidly growing. According to Russian data, as of December 2023, there were over 44,000 Chinese students studying in Russia and over 12,000 Russian students at Chinese universities.¹²² About 90,000 elementary, secondary school and university students in Russia are currently learning Chinese.¹²³

In 2023, after the COVID-19 restrictions had been finally lifted in China, Russia and China quickly resumed their offline contacts and professional exchanges in the cultural domain as well, with performing-arts troupes, museums and libraries returning to fruitful cooperation. The China National Center for the Performing Arts Orchestra, distinguished Chinese dancing troupes and theatres scheduled their tours in Russia. Many famous Russian musical ensembles and ballet companies, including the Symphony Orchestra and the Mariinsky Theatre ballet company, visited China. To top things off, Russia hosted the Chinese Culture Festival.¹²⁴

Both countries held the Chekhov International Theatre Festival, the Urals International Music Festival, and the first Russian-Chinese Library Forum.

In 2024–2025, Russia and China are staging the Cross Years of Culture.¹²⁵ As part of the project, the countries will conduct a wide range of events: museum and exhibition exchange projects, cultural legacy conservation and restoration as

¹²⁰ The Project to Create the Russian-Chinese Education Center in the Near Moscow Region // Moscow Region Development Corporation. July 19, 2016. (In Russ.) URL: <https://mosregco.ru/publication/проект-создания-на-территории-ближайшей-го-подмосковья-российско-китайского-образовательного-центра>

¹²¹ The Russian Academy of Sciences Talks About Creating Joint Russian-Chinese Universities // RIA Novosti. May 19, 2024. (In Russ.) URL: <https://ria.ru/20240519/vuzy-1946964049.html>

¹²² Deputy Prime Minister Chernyshenko: China Opened over 100 Educational Programs with Russian Participation // Government of Russia. December 19, 2023. (In Russ.) URL: <http://government.ru/news/50457/>

¹²³ Vladivostok Successfully Hosts the Chinese Language Competition "Chinese Language is a Bridge" // The General Consulate of the People's Republic of China in Vladivostok. April 17, 2024. (In Russ.) URL: https://vladivostok.china-consulate.gov.cn/rus/zlgdt_2/202404/t20240417_11283051.htm

¹²⁴ Russia Conducted the Chinese Culture Festival // Minister of Culture of the Russian Federation. November 17, 2023. (In Russ.) URL: https://culture.gov.ru/press/news/v_rossii_proshel_festival_kitayskoy_kultury/

¹²⁵ Russia and China Open Cross Years of Culture // President of Russia. May 16, 2024. (In Russ.) URL: <http://www.kremlin.ru/events/president/news/74052>

well as archeology projects, and events to help develop talents in a professional environment. The 2024-2027 Cooperation Plan between the Chinese Ministry of Culture and Tourism and the Russian Ministry of Culture also includes bilateral culture festivals, international popular song contests and other events designed to showcase the treasures of the two rich cultures.¹²⁶ Russia and China will continue to hold film festivals and animation weeks and develop collaborative filmmaking. China supports Russia's idea to establish the Eurasian Academy of Cinematic Arts and the Eurasian Cinema Award.¹²⁷ The two countries will also conduct joint exhibitions of historical archives, exchange copies of archive documents that hold interest for both nations, maintain ties between regional archive administrations and help prepare for the publication of the Soviet-Chinese Economic Relations: The 1949-1959 Archive Documents Collection.

Russia and China worked closely together to overcome the COVID-19 pandemic and its consequences for the public health. In 2023-2024, the countries continued to deepen their ties in healthcare, systematically promoting exchanges in medical education for doctors and skilled healthcare personnel, including those within the framework of the Association of Sino-Russian Medical Universities (ASRMU), and support the sharing of expertise in drug and medical device oversight. According to statements made by their appropriate healthcare authorities, Russian and Chinese specialists will have the necessary support to develop bilateral links in the fields of infectious diseases, oncology, nuclear medicine, ophthalmology, psychiatry, maternal and child health, etc.¹²⁸ The two countries will continue to hold annual international conferences and training events on disaster medicine, innovative medicine, and advanced technology and artificial intelligence applications in public health.¹²⁹ Note that Russia and China interact not only bilaterally, but also on the sidelines of international organizations, such as the World Health Organization (WHO), BRICS and SCO platforms, and as part of G20 and APEC meetings. Moscow and Beijing have a similar position as they oppose politicizing the virus tracing issue and adopting legally binding resolutions on such matters, and do not support restrictions on national sovereignty aiming to prevent and combat infectious and non-communicable diseases.¹³⁰

In December 2021, Russia and China signed the Key Events Plan for the Years of Russian-Chinese Cooperation in Fitness and Sports as the basis for thematic

¹²⁶ Joint Communique of the 27th Regular Meeting Between the Heads of Governments of Russia and China // Government of Russia. December 5, 2022. (In Russ.)
URL: <http://static.government.ru/media/files/gIHfJm8aIZlQv58scyNVqtKEixSyRbTh.pdf>

¹²⁷ China Confirms Support for Russia's Idea of the "Eurasian Oscar" // TASS. August 22, 2024. (In Russ.)
URL: <https://tass.ru/politika/21660895>

¹²⁸ Joint Statement between the People's Republic of China and the Russian Federation on Deepening the Relations of Comprehensive Partnership and Strategic Engagement, Entering a New Era, in the Context of the 75th Anniversary of the Establishment of Diplomatic Relations Between the Two Countries // President of Russia. May 16, 2024. (In Russ.)
URL: <http://www.kremlin.ru/supplement/6132>

¹²⁹ Ibid.

¹³⁰ Joint Statement between the People's Republic of China and the Russian Federation on Deepening the Relations of Comprehensive Partnership and Strategic Engagement, Entering a New Era, in the Context of the 75th Anniversary of the Establishment of Diplomatic Relations Between the Two Countries // President of Russia. May 16, 2024. (In Russ.)
URL: <http://www.kremlin.ru/supplement/6132>

engagement in 2022–2023.¹³¹ As part of the Years of Russian–Chinese Cooperation in Fitness and Sports, the countries held, in total, over 600 events, spanning a wide range of professional and amateur sports, physical education and fitness sector, sports science, etc. In 2023, over 100 people from China and Russia took part in events related to football, Chinese martial arts and Latin dances at the opening ceremony of the Russian–Chinese Sports Carnival in Harbin. During the Third Russian–Chinese Youth Winter Games in Changchun, the teams of the two countries competed in 8 primary and 45 secondary sports.¹³² The sports events in Russia have become an equally significant element in developing the friendship between Beijing and Moscow. Though the Years of Russian–Chinese Cooperation in Fitness and Sports are over, Russia and China continue to share their best practices in managing sports projects, enhance the competitive edge of young athletes through joint training and tournaments, and also develop sports school infrastructure for nurturing athletic talent. In 2024, the Dynamo Stadium in Moscow hosted an ice hockey match between China’s Kunlun Red Star and Moscow Dynamo teams attended by the Ambassador of the PRC to Russia and the Russian Sports Minister.¹³³ In summer 2024, China supported the idea of holding the Games of the Future, an international multi-sport tournament, in Kazan and sent its athletes to participate in it.¹³⁴

In 2023, Russia and China also continued to deepen cooperation in the media, a move that proved to be productive in terms of cross-covering each other’s news, sharing learnings about the new media, and working together to produce digital content. Russian and Chinese media organizations stepped up the bilateral news coverage to support each other on specific issues of interest, set up platforms to exchange reporting material and special news columns, and prepared a number of joint special issues for the press and television outlets in both countries. Russia and China also signed an agreement for joint production of TV programs and agreed to continue implementation of joint book-publishing projects, including the translation of Chinese classic and modern literature into Russian and vice versa. The History of Chinese Civilization and other outstanding works by Chinese authors received Russian literary awards. The partners worked hard to promote the development of the media industry in China and Russia by holding the high-tech Chinese–Russian New Media Forum, Salon of Chinese–Russian Information Cooperation in Youth Policy, Russian–Chinese Animation Dialogue and other events. Such meetings and forums help to develop technical collaboration in the media sector, boost copyright trade, build common media value chains, and contribute to the overall advancement of the media culture in both countries, thus strengthening the foundation of the public opinion in Russia and China.

¹³¹ Executive Order of the President of the Russian Federation No.345-rp On the Cross Years of Russian–Chinese Cooperation in Fitness and Sports // President of Russia. October 17, 2022. (In Russ.) URL: <http://www.kremlin.ru/acts/bank/48414>

¹³² The 3rd Russian–Chinese Youth Winter Games Open in Changchun // Embassy of Russia in China. December 16, 2022. (In Russ.) URL: https://beijing.mid.ru/news/startovali_iii_rossiysko_kitayskie_molodezhnye_zimnie_igry/

¹³³ Chinese Ambassador Attends Hockey Match Between Kunlun Red Star and Dynamo // RG.RU. November 22, 2022. (In Russ.) URL: <https://rg.ru/2022/11/22/posol-knr-posetil-hokkejnyj-match-kunlun-red-star-dynamo.html>

¹³⁴ China Supports Games of the Future and BRICS Games in Kazan // RIA Novosti. May 16, 2024. (In Russ.) URL: <https://ria.ru/20240516/kitay-1946390498.html>

In 2023, Moscow and Beijing also continued to expand bilateral and multilateral cooperation in tourism. The growing tourist flows in 2023 clearly demonstrated that the industry was rapidly recovering after the COVID-19 slump. According to Russian data, tourist traffic between Russia and China during the year totalled about 1.2 million people.¹³⁵ The number of Russian tourists that visited China in 2023 reached 997,900 and, based on Russian data, 477,000 Chinese tourists went to Russia over the same period.¹³⁶ Tourist traffic from China became the biggest for Russia's travel and tourism market after CIS countries. Most often Chinese guests traveled to the Russian Far East, namely, to the Primorsky Krai, Khabarovsk Krai, Amur Oblast and Zabaikalsky Krai. The number of trips to China by Russian tourists also soared to levels 2.5 higher than in 2019.¹³⁷ The fast-growing border tourism in Manchuria, Suifenhe, Heihe, Hunchun and other areas enhances contacts between people and creates new opportunities for local economic cooperation.

The growth in tourist traffic was prompted by several initiatives. Russian and Chinese governments accelerated negotiations to sign a new version of the year 2000 agreement between the two governments on visa-free group tours. China included Russia on the first pilot list of 20 destinations for Chinese group tours abroad.¹³⁸ On 1 August 2023, Russia and China officially announced the launch of group tours under the visa-free tourist exchange agreement.¹³⁹ Now Russia and China are considering establishing a long-term process for issuing multiple-entry visas, including by amending the existing Sino-Russian Agreement on Facilitating Citizen Travel of 22 March 2013. Developing tourism plays a significant role in stimulating the related areas of bilateral engagement and contributes to social stability, as well as encourages mutual cultural interest between the nations.

Apart from bilateral cooperation in tourism, Russia and China have been exploring and developing a new China–Russia+ model of multilateral tourism cooperation. In October 2023, China's Wuhan hosted the 7th Meeting of Tourism Administration Heads in China, Russia and Mongolia.¹⁴⁰ The participants reviewed the progress made since the establishment of this trilateral forum, put forward ideas to further strengthen cooperation and agreed to continue their work to refine the China–Mongolia–Russia format for the tourism sector.¹⁴¹ Moscow, Beijing and Ulan Bator confirmed they would take effective steps to restore tourist exchanges between the countries in a consistent manner. The countries recommended tour-

¹³⁵ RF Ministry of Economic Development Report 1.2M Annual Tourist Traffic Between Russia and China // Sputnik. March 27, 2024. (In Russ.) URL: <https://sputniknews.cn/amp/20240327/1057998722.html>

¹³⁶ China's Ambassador Zhang Hanhui: China and Russia Working on Payments Problem // RIA Novosti. May 7, 2024. (In Russ.) URL: <https://ria.ru/20240507/khankhuey-1944352968.html>

¹³⁷ Russia's Demand for Travel to China Up 150% // Sputnik. March 27, 2024. (In Russ.) URL: <https://sputniknews.cn/amp/20240327/1057998722.html>

¹³⁸ China Resumes Organized Outbound Tourism on a Pilot Basis // TASS. February 6, 2023. (In Russ.) URL: tass.ru/ekonomika/16967145

¹³⁹ First Group of Chinese Tourists Arrives in Moscow under Visa-Free Group Tours Exchange Agreement // Ministry of Economic Development of the Russian Federation. August 10, 2023. (In Russ.) URL: https://www.economy.gov.ru/material/news/pervaya_gruppa_turistov_iz_kitaya_pribyla_v_moskvu_po_soglasheniyu_o_gruppovom_bezvizovom_obmene.html

¹⁴⁰ 140 China, Russia and Mongolia to Design Crossborder Travel Itinerary along Great Tea Road // Belt and Road Portal. October 2, 2023. (In Russ.) URL: <https://rus.yidaiyilu.gov.cn/p/332973.html>

¹⁴¹ Ibid.

ist administrations to work together at all levels to support and implement the agreement for the development of the Great Tea Road tourist route.

1.4. Russian–Chinese Cooperation in Transport and Logistics: Bilateral and Multilateral Levels

The quality of crossborder transport services is critical for the further expansion of trade turnover between Russia and China and the development of an integrated economic infrastructure in Eurasia that would reflect the Russian concept of building the Greater Eurasian Partnership, as well as the Chinese vision of regional connectivity based on the Belt & Road Initiative. Some already-mentioned examples demonstrate the lack of established logistical processes and adequate infrastructure which may have a crippling effect on trade and economic cooperation between Moscow and Beijing. However, the countries are apparently aware of the problem.

In 2023, Russian and Chinese politicians discussed the interconnections between the logistical systems of the two countries at different levels. In the course of Xi Jinping's visit to Russia in March of 2023, the leaders agreed to gradually increase the capacity of Chinese–Russian border-crossing infrastructure as well as the efficiency of customs clearance and inspection procedures in their logistical systems.¹⁴² In October 2023, the Russian–Chinese Intergovernmental Commission for Preparing Regular Meetings of Heads of Government also discussed measures to modernize border-crossing infrastructure and boost international freight traffic.¹⁴³ The willingness to cooperate was reaffirmed during the state visit of Vladimir Putin to China in May 2024. These are indeed the focus areas for further joint action by Russia and China.

This resulted in an intensified development of bilateral railway and road freight transportation. According to Russian Railways, the rail freight traffic between Russia and China grew by 36% in 2023 against 2022, up to a record 161 million tonnes.¹⁴⁴ The number of container trains crossing the three major border checkpoints — Manchuria, Suifenhe and Tongjia — on the China–Europe route went up to 5,900 trains, or about 35% of the total number of trains running on this route.¹⁴⁵ In addition, the countries officially launched a new Sino–Russian Land Grain Corridor. They also agreed to allow the shipment of goods from China's Jilin province via Vladivostok to the Zhoushan Yongzhou container terminal and Jiaying Zhapu Port (Zhejiang province) as new ports of entry to expand Chinese cross-border domestic trade.

¹⁴² Xi Jinping Holds Talks with Russian President Putin (Chinese: 习近平同俄罗斯总统普京举行会谈) // Ministry of Foreign Affairs, the Peoples Republic of China. March 22, 2023.
URL: https://www.mfa.gov.cn/zyxw/202303/t20230322_11046133.s.html

¹⁴³ Russia and China Develop Border Crossing Infrastructure // Ministry of Transport of the Russian Federation. June 14, 2024. (In Russ.) URL: <https://mintrans.gov.ru/press-center/news/11295>

¹⁴⁴ Russian Railways: China–Russia Rail Freight to Grow by 7% in 2024 (Chinese: 俄罗斯铁路公司: 2024年中俄铁路货运量预计增长7%) // Heihe Municipal People's Government. April 8, 2024. URL: https://www.heihe.gov.cn/hhs/c102650/202404/c11_285478.shtml

¹⁴⁵ 17,000 China–Europe Freight Trains Launched in 2023. Developed Rail Links Drive Remarkable Performance for Key National Strategies // Baidu. January 10, 2024.
URL: <https://baijiahao.baidu.com/s?id=1787664486791118940&wfm spider&for=pc>

In 2023, Russia and China adopted new standards for railway traffic operations and simplified customs procedures, and made visible progress on building and upgrading border crossings.¹⁴⁶ Part of it was achieved through China's efforts: for example, Tongjiang border crossing in the Heilongjiang province allows China-Europe freight trains to pass through and run normally on Russian broad-gauge tracks; the eastern operations zone of the Tongjiang river checkpoint was launched in the Russian-Chinese border area in September along with a new northern route; also the Fujian river checkpoint was recommissioned after a major upgrade. In December 2023, the Mohe international road/water border crossing was granted permission to resume customs operations and the maintenance personnel working on the Russia-China pipeline was allowed to freely cross the border along with the equipment for the pipeline.¹⁴⁷

Russia has also been contributing to better logistical connectivity. For example, the Russian Ministry of Transport announced that a number of projects that will be completed by 2026, including a scheduled comprehensive upgrade of 13 border crossings on the Russian side of the Russian-Chinese border to increase their throughput capacity and cargo traffic, another 7 border crossings undergoing upgrades on the Russian side of the border with Mongolia and Kazakhstan, and 4 Chinese-Russian road border crossings that should be upgraded for 24/7 operation.¹⁴⁸

Another important step was made by the PRC's General Administration of Customs that included the port of Vladivostok in the list of ports that could be used as transit hubs to ship goods from northern to southern China.¹⁴⁹ To this end, Russia also amended relevant government resolutions to authorize the use of Primorye-1 and Primorye-2 transport corridors for container transit to China.¹⁵⁰

However, logistical connectivity cannot be transformed by Russia and China alone if the countries really want to take full advantage of their geography and integrate Eurasia into a single economic system crosslinked with multiple transport arteries. The Joint Statement between the People's Republic of China and the Russian Federation on Deepening the Relations of Comprehensive Partnership and Strategic Engagement made following Vladimir Putin's state visit to Beijing in May 2024, notes that Russia continues to interact with China's Belt & Road Initiative to couple it with plans for developing the Eurasian Economic Union (EAEU) and in the context of implementing agreements on the simultaneous and coordinated

¹⁴⁶ Russia and China Develop Border Crossing Infrastructure // Ministry of Transport of the Russian Federation. June 14, 2024. URL: <https://mintrans.gov.ru/press-center/news/11295>

¹⁴⁷ Port Construction (Chinese: 口岸建设) // People's Government of Heilongjiang Province. URL: https://www.hlj.gov.cn/hlj/c108516/list_leftj.t.shtml

¹⁴⁸ Russian Transport Ministry to Carry Out a Comprehensive Upgrade of 13 Crossings on Russian Side of Russian-Chinese Border (Chinese: 俄交通运输部将对俄中边境俄罗斯一侧13处口岸进行全面升级改造) // Sputnik. October 24, 2023. URL: <https://sputniknews.cn/20231024/1054367130.html>

¹⁴⁹ Statement of the General Administration of Customs of the People's Republic of China No. 44 of 2023. (Chinese: 海关总署公告2023年第44号 (关于进一步拓展吉林省内贸货物跨境运输业务范围的公告)) // General Administration of Customs of the People's Republic of China. May 4, 2023. URL: <http://gdfts.customs.gov.cn/customs/302249/2480148/5008565/index.html>

¹⁵⁰ Primorye-1 and Primorye-2 Corridors to Serve Chinese Container Transit // East Russia. September 14, 2023. (In Russ.) URL: <https://www.eastrussia.ru/news/primore-1-i-primore-2-zarabotayut-po-novomu/>

development of the Greater Eurasian Partnership.¹⁵¹ The agreed coupling formula allows the parties to develop integration projects in parallel without creating interdependences between them. This arrangement is directly supported by the leadership of the two countries, ensuring their resilience.

Although Russia is not officially part of the BRI, there are two ways in which it is actually involved in the project: the above-mentioned bilateral investment and infrastructure projects and multilateral EAEC–PRC interactions, which mostly aim to encourage trade and development of transport corridors in Eurasia.¹⁵²

The intensity of cooperation at both levels depends on the maturity of the underlying regulatory framework. At the EAEU–PRC level it is limited to the Roadmap for Transport Infrastructure Priority Projects (2017),¹⁵³ the Agreement on the Trade and Economic Cooperation Between the EAEC and the PRC (2019),¹⁵⁴ and the Agreement on Exchange of Information Regarding Goods and Means of International Transport Moving Across Customs Borders Between the EAEC and the PRC (2020).¹⁵⁵ However, the implementation of the documents helped more than double trade volumes between the two parties in 2023, from \$123 to \$275 billion.¹⁵⁶ It is expected that cooperation results will be further upscaled within the framework of the 2023 Roadmap to Intensify the Trade and Economic Engagement Between the EAEU Member States and China.¹⁵⁷ The document contains three sections covering the options for the digitization of transport corridors, maintaining dialogues on international trade policies and conducting joint analysis of potential effects of different cooperation scenarios,¹⁵⁸ as well as providing a qualitative definition of the interactions between the parties regarding top priority items on the multilateral agenda.

As of 2024, the EAEU and the PRC have not yet implemented any major joint infrastructure projects, partially due to different ways in which Moscow and Beijing

¹⁵¹ The Joint Statement between the People's Republic of China and the Russian Federation on Deepening the Relations of Comprehensive Partnership and Strategic Engagement, Entering a New Era, in the Context the 75th Anniversary of the Establishment of Diplomatic Relations Between the Two Countries // President of Russia. May 16, 2024. (In Russ.)
URL: <http://www.kremlin.ru/supplement/6132>

¹⁵² Report on Creating and Developing the EAEU Transport Infrastructure in East-West and North-South Directions, Including as Part of Coupling with the Chinese Belt and Road Initiative. // Eurasian Economic Commission. 2022. (In Russ.) URL: https://eec.eaeunion.org/upload/medialibrary/a8e/Doklad-o-transportnoy-infrastrukture-za-2022-g-_p.-7.4.1_.pdf?ysclid=lxwnndmzd2862035932

¹⁵³ EAEU Countries Propose 38 Joint Transport Projects to China // Informburo. Decem2017.
URL: <https://informburo.kz/novosti/kitay-gotov-uchastvovat-v-dalneyshem-razvitii-skvoznogo-soobshcheniya-s-evropy-cherez-kazakhstan.html?ysclid=lxwnhmla7k58954555> (In Russ.).

¹⁵⁴ People's Republic of China // Eurasian Economic Commission.
URL: <https://eec.eaeunion.org/en/commission/department/dotptorgovye-soglasheniya/china.php>

¹⁵⁵ Management of the Customs Data Exchange with the People's Republic of China // Eurasian Economic Commission. (In Russ.) URL: https://eec.eaeunion.org/commission/department/dep_tamoj_infr/out_obmen/exchange_China.php

¹⁵⁶ Trade Between EAEU and China Up by Nearly 25% in 2023 // Tazabek. April 22, 2024. (In Russ.)
URL: <https://www.tazabek.kg/news:2093875/>

¹⁵⁷ EAEU and China Agree to Facilitate Trade and Accelerate Rail Shipments // Interfax. February 16, 2023. (In Russ.)
URL: <https://www.interfax.ru/world/886480>

¹⁵⁸ EEC and PRC Sign Roadmap to Develop Cooperation // Public Council of the Federal Tax Service of Russia. February 17, 2023. (In Russ.) URL: <https://www.osfts.ru/novosti/2023/3532-predstaviteli-eek-i-knr-podpisali-dorozhnyuyu-kartu-pu-razvitiyu-sotrudnichestva?ysclid=lxwxhd3c4239397089>

classify their initiatives as part of the coupling process or standalone deals. China, for instance, includes the Yamal LNG project into its final BRI progress reports because the Silk Road Fund has a stake in the project. The same applies to other major projects such as the Power of Siberia Pipeline, Blagoveshchensk–Heihe road bridge and Tongjiang–Nizhneleninskoye railway bridge.¹⁵⁹ At the same time, Moscow defines these projects in all Russian–Chinese documents as the result of bilateral cooperation.

The different goals of the partners are also a challenge to the plans for coupling the EAEU with the BRI. Whereas China seeks to create a free trade area (FTA) and open up markets, the EAEU is still wary of engaging in unrestricted free trade with the PRC that could be too risky due to uncertain demand prospects for EAEU-made products considering lower prices for Chinese goods and possible secondary sanctions that could be imposed by the West, impeding the development of banking and financial cooperation. Given the above factors, the expert community is considering a limited FTA model as a trade-off option that, under certain conditions, can help to diversify mutual trade flows and open new opportunities for suppliers. However, even under this arrangement, it would be critical for EAEU member states to stimulate reindustrialization and build domestic capacity for making high value-added products to minimize the risk of dependencies on imports.¹⁶⁰

Apart from the potential free trade agreement between the EAEU and the PRC, there are some other opportunities that could be pursued as part of the cooperation between Moscow and China's BRI. First of all, these include steps to identify new avenues for expanding mutually beneficial economic cooperation, building production value chains and stimulating regional development. However, as a prerequisite before taking joint action on this agenda, the parties must coordinate their policies for promoting transport and logistical connectivity in Eurasia. To do so, they need to carefully review all the barriers existing in the way of such cooperation. For example, the bilateral cargo traffic in 2023 reached its historical peak of 161 million tonnes, rising by 36% versus 2022.¹⁶¹ In order to keep up the trend, Moscow and Beijing should optimize the utilization levels of the current infrastructure by rerouting some traffic via new lines.

To reduce traffic intensity on the Trans-Siberian Railway, Eurasia's sole transit route, the Russian government is contemplating developing alternative cargo routes along the China–Europe line. Amid multiple geopolitical and geoeconomic risks, the China–Europe Railway Express, a BRI flagship project and a framework for Sino-Russian cooperation on transport and logistics, continues to develop in a sustainable way, creating a stable platform for trade and economic inter-

¹⁵⁹ White Book: Belt & Road Initiative Paving the Way to Shared Development and Prosperity // Rossiyskaya Gazeta. October 10, 2023. (In Russ.) URL: <https://rg.ru/2023/10/10/belaia-kniga-iniciativa-poiias-i-put-prokladyvaet-put-k-sovmestnomu-razvitiyu-i-prosvetaniyu.html?ysclid=lwyt0n3f50872220997>

¹⁶⁰ Findings from the report by A.A. Kireeva, Associate Professor of the Department of Oriental Studies, MGIMO, at the April 18, 2024 International Forum of Young Scientists at Jilin University, PRC, "Results and Prospects for the Development of Russian–Chinese Relations in a New Era", are used within this report.

¹⁶¹ Russian Railways: Eastward Cargo Volumes Hit Absolute Record // RBC. February 14, 2024. (In Russ.) URL: <https://www.rbc.ru/industries/news/65ccb9729a79474e4c6873a6>

action along its route. The extensive railway infrastructure integrated with the International Land-Sea Trade Corridor (ILSTC) represents a new transport system between Asia and Europe with high throughput capacity that supports existing production and supply chains.¹⁶²

However, Chinese experts warn about the problems associated with this project. While previously the northern segment of the China–Europe route, which goes through Russia, had been the principal thoroughfare, today European companies increasingly prefer to switch to other corridors to avoid political and sanctions risks. On the one hand, the total number of China–Europe trains running through Russia increased in 2023 in comparison with 2022¹⁶³ because the Red Sea crisis in the autumn of 2023 forced some companies to revise their policy and go back to land freight services from China to Europe. On the other hand, the logistical links between China and Russia, in the broad sense, are clearly becoming more bilateral, while Russia’s window of opportunity for serving third-country transit shipments is narrowing.

In this context, standing out among the most high-potential routes, serving the needs of the EAEU, China and Europe, is the Central Eurasian Transport Corridor that links Russia, Mongolia and China. The three countries are also actively developing Asian Highway 4 (AH4) that runs from Urumqi (Xinjiang Uyghur Autonomous Region, XUAR) to Novosibirsk. The new highway, opened for a trial run in September,¹⁶⁴ is expected to improve connectivity and trade between Moscow, Beijing and Ulan Bator, enhancing the development of regional cooperation and economic growth of the countries as part of the implementation of the Intergovernmental Agreement on International Road Transport along the Asian Highway Network.¹⁶⁵ Additionally, the Plan for the Implementation of the Strategy for Social and Economic Development of the Siberian Federal District,¹⁶⁶ published in October 2023, envisages two new railway corridors to the PRC: one from the Kemerovo Oblast and another from the south of the Krasnoyarsk Krai. The first corridor involves construction of the North Siberian Railway from the Arctic coast via the Khanty-Mansi Autonomous Okrug, Tomsk and Kemerovo Oblasts to the capital of XUAR in western China.¹⁶⁷ The second corridor is supposed to go through the Republic of Tuva, across Mongolia to the Chinese city of Erenhot that is directly linked with Beijing and Tianjin.

¹⁶² New International Land & Sea Corridor Strengthens Economy and Links Between All Eurasian Countries // CGTN. June 24, 2024. (In Russ.) URL: <https://russian.cgtn.com/news/2024-06-24/1805219019962433538/index.html>

¹⁶³ Number Freight Train Departures on China-Europe Railway Exceeds 90,000 // Xinhua Novosti. May 25, 2024. (In Russ.) URL: <https://russian.news.cn/20240525/331b487630914525a630ce96cfe1e149/c.html>

¹⁶⁴ Trucks Depart Xinjiang for Russia on Trial of New Highway // CHINADAILY.com.cn. September 23, 2023. URL: http://www.china.org.cn/business/2023-09/23/content_116705406.htm

¹⁶⁵ Intergovernmental Agreement on International Road Transport along the Asian Highway Network // Kodeks Consortium Digital Database of Legal Documents and Technical Regulations. (In Russ.) URL: <https://docs.cntd.ru/document/456039042?section=text>

¹⁶⁶ Government Approves Plan for Implementing the Strategy for Social and Economic Development of the Siberian Federal District to 2035 // Government of Russia. October 23, 2023. (In Russ.) URL: <http://government.ru/news/49853/>

¹⁶⁷ Previously, the North Siberian Railway (SevSib) was the name of a different route designed back in the Soviet period from Khanti-Mansi Autonomous Okrug through Bely Yar, Lesosibirsk, Karabula (Krasnoyarsk Krai) and Ust-Ilimsk (Irkutsk Oblast) to the Baikal-Amur Mainline (BAM).

Another important area where Russia and China have significant yet unlocked potential for cooperation is the Arctic maritime route. According to experts, cargo shipments between Europe and East Asia along the Northern Sea Route (NSR) will be 8 to 15 days faster than along the Southern Sea Route via the Red Sea and the Suez Canal.¹⁶⁸ Nevertheless, today the NSR freight volumes are much lower compared to the Suez Canal due to underdeveloped Arctic transport infrastructure and the need to expand freight and ice-breaker fleets.¹⁶⁹ Preliminary estimates indicate that by 2030 Russia will need 160 high ice-class vessels to export products of Arctic projects. According to Russian experts, cooperation with Beijing in the region backed with a specific agreement on partnership in the Arctic, will create additional opportunities to place shipbuilding orders in China¹⁷⁰ and attract investment for the joint project to build the infrastructure for the Polar Silk Road included on the BRI projects list.¹⁷¹ The development and implementation of such a framework will provide the basis for upscaling the Arctic operational expertise of Russian energy leaders NOVATEC and Rosneft, as well as China National Petroleum Corporation and PetroChina, and increasing investments in regional projects by large state-owned banks and the Silk Road Fund, using the funds of the Asian Infrastructure Investment Bank.¹⁷²

Thus, the stimulation of Russian-Chinese transit connections by leveraging opportunities to efficiently utilize and optimize the existing transport and logistics infrastructure can help not only fundamentally change the structure and routes of Eurasian land and sea freight flows, but also to create additional incentives to support broader engagement within the framework of the EAEU-BRI coupling process. The latter can be also augmented with joint projects and initiatives with other large regional organizations, creating, in turn, a sound framework for the practical development of the Greater Eurasian Partnership.

¹⁶⁸ Fowdy T. China-Europe Freight Train Guarantor of Global Supply Chain Stability // China.org.cn. January 24, 2024. URL: http://www.china.org.cn/opinion/2024-01/24/content_116961638.htm

¹⁶⁹ In 2024, there have been 30 vessels operating on the Northern Sea Route and 33 vessels under construction.

¹⁷⁰ Likhachev: Some Groups of Vessels for the Arctic Will Be Commissioned to China's Shipbuilders // RBC. March 25, 2024. (In Russ.) URL: <https://www.rbc.ru/economics/25/03/2024/65fd6339a79471658b64982>

¹⁷¹ Hu Weijia. Importance of Diversified Eurasian Trade Routes Puts Spotlight on BRI // Global Times. December 21, 2023. URL: <https://www.globaltimes.cn/page/202312/1304101.shtml>

¹⁷² China-Russia trade up 38.7% in Q1, Energy Cooperation Continues to be a Major Stabilizer for Bilateral Ties // Global Times. April 13, 2023. URL: <https://www.globaltimes.cn/page/202304/1289098.shtml>

Chapter 2. Russian–Chinese Strategic Engagement in the Eurasian Space

2.1. The System of Political Interaction and Cooperation on Security in Eurasia: Russia’s Vision

Russia regards cooperation with Central Asian states as a critical component of its foreign and domestic policies for a combination of reasons originating from its historical record of engagement as part of the Russian Empire and the USSR. The political relations, however, are based not only on their shared legacy, but also on the geostrategic position of the region. Historically, and thanks to Moscow’s efforts the region has developed a security system that consists of joint defense facilities and infrastructure, including those controlled by the Collective Security Treaty Organization (CSTO), a common air defense system, etc. All its elements are essential for the security of Russia’s southern limits.

The economic relations between Russia and Central Asian countries are rooted in the common financial, economic and infrastructural system created in the Soviet period with unified standards, norms and rules of economic activities and distribution of labor. After the dissolution of the USSR, it was important to preserve a common economic area to maintain trade volumes and increase industrial cooperation between the countries as well as to keep the economy going in each of the new independent states. Besides, the land border between Russia and its Central Asian neighbors offers opportunities for developing multilateral projects based on regional connectivity through Kazakhstan’s transport corridors and oil pipelines.¹⁷³ For example, before the completion of the North–South Transport Corridor’s western branch, the Russia–Kazakhstan–Turkmenistan–Iran railway remains a key link for Central Asia to maintain trade relations with the Indian Ocean countries. Economic opportunities are a factor contributing to continued political dialogue in the region.

As a socio-political space, Russia and Central Asia is a visa-free region (except for Turkmenistan) with a stable system of migration flows, mostly towards Russia. So, any crises and conflicts in the region have a ripple effect on Russia in the form migration surges, potential export-of-extremism threats and infiltration of terrorists. For this reason, it is critical for Moscow to maintain a high level of political trust with the region’s governments and have institutions in place for concerted action, i.e. a legal framework to support a joint coordinated response to security challenges.

However, having a broad spectrum of interests to address in the region, Russia has not, until recently, pursued any clearly defined engagement policies towards Central Asia. Moscow came forward with various institutional projects for the region: both comprehensive, such as the Commonwealth of Independent States

¹⁷³ Stretching for 7,600 km, it is the longest continuous national border in the world. Contiguous to the border are 12 federal regions of Russia that account for 20% of Russia’s GDP.

(CIS), and more focused ones designed for military and political consolidation under the Collective Security Treaty Organization (CSTO) or economic integration in the Eurasian Economic Union (EAEU). In parallel, Russia was building bilateral ties with other states that did not participate in multilateral formats, primarily with Uzbekistan and Turkmenistan. It is notable that Russia did not propose its initiatives specifically to Central Asia, regarding the region's countries as an element of the "near abroad" in general and maintaining integration processes with those governments that showed the highest interest.

Over the last decade, Russia's approach to Central Asia, mostly regarding political engagement, has been gradually changing, though without corresponding modifications of the institutions or strategic documents. First, Moscow focused on keeping up regional security through existing bilateral and multilateral mechanisms. Such security was promoted as a crucial element of global stability and sustainable development, while measures to maintain it involved, among other things, the progressive removal of alternative providers from the regional security system and making sure that Central Asia is off limits for their military installations.¹⁷⁴

Today, the region is a key component of Russia's Greater Eurasian Partnership (GEP) concept, sometimes described as the core of the new Eurasia. In fact, the GEP is a tool for creating a "scale effect" for integration processes and economic and social development in Eurasia. This lens implies, first of all, the establishment of a comprehensive security architecture across Eurasia based on deep interdependence of participating states as well as extensive regional connectivity, and also on the sustainable security concept, which includes both traditional and new dimensions.¹⁷⁵ Thus Central Asia is becoming part of a large and sustainable Eurasian region in Russian foreign policy priorities.

It is symptomatic that in the last updated version of the Russian Foreign Policy Concept, Central Asia is not treated as a stand-alone region, but as part of a larger space. The document defines Russia's priority partners as EAEU and CIS member states that maintain friendly relations with Russia. Furthermore, the strategy states Moscow's commitment to leverage the economic potential of the good neighbor policy, primarily with EAEU members and countries seeking to develop economic ties with Russia, to widen the perimeter of integration in Eurasia.¹⁷⁶ Therefore, any activity in this space is seen through a functional rather than a "country" lens, which emphasizes the importance of economic engagement. So, the concept of sustainable security appears to be particularly aligned with Russian interests in Eurasia and Central Asia as it combines both strategic and socio-economic components. This section will discuss the fundamentals of the first one.

¹⁷⁴ Pritchkin, S. Russia's Strategy in Central Asia and the Future of Integration Projects. Interview with Stanislav Pritchkin // CAA NETWORK. 10.12.2022. (In Russ.) URL: <https://www.caa-network.org/archives/21190>

¹⁷⁵ Kharkevich, M. Security for the Greater Eurasia // RIAC. July 8, 2024. URL: <https://russiancouncil.ru/en/analytcs-and-comments/analytcs/security-for-greater-eurasia/>

¹⁷⁶ The Concept of the Foreign Policy of the Russian Federation // Ministry of Foreign Affairs of the Russia Federation. March 31, 2023. (In Russ.) URL: https://www.mid.ru/ru/foreign_policy/official_documents/1860586/

2.1.1. Evolution of Political Russian-Central Asian State Engagement in the Post-Bipolar Period: Defining Areas of Dialogue

The current engagement model between Russia and Central Asian countries developed in several stages. In the 1990s, despite high interdependence, Central Asia policy was not a priority for Russia, which was preoccupied with its own social and economic troubles. This first phase in Russia's relations with the region's countries lasted until the 2000 and could be described as a "civilizational divorce" that led to the separation of the political, economic and ideological systems of different post-Soviet states and the development of parallel tracks of engagement with them. During the same period, an international legal framework was established for the new relations model. The Commonwealth of Independent States (CIS) became the main instrument of multilateral dialogue, with its main mission at this stage being to cushion the shocks of the "divorce". The political model of engagement within the CIS was mostly inert and reactive, relying on remaining Soviet-time political and economic relationship drivers to maintain cooperation without initiating any new forms and mechanisms that could reenergize flagging ties in the bloc. Nevertheless, the CIS takes credit for continued humanitarian cooperation between member countries that allowed Russia to retain its strong position as a major partner of CIS states, including those in Central Asia, in the education sector. Russian universities and their branches in the region remain an important vehicle of development for the region's youth, with Russia still being a key destination for educational migration. For example, about 10% of all Kazakhstan's students study in Russian universities.¹⁷⁷ At the end of 2022, the President of Kazakhstan Kassym-Jomart Tokayev proposed to set up, within the framework of the CIS, an international center for the promotion of the Russian language.¹⁷⁸ This means that Russia remains an attractive partner with considerable potential for a sizeable share of the young generation in Central Asia, and therefore the humanitarian dimension can be a viable component of sustainable security in Eurasia.

Still, the CIS potential is not limited to the humanitarian agenda. Russia, chairing the CIS in 2024, declared that the organization's key development priorities should be to reinforce its authority and links with other regional groups, work together to counter external challenges and strengthen the sovereignty of member states, i.e. a clear focus on military and political aspects.¹⁷⁹ It is symptomatic that in 2024, the CIS launched a number of so-called basic organizations, including the Research Institute of the Armed Forces of the Republic of Belarus, which will reach out and cooperate with similar institutions to build an expertise-sharing network.¹⁸⁰

¹⁷⁷ Pritchkin, S. The Great Game 2.0 in Central Asia at the Present Stage // *World Economy and International Relations*. 2022. Vol. 66. No. 6. Pp. 112–123. (In Russ.) URL: https://www.imemo.ru/en/index.php?page_id=1248&file=https://www.imemo.ru/files/File/magazines/meimo/06_2022/12-PRITCHKIN.pdf

¹⁷⁸ Putin Supports Tokayev's Idea to Create a CIS Organization to Promote Russian Language // TASS. October 7, 2022. (In Russ.) URL: <https://tass.ru/politika/15987353>

¹⁷⁹ Russia Begins Its CIS Chairmanship // RIA Novosti. January 1, 2024. (In Russ.) URL: <https://ria.ru/20240101/sng-1919312163.html>

¹⁸⁰ Three New Basic Organizations Established in CIS // CIS Executive Committee. April 12, 2024. (In Russ.) URL: https://cis.minsk.by/news/27276/v_sng_sozdany_tri_novye_bazovye_organizacii

Central Asia was identified as a priority region for Russia's foreign policy when Vladimir Putin took the presidential office in 2000. For one year, President Putin, unlike his predecessor, visited or received in Moscow top-level delegations from all Central Asian republics, laying the foundation for a systemic political dialogue. Since then, the leaders of Russia and the region's countries have met on a regular basis in bilateral or multilateral formats. Russia's approach to sovereignty is particularly beneficial for the region. Moscow acts as a major external "legitimizer" of elections and other political processes in Central Asian states. The key principle of Russia's policy in the region is to engage exclusively with official authorities and cascade the dialogue from the top downward, thus contributing to regional political stability.

The institutionalization of cooperation mentioned earlier also enhances this process. In the 2000s, Russia began revising its fundamental strategic documents. In July 2000, the government adopted the updated Concept of the Foreign Policy of the Russian Federation,¹⁸¹ shortly followed up by new multilateral initiatives, such as the establishment of the Eurasian Economic Community (EurAsEC) in 2000, which included all Central Asian republics — except Turkmenistan — plus Armenia and Belarus. The organization was designed to single out the core group of CIS countries with the highest motivation to deepen economic relations and galvanize economic integration across the CIS. The EurAsEC provided an institutional basis for more advanced and focused integration within the Customs Union of Russia, Belarus and Kazakhstan (2007-2010), then within the Single Economic Space (2010-2014), and finally the Eurasian Economic Union (2014),¹⁸² which will be discussed in the next chapter. Integration processes helped keep up a high rate of political communication between the region's country leaders during this period, setting the stage for strengthening the economic dimension of sustainable security in Eurasia.

Over the same period, Russia established its policy of engagement with the region's governments on traditional security. In its early phase, Russia supported a counterterrorist operation launched by the United States and NATO in Afghanistan in 2001, but very soon the growing presence of the allied coalition in the region began to be regarded as damaging to Russian interests. One of the cited reasons was the use of military bases in the region by the US forces, which promoted the spread of American influence and indirectly played a role in the organization of color revolutions, specifically, in Kyrgyzstan in 2005. In 2002, the CIS established its anchor regional security multilateral institution, the Collective Security Treaty Organization (CSTO), including Armenia, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, and later, Uzbekistan. The organization provided the institutional framework for the relations documented in the Collective Security Treaty (CST) of 1992 signed in Tashkent (Uzbekistan) by the representatives of the above

¹⁸¹ The Concept of the Foreign Policy of the Russian Federation (repealed). Approved by the President of the Russian Federation on 28 June 2000 // RUDN EXPERT PORTAL ON INTERNATIONAL RELATIONS. (In Russ.)
URL: <https://ir.rudn.ru/books/b2/30.pdf>

¹⁸² The Treaty on the Establishment of the EurAsEC dated 10 November 2000 // Eurasian Economic Community. (In Russ.)
URL: <https://evrazes.com/about/history>

countries. Russia also took first steps to assist with phasing out US military facilities, first of all, the Manas Air Base in Kyrgyzstan,¹⁸³ and increased cooperation with Uzbekistan. These actions set off the process to forge a consistent approach to developing the conventional military-political dimension of sustainable security in Eurasia.

Thus, Russia laid down the beginnings of different policy areas regarding Central Asia in the 2000s. The presence of such diverse organizations as the more inclusive but less binding format of inter-state cooperation within the CIS, integration frameworks exemplified by the EAEU, and also security organizations like the SCO and CSTO, combined with bilateral formats, regulatory framework and an extensive network of ties at the regional and ministerial levels, make Russia an integral strategic partner for Central Asia, enabling Moscow to create integrated legal and institutional superstructures as a firm basis for dialogue and cooperation. Compared to other external players in the region like China, Turkey or the West, Moscow has the widest range of instruments at its disposal, i.e. institutions with a balanced and detailed legal basis for deepening multilateral cooperation in the region. In turn, the CIS, EAEU, and CSTO can complement each other as components of the Eurasian sustainable architecture and the institutional framework of the Greater Eurasian Partnership.

There is no question that the Special Military Operation (SMO) in Ukraine launched in February 2022 opened a new phase in Russia's engagement with Central Asia. Western sanctions have made it hard for Russia to maintain strategic relations with Central Asian countries, mostly due to potential secondary sanctions posing a substantial threat to their developing economies. On the other hand, extra-regional players like Turkey, China and the Gulf states, have been increasingly active in the region. Besides, Western countries have been spreading the narrative that the position of Central Asian states is like Ukraine to destabilize Russian ties with the region and that Central Asia will become the contested turf in the inevitable rivalry between Moscow and Beijing.¹⁸⁴ However, even such massive media pressure fails to weaken the intensity of ongoing engagement in the region. Even more so, its military-political component has been consistently growing stronger. Today, the regional security efforts in Eurasia and Central Asia can be divided into two levels: classic security relations under the Collective Security Treaty Organization and sustainable security within the framework of the Shanghai Cooperation Organization.

2.1.2. Russia's Role in Building the Eurasian Security System: The CSTO and SCO

As was mentioned, Moscow's approach to regional security in Central Asia is driven by the transparency of territorial borders and high interdependencies between the region's countries in terms of countering military and terrorist threats, crossborder crime and drug trafficking. The strategic relations where

¹⁸³ Following an intense political dialogue in 2014 Kyrgyzstan shut down the US airbase in its national airport.

¹⁸⁴ How US and EU Encourage Central Asian States to Joint Sanctions Against Russia // Vzglyad. May 17, 2023. (In Russ.) URL: <https://vz.ru/world/2023/5/17/1212205.html>

Russia is both the formal and informal guarantor of security for Central Asia have developed largely based on its Soviet legacy; its infrastructure, common border security practices, the common system of military and defense planning, and the single framework of standards regarding arms and military equipment and military education and training. Yet, Russia's own post-Soviet contribution to building the military-political ties with the region should not be underestimated.

For example, until the early 2000s, Russian border security forces had guarded the longest sections Tajikistan's and Turkmenistan's border with Afghanistan, fighting off radical Islamic groups that tried to penetrate Central Asia. Russia also played a key peacemaking role in settling the civil war in Tajikistan in the mid-1990s.¹⁸⁵

When the Collective Security Treaty was institutionalized in 2002 as a proper regional organization with its own permanent governance and decision-making bodies (Collective Security Council, Council of Ministers of Foreign Affairs, Committee of Secretaries of Security Councils, and Joint Staff with its Collective Forces Coordination Plan), this marked the beginning of structured military-political cooperation in the region. Article 4 of the CST states: "If one of the Member States becomes the target of aggression by any state or group of states, this shall be considered as aggression against all the Member States that are parties to this Treaty. Should an act of aggression be committed against any of the Member States, all the other Member States shall immediately provide it with necessary help, including military assistance, and shall also support it with the means they have at their disposal to exercise the right to collective defense in accordance with Article 51 of the UN Charter."¹⁸⁶

With time, the CSTO's functional scope gradually increased to counter new security threats of the member states, agreeing to establish the CSTO Peacekeeping Forces in 2007 and the Collective Rapid Reaction Force (CRRF) in 2009. According to the Protocol of Amendments to the CSTO Charter of 10 December 2010,¹⁸⁷ deployment of the latter became possible as a response "to [any] crisis situations, which threaten the security, stability, territorial integrity and sovereignty".¹⁸⁸ The list of threats, warranting such a collective response, was further expanded by adding international terrorism and extremism, illicit trade in narcotics, psychotropic substances and arms, transnational organized crime, and illegal migration.

At present, the CSTO has about 3,500 troops in its Peacekeeping Forces and around 20,000 in the CRRF.¹⁸⁹ The CSTO institutions are used for military education and training programs that have been taken by about 24,000 members of

¹⁸⁵ Karimova, M. Russia's Role in Resolving the Tajik Civil War and in the Development of Tajikistan. *Russia and the Muslim World*. 2009. No. 4.

URL: <https://cyberleninka.ru/article/n/rol-rossii-v-uregulirovanii-mezhtadzhikskogo-konflikta-i-v-razviti-tadzhikistana>

¹⁸⁶ Collective Security Treaty, dated May 15, 1992 // Collective Security Treaty Organization. April 26, 2012.

URL: https://en.odkb-csto.org/documents/documents/dogovor_o_kollektivnoy_bezopasnosti/#loaded

¹⁸⁷ Entered into force on 1 January 2012.

¹⁸⁸ Article 8. Appendix 6 / Charter of the Collective Security Treaty Organization // President of Russia. October 6, 2022. (In Russ.) URL: <http://en.kremlin.ru/supplement/3506>

¹⁸⁹ History // Collective Security Treaty Organization. URL: <https://en.odkb-csto.org/30-let-odkb/istoriya/>

the armed forces.¹⁹⁰ Russia runs several military facilities in CSTO member states, such as Base 201 in Tajikistan, CSTO Air Base in Kant (Kyrgyzstan), etc. Also, Russia has agreements with most countries in Central Asia to operate a common air defense system. All this forms the basis for an integrated regional security infrastructure. Complementing the CSTO-based security system in Central Asia are two bilateral security agreements with Uzbekistan and Turkmenistan that enable a flexible and fast response to various security challenges in the region. For example, the withdrawal of US troops from Afghanistan in August 2021, led to a renewed threat of destabilization on the border with Central Asia. To avert any potential risks from Afghanistan, Moscow, its CSTO partners and Uzbekistan, which is not a member, conducted a series of military exercises along the region's southern border to practice a joint response to potential threats originating from Afghanistan. The fast deployment of the CSTO Peacekeeping Mission to Kazakhstan in 2022, carried out mostly using Russian military transport capability,¹⁹¹ was the first demonstration of the Organization's effectiveness. However, the conflict between Armenia and Azerbaijan, which flared up again in 2023 and ended with Armenia's defeat, once more raised doubts about CSTO viability as a universal tool for safeguarding security of its members.

Another issue that has been increasingly raised by discussions over the architecture of Eurasian security is the demarcation of the mandates between the CSTO and the SCO. The Shanghai Cooperation Organization (SCO) became a full-scale organization in 2001, when Uzbekistan joined the already existing Shanghai Treaty, tackling a broad scope of objectives to provide joint regional security, combat extremism, terrorism and separatism, had indeed been entrusted with functions like the CSTO, but across a wider geography. While it has never been positioned as a military-political organization, the SCO is working on a systemic basis to resolve major regional issues, such as drug trafficking, terrorism, separatism and extremism. The organization also conducts regular large-scale military exercises involving all member states as well as joint exercises of special services and law enforcement agencies to counter terrorism and other security threats.

Despite this, there are no visible political differences between the two organizations. On the contrary, on 5 October 2007, the SCO and CSTO secretariats signed a memorandum of understanding in Dushanbe, the capital of Tajikistan, providing for consultations and exchanges of information on matters of mutual interest,¹⁹² particularly on countering international terrorism and extremism, illicit drug and arms trade, and transnational crime.

¹⁹⁰ Military Education and Training // *Armeisky Sbornik* (Army Journal). 2023. No. 4. (In Russ.)
URL: <https://army.ric.mil.ru/Stati/item/483206/>

¹⁹¹ The operation involved over 2,000 peacekeeping troops from all CSTO states, including members of 45th separate brigade, 98th airborne brigade and 310th separate airborne assault brigade of the Russian Airborne Forces (1,480 people), 103rd separate airborne brigade of the Special Operations Forces of Belarus (100 people), 25th brigade of the Scorpion Special Forces of the Armed Forces of Kyrgyzstan (150 people), and peacekeeping units of the Armed Forces of Armenia (100 people) and Tajikistan (200 people). See: CSTO Peacekeepers in Kazakhstan: the Mission's Makeup and Main Objective // RIA Novosti. January 10, 2022. URL: https://ria.ru/20220110/mirotvortsy_kazakhstan-1767231827.html

¹⁹² The Memorandum of Understanding Between the Secretariat of the Shanghai Cooperation Organization and the Secretariat of the Collective Security Treaty Organization // Digital Database of Legal Documents and Technical Regulations. 2007. (In Russ.) URL: <https://docs.cntd.ru/document/902383860>

In May 2018, a Memorandum of Understanding was signed between the SCO Regional Anti-Terrorist Structure, the CIS Anti-Terrorist Center and the CSTO Secretariat.¹⁹³ At the same time, a trilateral expert group was set up.¹⁹⁴ The shared approach to countering international terrorism was noted at the joint meeting of SCO, CIS and CSTO member state defense ministers, held in Moscow in September 2020,¹⁹⁵ and in the joint position agreed by the respective anti-terrorist bodies of the SCO, CIS and CSTO Secretariat in 2022.¹⁹⁶

The idea of the “Eurasian security architecture” put forward by Vladimir Putin in 2024, can be developed into a two-component concept of sustainable security in Eurasia where the CSTO would retain its role of the guarantor of the military-political cooperation between Russia, Belarus and Central Asian countries, at least on issues of mutual interest. The role of the SCO, on the other hand, could be to serve as a forum for discussing not only the usual threats and the classic three “-isms”, but also new components of sustainable security.

The 2024 expansion of the SCO to a total of ten member states (Russia, China, India, Pakistan, Iran, Kazakhstan, Kyrgyzstan, Uzbekistan, Belarus and Tajikistan) helps to diversify its agenda, considering bilateral contradictions between some of its countries and the wide-ranging variety of their national interests. As the largest Eurasian states represented in the SCO are committed to the principles of indivisible and multi-domain security, the SCO’s functional scope needs to cover energy, economic, environmental and other aspects. This will allow member states to make agreements on different specific issues and further build trust across the SCO community. The organization’s viability and presence of political motivation to develop it not only in Russia, but also in China will allow the members to use its potential an institution of a new non-bloc type to strengthen sustainable security and develop common policies to tackle future threats to the emerging Greater Eurasian Partnership.

After over 30 years since Central Asian republics gained independence, Russia remains the leading political and economic partner and security guarantor for Central Asia because of its cooperation with regional players both on multilateral level within the CIS, EAEU and CSTO and in the bilateral format. For Russia, Central Asia is a region of strategic significance as well as a key element for building

¹⁹³ Memorandum of Understanding on Cooperation and Interaction between the SCO RATS, CIS ATC, and the CSTO Secretariat // Collective Security Treaty Organization. May 28, 2018. (In Russ.)
URL: https://antiterror.odkb-csto.org/int_organizations/RATS%20SHOS-ATC%20SNG-CSTO/memorandum/#loaded

¹⁹⁴ Oknyansky, V. Cooperation of CSTO with CIS and SCO // The International Affairs. June 29, 2020. (In Russ.)
URL: <https://interaffairs.ru/news/show/26794>

¹⁹⁵ The Joint Communiqué of the Participants of the Joint Meeting of the Ministers of Defense (heads of defense agencies) of the Member States of the Shanghai Cooperation Organization, Member States of the Commonwealth of Independent States, and Member States of the Collective Security Treaty Organization // Collective Security Treaty Organization. September 4, 2020. URL: <https://odkb-csto.org/documents/accepted-docs/sovместnoe-kommyunike-uchastnikov-sovmestnogo-zasedaniya-ministrov-oborony-gosudarstv-chlenov-shos-g/#loaded%20sovместnoe-kommyunike-uchastnikov-sovmestnogo-zasedaniya-ministrov-oborony-gosudarstv-chlenov-shos-g/#loaded> (In Russ.).

¹⁹⁶ The Joint Position of the SCO Regional Anti-Terrorist Structure, the CIS Member States’ Anti-Terrorist Center and the CSTO Secretariat on Countering Terrorism and Extremism // Collective Security Treaty Organization. February 16, 2022. (In Russ.) URL: <https://odkb-csto.org/documents/accepted-docs/sovместnaya-pozitsiya-regionalnoy-antiterroristicheskoy-shos-antiterroristicheskogo-tsentr/#loaded>

the Greater Eurasian Partnership based on the sustainable security principle. Now, the main task for Moscow is to maintain and strengthen bilateral relations with Central Asian states and harmonize the remits of the CSTO and the SCO to make sure they functionally complement each other. In this respect, cooperation with China may help put these ideas into practice as soon as possible.

2.2. The System of Political Interaction and Cooperation on Security in Eurasia: China's Vision

2.2.1. Political Cooperation Between China and Central Asia

In the recent years, the strategic role of Central Asian states in international processes, as well as their status on the global and regional levels, have considerably increased. Central Asian countries have been steadily developing and taking steps to strengthen their national economies. They have a relatively clearer understanding of the value of independence but seek to better their relations with their neighbors in the region by participating in regional integration processes. As a result, major powers and international organizations have been paying more attention to Central Asia.

In this context, more cooperation mechanisms appear between the region's governments and their partners in the 5+1 format, including at the top leadership level. By the end of 2023, the five Central Asian states had established such mechanisms of engagement with China, the United States, Germany, Japan, South Korea, India, the European Union and the Gulf Cooperation Council (GCC). The region's countries believe that constructive relations with big international partners will help them to ensure their own security and development amid growing international instability and uncertainty. The diversified and balanced 5+1 diplomacy enables Central Asian states to have an equitable dialogue with global powers, shape a common concept of regional development, promote their national interests in a practical fashion and even rely on collective power to improve their common negotiating position on some issues.

China has supported this form of mutually rewarding cooperation with the region. In January 2022, Beijing first came forward with its initiative to build the community of common destiny in China and Central Asia.¹⁹⁷ In 2023, China marked ten years since it introduced its diplomatic concept of relations with neighboring countries based on friendliness, sincerity, mutual benefit and inclusion, and Central Asia is especially attractive for China in its context. In Chinese discourse, that was the first year of the new Golden Thirty Years of Chinese–Central Asian relations. The agenda of the China–Central Asia Summit in May 2023 and the Third Belt and Road Initiative Forum in October 2023 was largely focused on regional development. The partners have built up mutual trust, expanded economic, trade and humanitarian exchanges and strengthened their strategic engagement in regional and international affairs.

¹⁹⁷ Klimantovich A. Chinese President Proposes to Create a Community of Common Destiny with Central Asian Countries // Big Asia TV Channel. January 30, 2022. (In Russ.) URL: <https://bigasia.ru/predsedatel-knr-predlozhit-sozdat-soobshhestvo-edinoj-sudby-so-stranami-centralnoj-azii/>

China's strategy in Central Asia for the new era has a clear structure and rich substance. The cooperation rests on three pillars of China–Central Asia relations: 1) a comprehensive strategic partnership, 2) building the community of common destiny, and 3) cooperation within the Belt & Road Initiative. Central Asian governments also support the global initiatives proposed by the PRC for development, security and civilization and are willing to work together towards international and regional equitability. China regards Central Asian countries as reliable partners for creating the community of common destiny.

The China–Central Asia Summit held in Xi'an on 18–19 May 2023, the starting point of the Great Silk Road, heralded a new phase in the strategic partnership and practical engagement between its participants. President of the PRC Xi Jinping, President of Kazakhstan Kassym-Jomart Tokayev, President of Kyrgyzstan Sadyr Japarov, President of Tajikistan Emomali Rahmon, President of Turkmenistan Serdar Berdimuhamedow and President of Uzbekistan Shavkat Mirziyoyev met at the top-level event in person for the first time since the 5+1 mechanism had been launched.

At the summit, President Xi Jinping made a keynote speech setting out four principles for Central Asia and four areas of building the community of common destiny, including China and Central Asia. The partners signed seven bilateral and multilateral documents, including the Xi'an Declaration and the Final List of Projects of the China–Central Asia Summit, plus over 100 bilateral and multilateral cooperation agreements in various fields.¹⁹⁸

Speaking at the summit, the leader of the PRC said that the world needs “a stable, thriving, harmonious and interconnected Central Asia”.¹⁹⁹ Partners should help and support each other, contribute to joint development, provide collective security, strengthen their centuries-long friendship, and create a community characterized by mutual help and support, solidarity and mutual respect, mutually beneficial cooperation and shared achievements. In addition, China's president made eight proposals to plan, promote and develop cooperation in the China–Central Asia format, including proposals to intensify efforts to strengthen the format, expand trade and economic ties, deepen interconnectivity, expand energy cooperation, promote green innovations, increase joint development potential, intensify inter-civilizational dialogue, and maintain peace in the region.²⁰⁰ These areas of engagement will form the basis for China's strategy in Central Asia in the new era and will contribute to continued advancement of large-scale multi-level cooperation between China and Central Asian countries.

Meetings between heads of states will provide the key platform and channel for exchanging views between the six countries. The participants agreed to hold the summit every two years, alternating between China and one of the Central Asian

¹⁹⁸ Xi Jinping Hosts First China–Central Asia Summit, Makes Keynote Speech (Chinese: 习近平主持首届中国—中亚峰会并发表主旨讲话) // Government of the PRC. May 19, 2023. URL: https://www.gov.cn/yaowen/liebiao/202305/content_6874947.htm

¹⁹⁹ Ibid.

²⁰⁰ Ibid.

states in alphabetic order. In the process, the number of working-level platforms within this framework is going to increase. For example, the partners agreed to conduct ministerial meetings for key and priority areas of cooperation and establish the China–Central Asia Secretariat to ensure a comprehensive promotion of cooperation and proper functioning of related mechanisms.²⁰¹

2.2.2. China's Role in Building the Security System in Eurasia: The SCO as a Sustainable Security Tool

The Shanghai Cooperation Organization (SCO), which today faces an increasing number of internal and external challenges, is a multilateral platform where China can engage with major Eurasian powers as well as with Central Asian states.

The mounting external pressures on the SCO clearly show that the world has entered a new period of turmoil and transformations marked by accelerated differentiation and reorganization of different forces. In this climate, there is a real danger of returning to a cold-war-style confrontation. The United States and other Western nations had exploited their technological and military advantages as well as the power of the public opinion to cement their hegemony on the international arena. They had created alliances and partnerships, turned global and regional governance mechanisms into areas of strategic competition, and made attempts to contain Russia and China. The protracted conflict around Ukraine has had a profound impact on the power structure in Eurasia. For the first time in over 20 years since its establishment, the SCO has encountered a situation where one of the member states is involved in a large-scale military conflict. As a consequence, the United States and Europe have become more hostile towards the SCO, trying to drive a wedge between the members and undermine their unity.

The SCO has also faced internal challenges because of its expansion. Following two rounds of accession, the organization increased its presence in South and West Asia. The wider geography meant more complex regional security threats, leading to a growing number of issues to deal with. Extended membership also requires institutional adaptation, such as the revision of consensus as the primary decision-making principle. Member states often have different perspectives on the desired common position for the SCO and it is not easy to come to terms with promoting multilateral cooperation projects. The presence of India and Pakistan in the SCO is a good illustration of this trend. When these countries are represented by ministers at SCO summits, this downgrades the status of the events and, subsequently, slows down implementation of practical cooperation projects endorsed by other leaders.

Also, there is an increasingly urgent need to address issues of non-traditional “sustainable security”.

First, the situation in Afghanistan has changed. Due to the Ukraine conflict, the global community pays less attention to restoring security in the country, while

²⁰¹ Xi'an Declaration of the China–Central Asia Summit (full text) (Chinese: 中国—中亚峰会西安宣言 (全文) // Government of the PRC. May 19, 2023.
URL: https://www.gov.cn/yaowen/liebiao/202305/content_6875138.htm

Afghanistan’s “three evil forces” (terrorism, separatism and extremism) and transnational crime continue to jeopardize stability in Eurasia. For example, speaking at the SCO summit in 2023, the President of Tajikistan Emomali Rahmon said there were over 6,000 militants operating in northeastern Afghanistan.²⁰² The President of Kazakhstan Kassym-Jomart Tokayev noted that Afghan fighters were involved in riots in Kazakhstan in January 2022.²⁰³

Second, there are also some lurking conflicts between SCO members that could potentially escalate. The border conflict in Gita is not conducive to a good-neighboring and friendly atmosphere in the Organization, especially considering that the India–Pakistan conflict and the China–India territorial dispute cannot be resolved in the near term. Besides, the conflict between Palestine and Israel is also affecting SCO stability as it indirectly involves a new SCO member, Iran. The same is true regarding the Ukraine conflict. While the SCO can distance itself from these complex conflicts as its multilateral mechanisms have only limited capability to influence their resolution, its functional effectiveness tends to be questioned at such moments.

Third, there are still stability challenges facing political regimes in SCO member states. Massive civil disturbances resulted in a regime change in Kyrgyzstan in 2020, while Kazakhstan was rocked by riots and protests in 2022. In 2023, it was the turn of Pakistan to be overwhelmed by political turbulence. The risks of internal transformation and interference by external forces pose a real threat to political stability in SCO countries and, therefore, across the entire organization.

Four, SCO states have seen rising social tensions. According to Chinese experts, the Ukraine conflict has led to high inflation, significant energy and food crises, increased poverty and unusual security issues in the region, creating governance problems at different levels and eroding the capability for crisis management.

Therefore, while offering opportunities to its member states to strengthen regional ties and cooperation, the SCO faces growing internal and external challenges. In these circumstances, building the community of the common destiny is the best choice for member states, especially considering that there increasing calls to mutually beneficial cooperation and a joint response to security threats, a sign of growing internal motivation to cooperate. Xi Jinping came up with the initiative to build a community of common destiny within the framework of the SCO back in 2018 at the summit in Qingdao.²⁰⁴ There are several principles that remain relevant today.

First, unity is paramount. The SCO needs to concentrate on common problems in the region and develop stable mechanisms of cooperation in key areas that would support pragmatic engagement to drive economic recovery and improvement of living standards. Second, it is important to maintain balance. Working within Chi-

²⁰² Rahmon: There Are Over 6,000 Militants Near CSTO’s Southern Border // TASS. January 10, 2022. (In Russ.) URL: <https://tass.ru/mezhdunarodnaya-panorama/13384409>

²⁰³ Tokayev Full Text of Chinese President Xi Jinping’s Speech at the 18th SCO Qingdao Summit // Xinhua. June 10, 2018. (In Russ.) URL: http://www.xinhuanet.com/english/2018-06/10/c_137244587.htm

²⁰⁴ Ibid.

na's global initiatives for development, security and civilization, member states should contribute to a common foundation for peace and security in the SCO, foster a community of culture and development, and seek to deliver significant results at the regional level. Third, the SCO should be a space of tolerance. Members need to improve the partnership structure, establish closer ties with the UN and its agencies and influential regional organizations and multilateral institutions, and promote positive engagement at the level multilateral organizations. To this end, the SCO should fully use the levers of influence available to their partners in dialogue and develop cooperation with relevant countries and international organizations, in which they are members. In this respect, the SCO should not only support the creation of 5+1 mechanisms between Central Asia and major powers in the Organizations, but also to uphold the key position of Central Asia in the SCO and expand the scope of cooperation by promoting the Belt & Road Initiative.

It would be also useful to explore options for creating a new Eurasian regional governance system based on the SCO to tap into new opportunities that become available with the growing membership within the framework. To do so, the organization will need to quickly adjust its functions and objectives, expand cooperation with other countries in the region and play a bigger role in regional governance. To accomplish the objective, the following steps seem to be in order.

Firstly, the SCO should abide by the Shanghai Spirit. The SCO was created as an international organization that would go beyond the Cold War mentality, explore ways for developing inter-state relations of a new kind, apply novel security concepts and implement new models of regional cooperation. By maintaining basic stability in Eurasia's inland regions, the SCO has already demonstrated its unique role which is especially visible today amid the harmful impact that European regional mechanisms, such as the EU, NATO and OSCE, are having on the regional security system. The SCO, on the other hand, does not intend to build supranational institutions or violate the principle of the national sovereignty of its members and partners. The Organization is strongly committed to the "Shanghai Spirit" that espouses mutual trust, mutual benefit, equality, consultation, respect for cultural diversity and the pursuit of common development.

Secondly, the SCO needs to reinforce its political and legal framework of internal engagement. It is critical to ensure strict compliance with the SCO Charter,²⁰⁵ Treaty on Long-Term Good-Neighborliness, Friendship and Cooperation and other international legal instruments,²⁰⁶ to which the member states are a party. The SCO should not allow changes on the global scene to influence the existing consensus on cooperation within the organization. If the situation changes, the SCO should quickly introduce amendments to relevant provisions and propose new cooperation principles and institutional norms. Thirdly, the SCO should continuously optimize the decision-making process. All areas of SCO cooperation need

²⁰⁵ Charter of the Shanghai Cooperation Organization // President of Russia. June 6, 2002. (In Russ.)
URL: <http://www.kremlin.ru/supplement/3450>

²⁰⁶ Treaty on Long-Term Good-Neighborliness, Friendship and Cooperation Between the Member States of the Shanghai Cooperation Organization // Digital Database of Legal Documents and Technical Regulations. (In Russ.)
URL: <https://docs.cntd.ru/document/902086025>

to be integrated, even if it requires reforming the organization's decision-making system. To avoid persistent disputes that remain unsettled and improve cooperation efficiency, the SCO should, for example, introduce voting rules to approve decisions either by majority vote of the member states or based on a specific number of votes required to pass a motion.

Finally, a separate analysis should consider cooperation options between SCO members either in a narrower subset, on bilateral basis, or on a multilateral basis using the China-Russia model. Such model can better highlight the structural attributes of the SCO as a "new grouping of powers", put emphasis on deeper cooperation in areas of common interest for many member states, and avoid exposure to bilateral conflicts between members. For instance, a quadrilateral format, including China, Russia, Kyrgyzstan and Tajikistan, could be used to coordinate actions on the Afghan issue. Regional security governance could benefit from a trilateral China-Russia-India model. Of course, the SCO should reflect a common position in mediation efforts regarding the conflict around Ukraine and prevent its escalation.

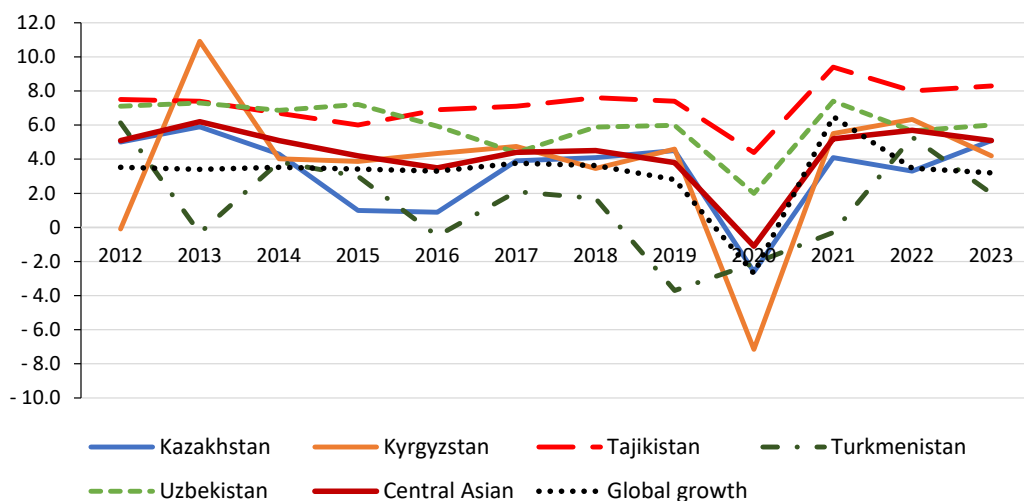
Chapter 3. Russian–Chinese Cooperation in Eurasia: The Economic Dimension

3.1. Russia–China Economic Cooperation in Central Asia

3.1.1. Moscow’s Economic Interests in Central Asia

As mentioned earlier, Central Asia is attractive for Russia because of its geo-strategic position and fast-growing demographic and economic potential. Over the last 20 years, the population of the five countries has been growing on average, by 1.7% every year, reaching 78.6 million people by the middle of 2022, with 35.6 million or 1% of the global population living in Uzbekistan.²⁰⁷ The fastest pace of population growth has been observed in Tajikistan, Uzbekistan and Kyrgyzstan. In 2012–2023, the region’s economies demonstrated an average annual GDP growth rate of 4.3%, well above the global performance of 3.2%.²⁰⁸ The fastest growing countries were Tajikistan and Uzbekistan. In 2023, the combined GDP of the five CA economies totaled \$456 billion, or 0.72% (PPP) of the global economy (Fig. 7).

Figure 7. Real GDP growth in Central Asian economies in 2012–2023 (%)



Source: Compiled and calculated by the authors based on IMF data, *World Economic Outlook Database*, April 2024.²⁰⁹

Strong economic growth led to rising standards of living in Central Asian countries, increasing the potential capacity of their domestic markets. Over the last

²⁰⁷ Based on the World Development Indicators Database // The World Bank. March 28, 2024.

URL: <https://databank.worldbank.org/source/world-development-indicators>

²⁰⁸ Based on the World Economic Outlook Database // International Monetary Fund. April 2024. (In Russ.)

URL: <https://www.imf.org/en/Publications/WEO/weo-database/2024/April>

²⁰⁹ Ibid.

20 years, the GDP per capita, PPP at 2017 constant prices, has increased on average across the region by a factor of 2.3 up to \$11,600 in 2022 or two thirds of the world's average value. At the same time, there remains a significant social and economic gap between different Central Asian countries. For example, while in 2022 the GDP per capita, PPP at 2017 constant prices, in Kazakhstan was \$26,100 (close to Russia, with its \$27,500), in Tajikistan it was only \$4,100,²¹⁰ a several-fold difference that impacts the structure and dynamics of Russia's economic relations with these countries.

Russia's economic engagement with Central Asian countries is based on tariff preferences and is implemented in two formats. The first one involves multilateral cooperation within the framework of economic integration in the Eurasian Economic Union (EAEU), specifically, with Kazakhstan and Kyrgyzstan, and within the free trade area (FTA) of the Commonwealth of Independent States (CIS) with Tajikistan.²¹¹ The second format relies on bilateral free trade areas with Uzbekistan and Turkmenistan.²¹² This system allows Russian businesses to trade with CA countries mostly on a duty-free basis or with minimal exceptions from the goods nomenclature, to which import duties are applied. In addition, Russia and individual CA countries have signed multiple bilateral agreements on economic cooperation of various kinds that simplify mutual trade procedures.

In the current conditions, Central Asian markets have become considerably more important for Russia, which has strengthened its external trade focus in this direction. In October 2022, the first Russia–Central Asia summit took place. In 2022–2023, Russia signed several bilateral agreements to deepen economic cooperation with the region's countries.²¹³ For instance, in November 2023, Russia signed a three-year cooperation plan with Kazakhstan.²¹⁴

Among Moscow's primary economic interests in Central Asia, the most important include the cooperation in trade migration, cross-border trade and investment projects, joint development of transport corridors and logistics, and industrial cooperation.

First and foremost, Central Asia is the chief workforce source for Russia's economic needs. According to the UN, Russia has 11.6 million international migrants, or 7.9% of its population.²¹⁵ Moscow ranks fourth in the world on this metric. Most of the foreign workforce comes from Uzbekistan, Tajikistan and Kyrgyzstan, which account for nearly 90% of labor migrants entering the

²¹⁰ Based on the World Development Indicators Database // The World Bank. March 28, 2024.
URL: <https://databank.worldbank.org/source/world-development-indicators>

²¹¹ Uzbekistan joined the CIS Treaty on a Free Trade Area of 18 October 2011 through a different process (by signing a separate protocol to the treaty on 31 May 2013).

²¹² Agreement Heat Map // Unified Portal of Foreign Economic Information of the Ministry of Economic Development of Russia.
URL: <https://ved.gov.ru/news/23738.html#/> (In Russ.).

²¹³ Vardomsky, L., Golovin, V., Golovina, E. Central Asia in the Changing System of International Relations *Mir Peremen (The World of Transformations)*. 2024. No.1. Pp. 68-85.

²¹⁴ Joint Action Plan of the Russian Federation and the Republic of Kazakhstan for 2024–2026 // President of Russia. November 9, 2023. URL: <http://kremlin.ru/supplement/6044> (In Russ.).

²¹⁵ World Migration Report 2022. Geneva // International Organization for Migration. P. 202.
URL: <https://publications.iom.int/books/world-migration-report-2022>

Russian Federation. They are mostly employed in low-paid jobs in construction, housing maintenance and public utility services, transport, and consumer services. The emphasis is on targeted hiring of foreign workforce for construction, agroindustrial and light industry sectors. In 2022-2023, however, the labor shortage in Russia spiked up to an estimated 4.8 million people.²¹⁶ Geopolitical tensions and Western sanctions have prompted increased outflows of skilled workforce from Russia, including to CA countries. Conversely, the influx of labor migrants to Russia is on the decline due to weakening ruble,²¹⁷ tightening migration laws, emergence of alternative migration vectors and changing priorities of Central Asian economic policies.²¹⁸ On top of that, the Russian migration policy has been tightened after the terrorist attack in Moscow in March 2024, further slowing down the workforce traffic from Central Asia to Russia. Therefore, Russia still needs to attract labor resources from the region to staff some sectors of its economy, but there will be limited potential for ramping up workforce migration looking forward.

Second, Central Asia is Russia's key trade partner whose significance has substantially increased over the last two years. Restrictions on trade and financing imposed by G7 and EU governments forced Russia to redirect some of its external trade to Central Asian countries that, along with China, India, Turkey and South Caucasus, began to play an important role in transit trade. Apart from that, Central Asia represents an attractive market for Moscow in its own right. Russia's major partner in the region is Kazakhstan, which accounts for nearly two-thirds of Russian trade with CA. In 2023, the export of Russian goods to the region (excluding Turkmenistan) amounted to \$26.5 billion, or 6.2% of Russia's total exports.²¹⁹ Note that Russian exports to Central Asia are more diversified than what it supplies to markets beyond the ex-USSR perimeter. Russia is a large supplier of metals and articles thereof, food and agricultural commodities (wheat), machinery, equipment and means of transport, and chemical products, and for net importers of hydrocarbons (Kyrgyzstan and Tajikistan) Russia is also a source of crude oil and refined products.

In 2022-2023, the import of goods from Central Asian countries to Russia rose by 46% up to \$14 billion. The biggest increase came from smaller countries, Kyrgyzstan and Tajikistan. However, Kazakhstan became of the big trade hubs, through which Russia has been importing some high-tech products from advanced economies, including electric machinery and parts (including semiconductors), office and automatic data-processing machines, telecommunications and sound record-

²¹⁶ Akhalkin, N.Yu. Russian Economy Under Sanctions: Dynamics and Structural Changes. *Vestnik Instituta Ekonomiki Rossiyskoy Akademii Nauk* (The Bulletin of the Institute of Economics of the Russian Academy of Sciences). 2023. No. 6. Pp. 7-25.

²¹⁷ According to the Federal State Statistics Service (Rosstat), the number of people coming to Russia from the CIS as part of international migration flows dropped from 662,000 to 491,000 in 2023.

²¹⁸ Ivakhnyuk, I. Labor Migration to Russia Through the Lens of Political, Economic and Demographic Trends // RIAC. November 17, 2023. (In Russ.) URL: <https://russiancouncil.ru/analytics-and-comments/analytics/trudovaya-migratsiya-v-rossiyu-vzglyad-cherez-prizmu-politicheskikh-ekonomicheskikh-i-demografichesk/>

²¹⁹ Estimated by the authors using the following data: Bank of Russia, ITC Trade Map, IMF Coordinated Direct Investment Survey, and IMF World Economic Outlook database, April 2023.

ing equipment.²²⁰ According to the Bureau of National Statistics, Kazakhstan's exports of machinery, equipment, means of transport, instruments and apparatuses to Russia have soared over the last two years 5.4 times from \$0.471 to \$2.6 billion,²²¹ mostly driven by transit trade. Russia has traditionally been a big importer of ferrous and non-ferrous metals, cotton, garments, vegetables and fruit from Central Asian countries.

Considerable potential remains to build up mutual services trade, including digital services. The increasing urbanization and urban populations in major Central Asian cities drive the expansion of urban lifestyle, growing consumer demand for high-quality modern services. Russian companies are keen to strengthen their presence on regional financial, logistical, information and communication and digital services markets. For example, Russia's Ozon and Wildberries marketplaces are already operating in Kazakhstan, Kyrgyzstan и Uzbekistane.

Third, Central Asia plays a crucial role as a major transport hub linking Russia with China, Iran and other countries in Asia. Traversing the region are international transport corridors (ITC), including Central Eurasian Corridor (China–EAEU–Europe), TRACECA (Transport Corridor Europe–Caucasus–Asia) initiated by the EU in 1993, the eastern route of the International North–South Transport Corridor (INSTC, Russia–Iran–India),²²² and the Middle Corridor, also called the Trans-Caspian International Transport Route (TITR).

In the current context, the North–South Corridor is of particular importance for shipping Russian cargos to the Middle East and South Asia. Its eastern branch can be used to transport goods by rail from Russia via Kazakhstan, Uzbekistan and Turkmenistan and on through Iran's railway network. Russia is interested in increasing transit volumes on the Eastern Route by implementing end-to-end freight logistics, deploying electronic data exchange systems along the routes and setting competitive tariffs. It is also important to make more active use of the maritime segment of the North–South Corridor. In April 2024, the Turkmenbashi (Turkmenistan)–Olya (Russia) ferry line was brought back into service. Moscow also seeks to diversify transport corridors within Central Asia and develop alternatives to Kazakhstan's transit route. One of such projects could be the Kyrgyzstan–Uzbekistan–Turkmenistan–Russia corridor including a transit across the Caspian Sea. At the same time, Russia looks to engage with Central Asian countries on increasing freight transit through its territory along the China–Europe route. Apart from new transport projects, the countries should work together to upgrade the existing infrastructure, simplify administrative procedures and make the logistical chains more efficient.

²²⁰ Figure 4: Russia's imports of selected categories that include goods subject to export bans from advanced economies. Kazakhstan // Bruegel. February 20, 2024. URL: <https://www.bruegel.org/dataset/russian-foreign-trade-tracker>

²²¹ The Structure of Exports by Main Commodity Groups with the EAEU countries // Bureau of National Statistics, Agency for Strategic Planning and Reforms of the Republic of Kazakhstan. (In Russ.) URL: <https://stat.gov.kz/api/block/element/60171/file/ru>

²²² Vinokurov, E., Akhunbaev, A., Zaboiev, A., Usmanov, N. *International North–South Transport Corridor: Investment Solutions and Soft Infrastructure*. Reports and Working Papers, 22/2. Almaty, Moscow: Eurasian Development Bank. 2022, p. 15. (In Russ.)

The recent years have seen intensified energy cooperation between Russia and Central Asia. Having lost a big part of the European market, Moscow looks to increase the transit through Kazakhstan of its hydrocarbons bound for China and Uzbekistan. In March 2024, the Majilis of Kazakhstan passed a law to extend to 2033 the agreement for crude oil transit from Russia to China of up to 10 million tonnes per year.²²³ In October 2023, the governments of Russia and Uzbekistan concluded agreements on supplying refined products by rail and expanding cooperation on crude oil supplies.²²⁴ In November 2023, Russia, Uzbekistan and Kazakhstan signed a trilateral agreement on supplying of up to 1 million tonnes of Russian crude oil per year to Uzbekistan via the Omsk–Pavlodar–Shymkent–Shagyr pipeline.²²⁵ Also, in 2023, Russia began pumping its natural gas through Kazakhstan to Uzbekistan by the Middle Asia–Center gas pipeline system (up to 3 billion cubic meters per year).²²⁶

Russia is interested in continued transit of Kazakhstan crude oil through its territory as part of the Caspian Pipeline Consortium. Russia is also ready to take an active part in a nuclear plant project in Kazakhstan and Uzbekistan to bolster the energy security of the region.

Russian business interests in investment. The fast-growing Central Asian economies need foreign investments both for modernizing conventional industries and creating new advanced technology production capacity. Russia is one of the biggest investors in Central Asia. According to the Eurasian Development Bank (EDB), Russia had invested in the five CA economies a cumulative \$23.9 billion of foreign direct investment (FDI) as of the first half 2023, with 136 major Russian investment projects being underway.²²⁷ Apart from the fast demographic and economic growth, Russian companies are attracted by the region's relatively inexpensive workforce. Russian investors have usually shown the biggest interest in oil and gas production, metal ore mining and the chemical industry. Russian marketplaces, Ozon and Wildberries, have invested in construction of logistical centers in Kazakhstan. In 2022–2023, Kazakhstan and Uzbekistan with their beneficial investment climate and tax treatments became some of the most attractive destinations for businesses that had to relocate from Russia. For example, Kazakhstan offers the Qyzyljar Special Economic Zone and Uzbekistan beckons with its IT Park.

Industrial cooperation between Russia and CA countries can become a driver of trade and economic cooperation. With massive Western sanctions against Rus-

²²³ The Majilis of Kazakhstan Passes Law on Shipping Russian Crude to China // TASS. March 27, 2024. 9 (In Russ.) URL: <https://tass.ru/ekonomika/2036939>

²²⁴ Russia and Uzbekistan Sign Agreements on Crude Oil and Refined Products Supplies // Interfax. October 6, 2023. 9 (In Russ.) URL: <https://www.interfax.ru/world/924565>

²²⁵ Russia to Increase Crude Oil Supplies to Uzbekistan // Ministry of Energy of the Republic of Uzbekistan. November 4, 2023. URL: <https://minenergy.uz/ru/news/view/3357>

²²⁶ The Head of State takes part in the opening ceremony of the Russian gas transit to Uzbekistan through the Kazakhstan territory // President of the Republic of Kazakhstan. October 7, 2023. URL: <https://www.akorda.kz/en/the-head-of-state-takes-part-in-the-opening-ceremony-of-the-russian-gas-transit-to-uzbekistan-through-the-kazakhstan-territory-793027>

²²⁷ Malakhov A., Serik E., Zaboiev A. *EDB Monitoring of Mutual Investments–2023*. Reports and Working Papers, 23/5. Almaty: Eurasian Development Bank, 2023, p. 26. (In Russ.).

sia and the exit of multiple corporations from Russia, the Russian business is increasingly eager to develop industrial cooperation with Central Asia. One of the areas of such cooperation could be the localization of Russian manufacturing in the region, including by establishing joint industrial parks. For instance, Uzbekistan has already launched two Uzbek-Russian industrial and technology parks in Chirchik and Jizzakh. Also, Russia could cooperate with Central Asian companies under its import substitution programs, including by placing orders with them for production of spare parts and components (production outsourcing). Stronger industrial cooperation between Russia and Central Asia will help to use the available industrial potential more efficiently and go more aggressively to third-country markets with jointly manufactured products.

Considering the above, Moscow has a comprehensive and diverse range of economic interests in Central Asia driven by historically close bilateral ties in various sectors, the growing demographic and economic potential of the region, and its increasing geoeconomic gravitas for Russia in the current circumstances. In advancing its economic interests in the region, Russia should consider the relentlessly mounting pressure of Western sanctions and the growing risks of secondary sanctions along with the tightening competition from other extraregional players, such as the US, EU, UK, China and Turkey. Due to their relatively modest technological and innovation capability, Central Asian states will tend to continue their multivector policy.

3.1.2. Beijing's Economic Interests in Central Asia

Economic and trade ties are an essential component of the relations between China and Central Asia. While contributing to the region's prosperity and stability, the development of these ties provides a substantial guarantee for the energy security of the PRC itself and the economic growth of Western China. After the COVID-19 pandemic and in the context of the Ukraine conflict, the trade and economic relations between China and Central Asia have assumed new aspects. China has been consistently promoting its economic and strategic interests in the region.

Cooperation in the Energy Sector

Energy cooperation plays a key role in the relations between China and Central Asia. So far, China has funded the construction of the China–Kazakhstan oil pipeline and the China–Central Asia 3-line gas transmission pipeline for importing crude oil and natural gas from Central Asia. Every year, these systems transmit up to 20 Mt of oil²²⁸ and 55 bcm of natural gas respectively.²²⁹ In 2023, China imported over 11 Mt of crude oil via the China–Kazakhstan pipeline, of which 10 Mt was Russian oil.²³⁰ In May 2023, KazTransOil, Kazakhstan's national oil transport company, signed an agreement with Rosneft to extend the contract for

²²⁸ About KCP // Kazakhstan-China Pipeline LLP. 9 (In Russ.) URL: <https://www.kcp.kz/company/about>

²²⁹ Belt & Road International Energy Cooperation Report (2023) (Chinese: “一带一路”能源国际合作报告 (2023)) // Zhongneng Media. September 22, 2023.
URL: https://www.cpn.com.cn/news/baogao2023/202309120230922_1637305_wap.html

²³⁰ Kazakhstan to Expand Export Oil Pipeline to China // Vedomosti. May 18, 2023. (In Russ.)
URL: <https://www.vedomosti.ru/business/articles/2023/05/18/975740-kazakhstan-planiruet>

Russian oil transit to China at the rate of 10 Mt per year for another 10 years until the end of 2033.²³¹

According to its General Administration of Customs, in 2023 the PRC imported over 40 bcm of natural gas, totaling \$9.6 billion, through the Central Asia–China gas pipeline, of which 30 bcm were supplied by Turkmenistan.²³² Central Asian pipelines pump in about half of China’s total gas imports, while Turkmenistan has been the biggest exporter of pipeline natural gas to China for 12 years running. As of September 2023, the cumulative volume of the natural gas Turkmenistan had supplied to China added up to 380 bcm and continued to grow throughout 2024.²³³

Considering China’s targets to reach peak hydrocarbon emissions by 2030 and achieve net zero by 2060,²³⁴ it is unlikely to continue increasing oil imports in the future. However, the imports of natural gas as a transition fuel assume strategic importance.

In 2023, China and Turkmenistan conducted intensive negotiations on building a fourth line of the China–Central Asia pipeline. The parties announced their intention to accelerate execution of other major projects, for example the second phase of Fuxing gas field development. Besides, Beijing and Ashkhabad have ambitious plans to continue expanding their cooperation in the natural gas sector. Although the countries have not yet reached any final agreement on the full-scale construction of the D-line of the China–Central Asia pipeline, on 28 May 2024, the CEO of PetroChina Amu Darya Natural Gas Exploration and Development Company Chen Huailong and the PRC Ambassador to Turkmenistan Qian Naicheng held talks with the Advisor to the President of Turkmenistan on Oil and Gas Issues Ashyrguly Begliyev and the Deputy Chairman of Turkmengaz State Concern Murad Archayev. According to the Chinese Embassy, the parties had a thorough discussion and exchange of views on strengthening strategic cooperation between the two countries regarding natural gas supplies.²³⁵

Russia may become a serious competitor for Turkmenistan in term of natural gas exports. When the Ukraine conflict began, nearly all European countries stopped buying Russian gas and Russia shifted its focus to Central Asia and its logistical potential for increasing exports to China. At the end of 2022, President Vladimir Putin proposed to create a “trilateral gas union” between Russia, Kazakhstan and Uzbekistan to coordinate natural gas supplies between the three countries and the

²³¹ 239 Agreement Between Russia and Kazakhstan on Russian Oil Exports to China Via Kazakhstan Extended till 2033 (Chinese: 俄哈两国关于俄罗斯通过哈萨克斯坦境内对华出口石油的协议延长至2033) // Sputnik. June 16, 2023. URL: <https://sputniknews.cn/amp/20230616/1051150861.html>

²³² Customs Statistics // General Administration of Customs, People’s Republic of China. URL: <http://stats.customs.gov.cn/indexEn>

²³³ CNPC: Cumulative Natural Gas Exports from Turkmenistan to China Hits 380 BCM (Chinese: 中国石油天然气集团：土库曼斯坦向中国输送的天然气总量已达到3800亿立方米) // Sputnik. October 26, 2023. URL: <https://sputniknews.cn/amp/20231026/1054397018.html>

²³⁴ China Maps Path to Carbon Peak, Neutrality Under New Development Philosophy // Xinhua. October 24, 2021. URL: https://english.www.gov.cn/policies/latestreleases/202110/24/content_WS61755fe9c6d0d5f7f98e3bed.html

²³⁵ Ambassador Qian Naicheng Meets with Advisor to President of Turkmenistan on Oil and Gas Industry Begliyev (Chinese: 钱乃成大使会见土库曼斯坦总统油气顾问别格利耶夫) // Embassy of the People’s Republic of China in Turkmenistan. May 28, 2024. URL: https://tm.china-embassy.gov.cn/chn/sgdt/202405/t20240528_11313088.htm

joint gas exports and re-exports to third countries, including China.²³⁶ Kazakhstan and Uzbekistan responded positively to the idea. In autumn 2023, Russia started pumping natural gas to Uzbekistan, while Kazakhstan began work on the Kazakh segment of the Central Asia–Center gas pipeline to prepare it for potential increase in transit volumes. However, the creation of the “trilateral gas union” and the plans for gas transit to China provoked displeasure in Turkmenistan. The Ministry of Foreign Affairs and Turkmengaz State Concern issued strong-worded statements against Russia’s involvement in the China–Central Asia pipeline operations or any deals to supply gas to China.²³⁷

In terms of diversification of supply and market pricing, China, as a natural gas importer, should welcome such a project. Moreover, given the declining export potential of Kazakhstan and Uzbekistan, ensuring a steady supply of natural gas to Central Asia is in China’s best interest. When choosing options for new routes that need to be constructed, the PRC would be well-advised to carefully consider a project with respect to the balance between strategic and commercial interests.

Alongside traditional cooperation on oil and gas supplies, China and Central Asia are quickly developing ties in renewable energy. In December 2023, the Zhanatas II Wind Farm was connected to the grid and commissioned in Kazakhstan with potential to generate over 100MW of electric power.²³⁸ In the same period, China Energy Engineering Corporation (CEEC) commissioned the first 400MW phase of its 1GW solar project in Uzbekistan. By the end of June 2024, all the work had been completed and the plant connected to the grid.²³⁹ In January 2024, the President of Uzbekistan Shavkat Mirziyoyev visited the headquarters of China’s BYD to celebrate the launch of an electrical vehicle factory in Uzbekistan.²⁴⁰ With a strong competitive edge in wind, solar and EV technologies throughout the production chain, Chinese manufacturers can successfully develop their business in Central Asian markets.

Economy, Trade and Investments

The year 2023 marked a breakthrough for trade and economic cooperation between China and Central Asian countries. While turbocharging its trade with all the five economies, China also developed comprehensive ties with the region and thus improved its investment position in terms of both quantity and quality. Its top partners in the region are Kazakhstan, Turkmenistan and Uzbekistan.

²³⁶ Gas Union Between Russia, Uzbekistan and Kazakhstan Can Expand // RIA Novosti. August 11, 2023. (In Russ.) URL: <https://ria.ru/20230811/soyuz-1889410919.html>

²³⁷ Statement for Media // Ministry of Foreign Affairs of Turkmenistan. August 12, 2023. URL: <https://mfa.gov.tm/en/news/3990>

²³⁸ Kazakhstan: Zhanatas 100 MW Wind Power Plant // The Asian Infrastructure Investment Bank (AIIB). URL: <https://www.aiib.org/en/projects/details/2019/approved/Kazakhstan-Zhanatas-100-MW-Wind-Power-Plant.html>

²³⁹ Gas Turbine of Uzbek Sydarya GTCC Power Plant Project Connected to Grid // China Energy Engineering Corporation Limited. July 5, 2024. URL: http://en.ceec.net.cn/art/2024/7/5/art_138_2510803.html

²⁴⁰ First Batch of EVs Rolls Off BYD’s Assembly Line in Uzbekistan (Chinese: 比亚迪乌兹别克斯坦工厂首批量产新能源汽车正式下线) // BYD. May 7, 2024. URL: https://www.bydglobal.com/sites/Satellite?c=BydArticle&cid=1617162480020&d=Touch&pagename=BYD_CN%2FBydArticle%2FCommon%2FArticleDetails&rendermode=preview

China is Kazakhstan's biggest trading partner. The President of Kazakhstan Kassym-Jomart Tokayev said in a statement that the trade turnover between China and Kazakhstan in 2023 reached a record \$41 billion, going up by 30%.²⁴¹ Currently, China and Kazakhstan are implementing 45 joint projects in manufacturing industry, energy, transport, green economy, agriculture and other sectors. Historically, China has been one of the primary sources of foreign investment in Kazakhstan. China's combined investments in Kazakhstan over the last 15 years add up to \$24 billion.²⁴² The number of Chinese-Kazakh joint ventures in Kazakhstan has almost doubled from 2400 to 4700.²⁴³

Economic and trade exchanges between China and Kazakhstan are expected to expand further. First, the China–Kazakhstan Mutual Visa Exemption Agreement came into force in 2023.²⁴⁴ Second, the year 2024 was proclaimed the Kazakhstan Year of Tourism in China.²⁴⁵ Astana takes active steps to develop interregional cooperation with Chinese provinces, including Sichuan, Jiangsu and Xinjiang Uygur Autonomous Region (XUAR) regarded as the most important regions for economic cooperation. In 2023, trade between Kazakhstan and XUAR rose by 50%, Kazakhstan's exports increased by 35% to XUAR, by 30% to Sichuan and ten times to Jiangsu. According to Kazakh sources, the Central Asia–Jiangsu Trade Center, a huge multifunctional shopping mall, is scheduled to open in September 2024 in China's Nanjing.²⁴⁶ It is important to note that e-commerce also plays an important role in Chinese–Kazakh trade, especially Chinese B2B marketplaces, Alibaba and JD.com.

As for Turkmenistan, the trade volume between Beijing and Ashkhabad peaked at a record \$11.181 billion in 2022²⁴⁷ before dipping to \$10.59 billion in 2023.²⁴⁸ China's total exports to Turkmenistan increased in 2023 against 2022 by 11.3% to \$956 million.²⁴⁹ The top export categories included Chinese machinery and electric equipment, electronics, steel, non-ferrous metals, automobiles, etc. China's

²⁴¹ Special Report: Xi Jinping and Chinese-Kazakhstan Friendship, "Soaring Up Like a Golden Eagle" // Xinhua Novosti. July 2, 2024. URL: <https://russian.news.cn/20240702/4a6e6921c33543bc9d0d1fbd6fc4ddd9/c.html> (In Russ.).

²⁴² Tokayev Says China Is Kazakhstan's Leading Partner // TASS. July 1, 2024. (In Russ.)
URL: <https://tass.ru/ekonomika/21241931>

²⁴³ Kazakhstan Sees China as a Key Partner // Nezavisimaya Gazeta. July 2, 2024. (In Russ.)
URL: https://www.ng.ru/cis/2024-07-02/5_9040_kazakhstan.html

²⁴⁴ On Entry into Force of the Visa Exemption Agreement Between Kazakhstan and China // Ministry of Foreign Affairs of the Republic of Kazakhstan. November 10, 2023. (In Russ.)
URL <https://www.gov.kz/memleket/entities/mfa/press/news/details/650585?lang=ru>

²⁴⁵ The Year of Kazakhstan Tourism Unveiled in China // Sputnik Kazakhstan. March 28, 2024. (In Russ.)
URL: <https://ru.sputnik.kz/20240328/god-kazakhstanskogo-turizma-otkryli-v-kitae-43244460.html>

²⁴⁶ Kazakhstan and China Implementing a Large-Scale Project to Expand Mutual Trade // Ministry of Trade and Integration of the Republic of Kazakhstan. May 28, 2024. (In Russ.)
URL: <https://www.gov.kz/memleket/entities/mti/press/news/details/779490?lang=ru>

²⁴⁷ Strategic Cooperation to Help China and Turkmenistan Build the Community of Common Destiny // Rossiyskaya Gazeta. May 17, 2023. (In Russ.)
URL: <https://rg.ru/2023/05/18/napravlenia-soglasovany.html>

²⁴⁸ Turkmenistan–China Trade Exceeded \$10.59 Billion in 2023 // Business Turkmenistan. January 26, 2023. (In Russ.)
URL: <https://business.com.tm/post/11322/2023-tovarooborot-mezhdu-turkmenistanom-i-kitae-prevysil-1059-mlrd>

²⁴⁹ Imports and Exports by Country Region of Origin/Destination, 12.2023 // General Administration of Customs. People's Republic of China. January 19, 2024.
URL <http://english.customs.gov.cn/Statics/57de06a8-279a-4ee7-952c-d4ce287404e1.html>

imports from Turkmenistan decreased in 2023 versus 2022 by 6.6% to \$9.63 billion.²⁵⁰ This is mostly driven by falling prices for natural gas, which accounts for 90% of Turkmen exports to China. Nevertheless, cooperation on natural gas supplies helps to maintain the balance in Chinese-Turkmen relations. As mentioned earlier, the expansion of this engagement is a long-term strategic goal for both countries. Besides, China and Turkmenistan are working hard to implement intergovernmental programs to expand trade and economic cooperation, develop mutual investing, deepen ties on digital economy, green innovations and trade diversification, and promote private entrepreneurship.

In 2021, China overtook Russia, becoming the biggest trade partner of Uzbekistan as well as one of its key investors. In 2023, China–Uzbekistan trade shot up by 50%, exceeding \$14 billion.²⁵¹ So far, one third of the entire Uzbekistan’s exports to China consists of natural gas and cotton. But as the Uzbek economy evolves, the share of these commodities in overall exports will decline, contributing to diversification of the trade and economic cooperation between the two countries and strengthening of the industrial potential.

China and Uzbekistan plan to ratchet up their trade turnover to \$20 billion in the next few years²⁵² and are working on several joint large-scale projects, including high technology, renewable energy, petrochemicals, mechanical engineering, metals, power electronics, and infrastructural transformation. To be more specific, since Uzbekistan is strategically positioned for natural gas transit from Central Asia to China, the PRC plans to invest more in new gas storage facilities in Uzbekistan and join efforts to improve the gas transport system. Also, China and Uzbekistan have plans to build 27GW of renewable generation capacity in Uzbekistan by 2030 and complete construction of BYD Uzbekistan Factory,²⁵³ an EV joint venture in the Jizzakh Region capable of producing 500,000 vehicles a year.²⁵⁴ Since 2022, the number of Chinese-Uzbek joint ventures in Uzbekistan has already doubled.²⁵⁵

In total, China and Uzbekistan expect to invest more than \$50 billion in their planned projects. From the start of 2024, China has invested over \$3 billion to establish more than 500 new joint ventures.²⁵⁶ The Silk Road Fund and the

²⁵⁰ Imports and Exports by Country Region of Origin/Destination, 12.2023 // General Administration of Customs. People’s Republic of China. January 19, 2024.
URL <http://english.customs.gov.cn/Statics/57de06a8-279a-4ee7-952c-d4ce287404e1.html>

²⁵¹ China Tops the List of Uzbekistan’s Trade Partners in H1 2024 // Xinhua Novosti. July 21, 2024
URL: <https://russian.news.cn/20240721/eda78cb7438946bba8022f1ffd226f3a/c.html> (In Russ.).

²⁵² Leaders of Uzbekistan and China Discussed Steps to Strengthen Their All-Weather Strategic Partnership // President of the Republic of Uzbekistan. July 3, 2024. URL: <https://president.uz/ru/lists/view/7369>

²⁵³ Uzbekistan–China: Their Best Period in Relations History // TASS. January 29, 2024.
URL: <https://tass.ru/opinions/19844129> (In Russ.).

²⁵⁴ BYD Uzbekistan Factory Plans to Produce 500,000 Vehicles a Year by 2027 // Uz Daily. April 23, 2024.
URL: <https://www.uzdaily.uz/ru/post/85347/> (In Russ.).

²⁵⁵ Uzbek and Chinese Leaders Discuss Further Expanding Multifaceted and Comprehensive Strategic Partnership. January 24, 2024. URL: <https://president.uz/en/lists/view/6990>

²⁵⁶ Uzbekistan and China Implementing Projects Totaling \$56.7 Billion // Daryo. January 25, 2024.
URL: <https://daryo.uz/ru/2024/01/25/v-sovmestnom-investicionnom-forume-v-knr-popisano-dogovorenosti-po-realizacii-500-proektov-na-567-mlrd> (In Russ.).

Export-Import Bank of China are massively expanding their cooperation with Uzbekistan. The parties plan to join forces to improve transport infrastructure, increase the number of direct flights and build the China–Kyrgyzstan–Uzbekistan railway mainline. As for interregional cooperation, there are several Chinese provinces, including Shandong and Shanxi, the Xinjiang Uygur Autonomous Region and the city of Shanghai, that are now deeply engaged with Uzbekistan, whereas Uzbekistan, on the other hand, opened its commercial representative offices in Beijing and Urumqi.

Outlook

In the context of economic and trade cooperation with China, Central Asia plays several important roles. The region is not only a source of energy resources, but also a target market for Chinese products, technologies and investments, as well as a crossborder transport channel for Russia, Europe, Middle East and West Asia. China will always have a strong focus on its interests in Central Asia.

First of all, China needs robust oil and gas pipeline systems running on a sustainable and long-term basis to increase hydrocarbon supplies. Meanwhile, China is looking at new energy technologies — wind, solar and battery — as the “three new models” of energy security. Given that the PRC clearly has an industrial advantage in these segments, expanding cooperation in renewables with Central Asian states is also an essential part of Beijing’s agenda.

Second, now that the trilateral intergovernmental agreement has been signed on the China–Kyrgyzstan Railway and the Trans-Caspian International Transport Route (TITR) is coming up to speed, Central Asia will play an increasing role in construction of road, rail and maritime infrastructure as well as the crossborder transport and logistics, thus maintaining China’s interest in transport cooperation. One of the fundamental conditions for advancing China’s Belt & Road Initiative is the integration of infrastructures into a common system. Development of a single transport network of crossborder links between China and Europe will help to optimize logistics, cut costs and mitigate associated risks.

Third, the trade between China and Central Asia, especially with Kazakhstan and Uzbekistan, no longer relies exclusively on commodities. The countries engage more energetically in developing production capacity, equipment manufacturing and digital modernization. Central Asian countries have always sought to diversify their trade and transition from resource-based to value-added manufacturing economies and China can assist them on this journey.

To be sure, there are still some barriers and problems impeding the development of trade between China and Central Asia in various sectors, including energy supplies and pricing on energy markets, crossborder trade mechanisms and logistical systems, and complications caused by geopolitical factors. Nonetheless, overall, the development of economic and trade relations with the Central Asian Five is a priority for China. Partnership with Beijing will enable Central Asian players to leverage their geographic advantages, play the key role in the region, maintain geopolitical security and diversify their economies.

3.2. The EAEU's Contribution to Economic Connectivity in Eurasia: Implementing the Greater Eurasian Partnership

Founded in 2014, the Eurasian Economic Union, according to Russian experts, was largely a by-product of the global financial and economic crisis, a reaction of the countries in the region realizing that they were vulnerable to global shocks. At the same time, rising competition in the post-Soviet space from extraregional players, especially the EU and PRC, prompted Russia to dial up integration initiatives in the region. Over the past decade, the EAEU has not only successfully established itself as a fully functional integration framework, but also proved its resilience to external challenges, generating positive integration effects for its members and contributing to better economic connectivity across Eurasia even in a harsh geopolitical climate.

Economic connectivity in the EAEU is mostly driven by the intensity and composition of interregional trade. Throughout 2015–2023, patterns of mutual trade in the Union were uneven amid fluctuating prices on global commodity markets, COVID-19 ramifications and massive Western sanctions against Russia and Belarus.²⁵⁷ However, the EAEU has shown itself to be highly adaptable to external shocks. Over 2015–2023, the monetary value of mutual trade in goods within the Union increased from \$45.6 billion to \$86.9 billion, including the rise of \$13.8 billion during the 2022–2024.²⁵⁸ As a result, the interdependency between the EAEU members has increased accordingly: the share of interregional trade went from 11.1% in 2015 to 15.6% in 2023.²⁵⁹ Economies boasting the biggest share of mutual goods trade (37–64% in 2023) include Belarus, Armenia and Kyrgyzstan, while those with the lowest share (12–14%) are Russia and Kazakhstan, although it has picked up substantially in both countries over recent years (Fig. 8).

The EAEU shows higher connectivity compared to some other regional groupings in Eurasia. In 2013–2022, the trade and economic connectivity within the EAEU was on average 0.408, or 1.7 times higher than in the CIS and twice as high as in the SCO.²⁶⁰ So in terms of internal connectivity the EAEU is quite heterogeneous. The connectivity index is historically the highest in the pairs of Belarus–Russia, Kazakhstan–Russia and Kazakhstan–Kyrgyzstan, largely because they are next-door neighbors with relatively strong economies. The trade and economic connectivity are weaker in other pairs involving Armenia and Kyrgyzstan, which have no common borders (Fig. 8).

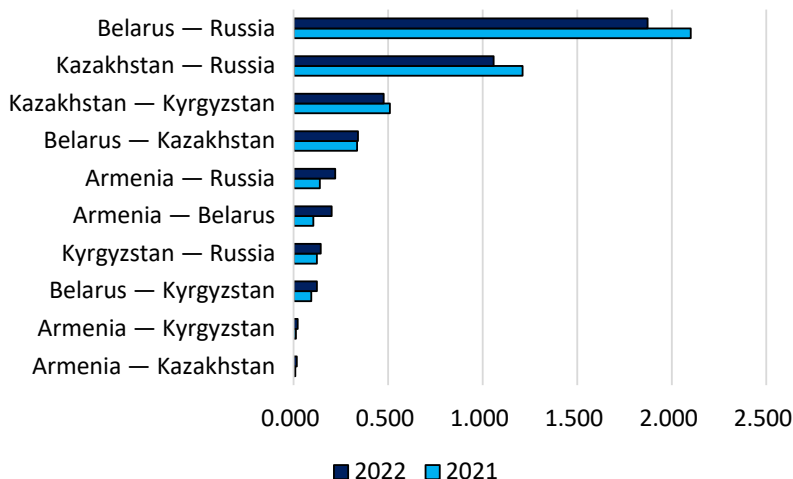
²⁵⁷ Pylin, A.G. Transformation of Post-Soviet Eurasian Integration in the Context of Sanctions: Opportunities and Risks. *The Bulletin of the Institute of Economics of the Russian Academy of Sciences*. 2022. No. 6. Pp. 127–141.

²⁵⁸ Derived from the mutual trade volume of 7.4 trillion rubles, using the average annual RUB/USD exchange rate. International Financial Statistics (IFS). Exchange Rates selected indicators. Russian Federation // International Monetary Fund. URL: <https://www.imf.org/en/Data>

²⁵⁹ The share of interregional trade is estimated as the ratio of the mutual goods trade between EAEU member states (the monetary sum of export transactions in the mutual trade between member states) to the combined goods exports of the countries in question with all the world's countries, i.e. based on export data. Estimated by the author, using the data of the Eurasian Economic Commission (EEC), Russian Federal Tax Service (FTS), National Statistic Committee of Belarus (BelStat), and ITC Trade Map.

²⁶⁰ Pylin, A.G. EAEU, CIS and SCO in Time of Geoeconomic Fragmentation: Resetting Goals. *Mir Peremen*. 2023. No. 4. Pp. 60–71

Figure 8. Trade and Economic Connectivity Index (TECI) of the EAEU economies in 2021-2022²⁶¹



Sources: Compiled and estimated based on the ITC Trade Map, IMF World Economic Outlook database October 2023.²⁶²

The EAEU is seeking to develop trade and economic cooperation with other regional groups and individual countries through a system of agreements as a way of diversifying external links and mitigating geopolitical risks to its development. In the next few years, its members want to “position the EAEU as one of the economic centers for building the integration framework of the Greater Eurasian Partnership.”²⁶³

Since the time when the idea of the Greater Eurasian Partnership (GEP) was proposed by the Russian president in 2015, the global economy and international relations have undergone major changes, and the initiative need to be revised in the new geoeconomic landscape. Currently, the GEP concept is being developed based on the vision of priorities for cooperation between Russia and other countries and regional associations. The new approved Russian Foreign Policy Concept 2023 envisages the “establishment of the broad Greater Eurasian Partnership integration contour by combining the potential of all the states, regional organizations and associations in Eurasia on the basis of the EAEU, the SCO and the Association of Southeast Asian Nations (ASEAN) as well as the coupling of the EAEU development plans with the Chinese Belt and Road Initiative, while preserving the possibility for all the interested states and multilateral associations of the

²⁶¹ Trade and Economic Connectivity Index (TECI) is estimated as the ratio of mutual trade monetary value to the combined GDP (money of the day) of the trading countries multiplied by 100.
URL: <https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023>

²⁶² Trade Map // International Trade Center. URL: <https://www.trademap.org/Index.aspx>; World Economic Outlook Database. International Monetary Fund. October 2023.

²⁶³ The Declaration on Further Development of Economic Processes Within the EAEU to 2030 and 2045 “The Eurasian Economic Path”. St. Petersburg. December 25, 2023. P. 8.

Eurasian continent to participate in this partnership and, as a result, establishing a network of partner organizations in Eurasia.”²⁶⁴

The Greater Eurasian Partnership is defined by the expert community as “a system of institutions and trade and economic agreements, with varying degrees of involvement, between the EAEU and external partners as well as integration blocs, which maximizes the benefits of international business and trade for its participants.”²⁶⁵ The institutions are meant to include both existing development institutions (Eurasian Development Bank, Eurasian Fund for Stabilization and Development, Eurasian Reinsurance Company) and the ones still being considered for the longer term (Eurasian Export Center, trade houses). Trade and economic agreements may include preferential and non-preferential trade agreements, investment agreements for development and execution of infrastructure projects, agreements for industry cooperation and establishment of special economic zones.

Considering the relatively modest demographic and economic potential of the EAEU compared to other Eurasian poles like China and India, the GEP development efforts should focus on maximizing flexibility and diversity of engagement formats, taking into account specific realities of multiple Eurasian countries, the interests of Russia and its regional partners, on the one hand, and those of the third countries, on the other. It is also important to factor in the shift from conventional forms of international economic integration, such as free trade areas and customs unions, towards projects and cumulative integration whereby cooperation evolves outside of usual frameworks.²⁶⁶ Recent years have witnessed a growing emphasis on international cooperation in transport and logistics, energy, industrial cooperation, environment and digitalization.

As for preferential trade relations, there is still some potential for signing free trade agreements between the EAEU and third countries. Talks on FTA began with Vietnam, Singapore, South Korea, Israel and some other countries immediately after the EAEU had been created. But changes in the geopolitical setting stalled the negotiation process as well as many projects. Today, the EAEU has FTAs with Vietnam, Serbia and Iran. To mitigate risks of market liberalization for prospective FTA member countries, as in the case of Iran, a provisional trade agreement (PTA) can be used. For example, the EAEU and Mongolia are expected to sign such a PTA at the end of 2024.

The cooperation between the EAEU member states and China is based on rather extensive non-preferential framework of bilateral intergovernmental treaties and agreements. It is supplemented with multilateral engagement through the SCO and participation of the Union members in China’s Belt & Road Initiative. Note that the agreement on trade and economic cooperation between the EAEU and the PRC

²⁶⁴ Decree of the President of the Russian Federation No. 229 dated 31 March 2023 On Approval of the Concept of the Foreign Policy of the Russian Federation // President of Russia. March 31, 2023.
URL: <http://www.kremlin.ru/acts/bank/49090/page/1> (In Russ.)

²⁶⁵ Tochinn, A.V. et al. *EAEU Development 2022+: Strategic Objectives and Demands of the Times*. Moscow: NP RIAC, 2023. 42 p.

²⁶⁶ Heifets, B.A. *A New Model of International Economic Integration*. Moscow: RAS Institute of Economics, 2023. 48 p.

signed in May 2018, is no longer fully aligned with the currently attained level of engagement between the parties and needs updating to match the new geoeconomic reality. Whereas the EAEU and China are unlikely to conclude a full-scale FTA in the foreseeable future due to high risks for the Russian economy, a limited liberalization scenario is quite possible.

Summarized below in Table 3 are some policy concepts proposed by Russia for developing cooperation within the GEP based on geographical characteristics of the countries and regions as well as the existing and prospective forms of trade and economic engagement.

It is critical to use more the potential of near-border and interregional cooperation to ensure the comprehensive development of the GEP. The EAEU has some experience of engagement between the Russian regions and those of Belarus and Kazakhstan. To establish interregional crossborder ties, GEP countries may benefit from using the EAEU's Interregional Cooperation Portal where EAEU-based businesses can post information about their companies, products, investment projects and available regional exemptions and preferences for investors and entrepreneurs.²⁶⁷ Development of crossborder special economic areas can also strengthen interregional cooperation.

As it is developed, the GEP concept should consider geopolitical fragmentation trends in trade, investment and technology as well as fluidity of country membership in regional geopolitical blocks,²⁶⁸ both Western and non-Western. Major shifts that have been reshaping the global economy over the last 10-15 years, driven by the runaway growth of large developing economies, resurgent protectionism, the policy of sanctions, consequences of COVID-19, and rising geopolitical tensions, have created rifts in the global economic landscape. The incipient geopolitical (geoeconomic) fragmentation of international links between what is loosely referred to as the West and the East is dividing Eurasia to some extent. Hence, the growing importance of cooperation, especially in security, to ensure a stable environment for resolving regional economic issues and strengthening technological sovereignty of GEP countries.

Therefore, over the ten years of its history, the EAEU has delivered a positive record of promoting economic connectivity across Eurasia demonstrated by faster-than-average growth of mutual trade in the Union despite any external shocks. Transforming the EAEU into one of the economic centers of gravity for building the Greater Eurasian Partnership will require focused efforts to further enhance the economic connectivity within the Union itself as well as to design and implement a GEP concept with due regard for new trends of international economic integration and geopolitical fragmentation.

²⁶⁷ Interregional Cooperation Portal // EAEU. URL: <https://regions.eaeunion.org/> (In Russ.).

²⁶⁸ *World Economic Outlook. April 2023. A Rocky Recovery.* Chapter 4. Geoeconomic Fragmentation and Foreign Direct Investment. Washington, DC. International Monetary Fund, 2023. Pp. 91-114; *World Economic Outlook. October 2023. Navigating Global Divergences.* Chapter 3. Fragmentation and Commodity Markets: Vulnerabilities and Risks. Washington, DC. International Monetary Fund, 2023. Pp. 71-92.

Table 3. Some of Russia’s proposed policy concepts and focus areas to develop trade and economic cooperation within the Greater Eurasian Partnership

Regional Groups / Organizations	Subregions and Countries	Areas of Cooperation
EAEU	Belarus	Pursue common policies in science, technology, industry and transport in the framework of the Union State.
	Armenia, Kazakhstan, Kyrgyzstan	Deepen of industrial cooperation, including by subsidized financing. Joint efforts to access and export products to third-country markets. Coordination of national import substitution programs.
CIS	South Caucasus and Central Asia	Develop the CIS multilateral free trade area, including by liberalizing trade in services and investment activity. Boost the project component, increase mutual trade and investments with focus on non-resource/non-energy sectors, and develop new production chains. ²⁶⁹
SCO	China	Develop and strengthen Russian–Chinese comprehensive partnership and strategic engagement. Couple the EAEU with China’s BRI based on the updated EAEU–PRC Economic and Trade Cooperation Agreement. Jointly develop international transport corridors (ITC) and build trunk pipelines, including from Russian to China. Develop the Russia–Mongolia–China economic corridor (Mongolia is an SCO observer).
	Iran, India, Pakistan	Implement the EAEU–Iran FTA, deepen cooperation in transport and energy sectors (work with India and Russia to develop the North–South ITC, build trunk pipelines, and create a natural gas hub in Iran). Pakistan, in turn, is interested and willing to participate in creating new north-to-south corridors in Eurasia. ²⁷⁰
ACEAH	Vietnam	Further deepen the comprehensive strategic partnership between Russia and Vietnam. Continue to implement the FTA between the EAEU and Vietnam.
	Other ASEAN members	Develop bilateral project-based cooperation. Consider options for new FTAs between the EAEU and ASEAN countries (Thailand, Indonesia).

Source: Compiled by the authors.

²⁶⁹ Such are the objectives set forth in the recently signed Agreement on Free Trade in Services, Establishment, Activity, and Implementation of Investment dated 8 June 2023; and other multiple sectoral bilateral economic agreements signed by Russia (especially with Azerbaijan and Uzbekistan). See: The Agreement on Free Trade in Services, Establishment, Activity, and Implementation of Investment Enters into Force // Executive Committee of the Commonwealth of Independent States. June 5, 2024. URL: https://cis.minsk.by/news/27622/vstupilo_v_silu_soglashenie_o_svobodnoj_torgovle_uslugami_uchrezhdenii_deyatelnosti_i_osuschestvlenii_investicij

²⁷⁰ Vinokurov, E., Akhunbaev, A., Chuev, S., Adakhaev, A. *Infrastructure in Eurasia: Short-Term and Medium-Term Trends*. Reports and Working Papers 24/3. Almaty, 2024. URL: https://eabr.org/upload/iblock/784/EDB_Infrastructure-Trends_EN_2024_03_21.cleaned.pdf

Conclusions and Recommendations

Trade and Economic Relations

In 2022-2024, trade and economic relations between Russia and China have developed in a constructive way. Despite international economic headwinds, Moscow and Beijing have kept their trade volumes growing at a brisk pace. Russia and China reached their trade target of \$200 billion ahead of time in 2023 instead of the planned 2025 and are looking to ramp it up to \$300 billion by 2030.

On the other hand, H1 2024 data suggests a potential slowing down of trade growth in the near term, mostly due to decreasing imports from China. This is a telling sign that China is gradually running out of options for replacing European manufacturers that left the Russian market. The trend could be further exacerbated as the Chinese economy decelerates in response to waning global demand for consumer products. Moscow and Beijing must find new ways of maintaining mutual trade growth and push harder to cut red tape and open markets to each other's business.

The need to diversify bilateral trade is still relevant. Strong trade growth in 2022-2024 has been driven by energy trade and the more than twofold increase in Russian agricultural exports to China. Chinese imports to Russia, however, have continued to be dominated by industrial manufacturing products, including automobiles and their components, and electronics. Chinese producers have indeed strengthened their foothold in new market segments, including automobiles, construction and road maintenance machinery and vehicles, and other types of machinery and equipment, and have filled the void left by the withdrawal of Western-branded gadgets. However, the growth potential for these product categories is limited.

According to Russian experts, it is important to first improve the sectoral and product mix of trade and economic relations along with the associated investment activity is industrial cooperation. Chinese analysts, in turn, point out that frequent changes in import and export regulatory procedures, resulting from high uncertainty of the Russian foreign economic policy, pose a barrier for Chinese companies, eroding their willingness to build shared production chains.

Engagement in Finance and Banking

In 2022-2024, Russian and Chinese banks have worked hard to adapt their systems to external economic restrictions. However, mounting pressure the US and other Western governments exerted on Chinese companies through secondary sanctions in 2023, compelled Chinese banks to crack down on compliance. Although there were no bans imposed by the People's Bank of China, some Chinese banks stopped processing Russia's trade settlements with Chinese companies.

Therefore, Moscow and Beijing still have their work cut out to set up systems for secure bilateral transactions. Chinese experts call on their companies to be reasonable in their response to secondary US sanctions risk. In their view, to

avoid sanctions China's financial institutions need to strengthen their own financial security, raise awareness of sanction risks and improve in-house response measures, while in their foreign exchange business, banks should apply Know Your Client, Know Your Business and Customer Due Diligence workflows, improve risk monitoring standards for Russia-related business risks to identify and minimize them.

Russian experts believe that Russia and China need to step up mutual consultations in order to better identify and assess sanction risks associated with transactions, clarify the details of existing restrictions against Russia, exchange information on regulatory changes and compliance practices with regard to crossborder payments in both countries.

To overcome the adverse effects of external economic policies Russia and China have used the dedollarization of mutual trade as their preferred instrument. By March 2024, payments in national currencies, mostly the renminbi, accounted for about 92% of all bilateral settlements. The Chinese renminbi has become the key foreign currency for the Russian economy, which further strengthened its international standing.

However, there are a few negative factors that may hinder the transition to ruble and renminbi payments on a bigger scale. First of all, according to Russian experts, what may constrain the expansion of inter-bank cooperation and increasing the share of national currencies in bilateral payments is the low motivation of Chinese banks to cooperate more on treasury services, such as forex and derivative transactions and the proverbial cross-currency swaps. So, the main task for China is to convince clients that such transactions are safe. It is also important to consider that Chinese companies are not keen to let go of their dollar-denominated earnings and would rather cut down on cooperation than deploy new instruments for RUB/CNY payments. Besides, yuan transactions are subject to higher bank service rates, which is not helpful either. Russian experts think that the banking tariff policy should be reviewed by Russia and China at the highest level of government.

There is a growing demand for more liquidity in national currencies and an expansion of the payment versus payment (PvP)²⁷¹ mechanism for renminbi and ruble settlements. This, according to Russian experts, requires a wider application of low-credit-risk facilities, such as letter of credit advising. Simultaneously, it seems critical to maintain and expand interbank credit lines.

Russian experts also call for developing instruments to redistribute risks through syndications,²⁷² risk-sharing and debt assignment²⁷³ and continue the process of simplifying mutual access to capital markets, for instance, by allowing Russian companies to issue panda bonds on the Chinese debt market.²⁷⁴ By advancing their cooperation on debt markets, Moscow and Beijing will be able to upscale

²⁷¹ Payment versus Payment (PVP) is a settlement principle that requires that the transfer of a payment in one currency should occur simultaneously with the transfer of a payment in another currency.

²⁷² Bond syndication is a process of issuing and distributing bonds by a group, or syndicate, of financial institutions.

²⁷³ Debt assignment is the transfer of the right to claim a debt from a creditor to a third party.

²⁷⁴ Panda bonds are Chinese renminbi-denominated bonds issued by non-Chinese entities.

the success story of Russia's RUSAL, which has floated two panda bond issues totaling \$225 million (¥1.5 billion) on the Shanghai Stock Exchange since 2017,²⁷⁵ becoming the first foreign company that has most of its production assets outside China while trading bonds on the Chinese debt market. Note that RUSAL has consistently made good on its obligations to investors since the floatation, even after the frenzy of sanctions against Russia.

Russian analysts believe that, under the circumstances, Russia and China would benefit from expanding ties between regional banks and upscaling the achievements already delivered in this area. In this context, Moscow and Beijing need to engage more in investing in joint projects²⁷⁶ funded in national currencies and further strengthen cooperation in the bond market.²⁷⁷

For instance, the Russian side should be more proactive in providing information about payment options through direct correspondent accounts.²⁷⁸

Some Chinese banks avoid using such accounts and, instead, route payments through 100% Chinese-owned lenders in central Russia. This slows down inter-bank communications because of the time difference between the European and Far Eastern regions of the country. The expansion of direct correspondent transactions can be promoted by reducing transaction time for national currency payments.

To this end, the Chinese regulator will need to implement several measures under the Intergovernmental Agreement on Settlements and Payments,²⁷⁹ including steps to draft a list of documents required to confirm the proper use of funds provided under letters of credit, simplify this procedure and relax Chinese bank compliance policies with respect to trade financing and LC advising.

The technological development of payment infrastructure in China's regional banks may bring additional benefits to their Russian counterparts. For example, Chinese residents now use hard cash or China UnionPay (CUP) plastic cards to pay for goods and services in trading with border areas in the Russian Far East. Meanwhile, Russian banks keep opening new regional offices which support UnionPay and provide cash deposit/withdrawal and commercial payment services.

One of the most effective ways of incentivizing payments between regional banks

²⁷⁵ RUSAL Floats ¥500M in Its Second Panda Bond Tranche // FINAM. September 1, 2017. URL: <https://bonds.finam.ru/news/item/rusal-razmeshayet-vtoroiy-tranzh-panda-bonds-na-500-mln-yuaneiy/?ysclid=lxn3ml0vo9449281885> (In Russ.).

²⁷⁶ While Russian-Chinese bilateral cooperation in the Russian Far East has been historically focused on trade, today Chinese businesses show strong interest in investment projects, becoming the most proactive users of preferences provided by the Russian government for the social and economic development of the Far East Federal District. For example, Chinese investors participate in 49 projects with a combined value of 812 billion rubles in the so-called International Priority Development Areas (IPDA) and the Free Port of Vladivostok (FPV). See: Chekunkov Reveals the Scale of Chinese Investment in Russian Far East Projects // Lenta.ru. September 12, 2023. URL: <https://lenta.ru/news/2023/09/12/chekunkov/> (In Russ.).

²⁷⁷ The Chinese regulator has lifted nearly all restrictions on renminbi payments for border-area trade and allowed medium and long-term investing on the bond market subject to approval by the national banks of both countries.

²⁷⁸ Correspondent account is an account opened by a commercial bank with the central bank or other banks to effect payments for its clients.

²⁷⁹ The Agreement Between the Government of the Russian Federation and the Government of the People's Republic of China on Settlements and Payments // Garant. June 5, 2019. URL: <https://base.garant.ru/72265692/> (In Russ.).

would be to link Russian bank cards that use China UnionPay brand²⁸⁰ to China's WeChat Pay²⁸¹ service. Experts are confident that the service will be popular among Chinese citizens²⁸² because WeChat Pay is the dominant system on the Chinese mobile payment market. By the same token, the ability to use WeChat Pay to pay for goods and services would also benefit Russian companies, enabling them to attract more customers and boost their revenues, which would eventually contribute to stronger business growth and economic development in the Russian Far East.

However, today there is only one regional bank that is a member of the Senty payment system,²⁸³ through which WeChat Pay can be used. Deployment of the service faces several challenges, such as inadequate technical capabilities of small and medium-size merchants served by regional banks, issues with integrating the QR code generation/scanning option into POS terminals, and lack of functionality in many cash registers for adding new payment methods.

When a good solution is found to widen the use this payment service, regional banks would be able to issue more payment cards, including co-badged cards,²⁸⁴ which in turn could make bilateral trade payments much easier and contribute to stronger trade and economic cooperation between Russian and Chinese regions.

Both Russian and Chinese experts point to the remaining unused potential of Russian and Chinese crossborder payment systems, SPFS and CIPS respectively. After their disconnection from SWIFT, most Russian banks could, according to experts, use CIPS as a fairly practicable option for dollar payments. SPFS, on the other hand, is not safe enough, in their view, because it is built on American technology and software and uses SWIFT to transmit data. So, there is no way it can reliably mitigate the risk of secondary sanctions.

Russian experts believe that traditional banking channels could be backed with other mechanisms, such as joint ventures created in both countries, non-bank payments in crossborder e-commerce, payments through small and medium-size banks in border areas, pay-after-delivery option, and trade settlements via third countries. As an innovative facility for crossborder payments, Chinese experts propose to consider introduction of a digital currency. For example, Russia and China could lead a project to set up a crossborder digital payment system based on the BRICS Digital Currency Bridge (BRICSBridge).

Currently, Russia and China are already developing their own digital currency systems and trying to promote the use of the digital renminbi and the digital ruble. Chinese analysts consider that, in the future, financial institutions should widely

²⁸⁰ Currently, only clients of Chinese banks can use China UnionPay for merchant payments.

²⁸¹ WeChat Pay is a payment system for making mobile payments with a smartphone based on the QR code technology.

²⁸² Especially, with Chinese tourists traveling in the Russian Far East.²⁸³

²⁸³ SIAB Bank Connects to Senty Payment Platform // Retail.ru. February 6, 2020. (In Russ.)
URL: <https://www.retail.ru/rbc/pressreleases/platěžnaya-sistema-senty-k-uslugam-platěžnoy-sistemy-senty-podklyuchilsya-pao-bank-siab/>

²⁸⁴ Co-badged payment card integrates access to two payment systems and is supported by the payment networks of both partner brands.

apply innovative technologies, such as AI, big data, cloud computing, Internet of Things and blockchain, for crossborder communications, financial transactions, trade settlements and regulatory cooperation. Innovative technologies will provide companies in both countries with new more convenient and secure channels for crossborder payments.

Cooperation in Transport and Logistics

The primary challenge that Russia needs to deal with in terms of transport and logistics is to upgrade the infrastructure of its Russian-Chinese border crossings and expand their capacity to increase international freight volumes. Steps to improve efficiency of customs clearance and inspection procedures will also contribute to growing trade turnover between Russia and China.

Russia-China cooperation in transport and logistics is linked with building a broader regional connectivity system across Eurasia. On the one hand, stimulation of Russian-Chinese transit flows would dramatically transform the structure and routes of land and sea freight traffic in Eurasia, setting the stage for more large-scale forms of engagement. On the other hand, a single system of continental corridors will produce the effect of scale, allowing Moscow and Beijing to increase bilateral trade volumes.

In this context, the two powers need to continue cooperation on coupling the Eurasian Economic Union to the Belt & Road Initiative and coordinate their positions on developing the Greater Eurasian Partnership. In the near term, it is critical for Moscow to define the vision of its further participation in the BRI. Russian experts believe that if Russia joined the initiative on an individual basis, this could boost Chinese investment into the Russian Far East and help to improve Russian transport infrastructure. Especially considering that, as of 2024, no joint projects of any significance have been realized yet between the EAEU as a single player and the PRC.

In the absence of any agreements on Russia's accession to the BRI on a stand-alone basis, it is important to hold consultations with China regarding how specific cooperation mechanisms are perceived in both countries. For example, China, according to Russian analysts, already includes such projects as Yamal LNG, the Power of Siberia or Blagoveshchensk–Heihe and Nizhneleninskoye–Tongjiang bridges into its BRI statistical reports, whereas Russia regards them as purely bilateral projects.

Chinese-Russian cooperation in transport and logistics has an element of uncertainty associated with the China–Europe Railway Express route. Russian specialists say that the China–Europe railway is still relevant, allowing Russia to make money on freight transit or by filling up underutilized containers with its cargo on their way back from Europe to China. One of the most high-potential routes, serving the needs of the EAEU, China and Europe, is the Central Eurasian Transport Corridor.

Chinese experts, on the other hand, point to shrinking demand for shipments going through Russia among European companies that increasingly used alterna-

tive routes. Some Chinese companies show keen interest in the Arctic maritime route for supplying cargoes to Europe. According to Russian experts, shipments by the Northern Sea Route will be 8-15 days faster than along the Southern Sea Route.

Cultural and Humanitarian Cooperation

People-to-people engagement remains a key pillar of the Russian-Chinese relations. Giving impetus to deeper cooperation in 2023-2024 was the updated 2030 Russian-Chinese Humanitarian Cooperation Roadmap designed to promote engagement between scientific and educational institutions of the two countries. The development of joint educational projects as a key to deeper understanding between the two nations should remain a top priority for bilateral humanitarian relations.

People in Russia and China show increasing interest in learning each other's language, especially Russians who want to learn Chinese. The public interest is stimulated by mass events based on some aspects of Chinese culture, such as the culture and food festival held on Moscow streets during the Chinese New Year season in 2024. This engagement format will be further promoted with Cross Years of Culture taking place in Russia and China in 2024-2025, as well as public events under the 2024-2027 Cooperation Plan between the Chinese Ministry of Culture and Tourism and the Russian Ministry of Culture. As the bilateral ties have fully recovered after the COVID-19 pandemic, it would be fair to expect that many young people from China and Russia will be able to participate in the above events.

In 2023-2024, Russia and China have made serious progress on their cooperation in the tourism sector. The agreement between the two countries on visa-free group travel boosted tourist flows in both directions. Now Chinese guests travel extensively not only to Moscow and St. Petersburg, but also to such regions as the Primorsky Krai, Khabarovsk Krai, Zabaykalsky Krai and Amur Oblast, while Russians visit Manchuria and other border regions in China. Hopefully, these exchanges will not only contribute to a more profound mutual understanding between the two nations through sightseeing and learning about each other's lifestyles, but also encourage interest in business cooperation in the border areas. However, Russian officials still point to issues with obtaining multiple-entry visas in China that impede both tourism and business between the two countries.

There are several areas of Russian-Chinese cultural and humanitarian cooperation that have the potential for upscaling to a multilateral level, with healthcare being at the top. Common practices of fighting viruses developed by Russia and China during the COVID-19 pandemic can be used to promote multilateral cooperation within BRICS, the SCO or, in the longer term, G20. To this end, Russia and China need to continue coordination of their bilateral actions and draft a plan of activities and research fields that could be further pursued if other participants from the above organizations join the process. Sports are the second area of engagement that could benefit from Moscow's and Beijing's expertise in organizing and

staging large scale events. Russian experts believe that, considering restrictions imposed on Russian and Belarusian athletes, development of alternative competition formats in Eurasia or within BRICS could provide additional opportunities for athletes to demonstrate the results of their hard work.

Russia–China Political Cooperation with Central Asia

After the dissolution of the Soviet Union, cooperation between Russia and Central Asian republics was based on a legacy of common infrastructure and economic ties, interconnected education and labor markets, and a stable system of migration flows resulting in the shared need to counter threats of terrorism and extremism, and the geostrategic position of the region in general. Russia developed cooperation with those states that showed the highest interest, established diverse multilateral formats, such as the CIS, CSTO, EurAsEC, and the EAEU. This process helped to gradually define a formula, in which Moscow claimed the role of the guarantor of security and political stability for Central Asia.

China has always regarded Central Asia as a single region and a separate focus area of the political and economic cooperation. Today, Beijing prefers to develop it on the 5+1 basis. Chinese experts note that the dialogue has three objectives: build the community of common destiny with the region's countries, involve Central Asia into projects under the Belt & Road Initiative, and develop bilateral strategic partnerships. In their opinion, Central Asian states support the China-led Global Development Initiative, Global Security Initiative and Global Civilization Initiative, and are willing to expand joint efforts to maintain regional and international security. Therefore, according to the Russian side, there is an increasing need to coordinate Russian and Chinese activities in Central Asia both in economic and political spheres.

Today, Russia sees Central Asia as a key element of the Greater Eurasian Partnership. In its turn, the GEP can be regarded as a tool for sustaining macroregional sustainable security, going beyond the military and political aspect to encompass energy, social, environmental, economic and other dimensions. For China, the region mostly holds economic significance, judging by policy speeches of President Xi Jinping and joint statements following summit meetings. Chinese analysts do not view the 5+1 cooperation with Central Asia as part of the GEP. For this reason, Russia and China would do well to work out a common vision of the political organization of Eurasia as well as Central Asia as one of its key elements that, among other things, would more clearly define China's position on the Greater Eurasian Partnership.

Until now, the Collective Security Treaty Organization (CSTO) and the Shanghai Cooperation Organization (SCO) have had significantly overlapping functional scopes that included countering extremism, terrorism and separatism, and transnational organized crime, making experts wonder whether the two organizations could be potentially competing in Central Asian countries, despite the continued official dialogue.

According to Russian experts, the CSTO and SCO can become instruments for maintaining strategic and non-strategic security in Eurasia if they are regarded

as complementing each other. In this case, the CSTO would be the designated guarantor of the military–political cooperation between Russia, Belarus and Central Asian states, while the SCO would be used to discuss new components of sustainability alongside traditional threats and the classic trio of “-isms”.

Chinese experts believe that Central Asia should remain the key element of the organization and use the 5+1 model to engage with major powers that are members of the SCO. Their recommendation is also to develop the dialogue between the largest states based on the China–Russia+ model to make sure that the dynamics of bilateral contradictions between the members of the organization does not hold back efforts to advance common interests.

Compared to their Russian counterparts, Chinese experts specify a more detailed list of problems facing the SCO. In their view, the external challenges include the precarious situation in Afghanistan and the politicalization of the organization’s activities by the US and the EU amid Belarus and Russia’s involvement in the Ukraine conflict. Yet, what appears more serious to the Chinese side are the SCO’s internal challenges arising primarily from the membership expansion, which has increased the number of regional security issues, intensified political communications across the SCO space, and made decision-making more complicated. Therefore, Chinese experts recommend considering carrying out an institutional reform at the SCO to revise, as a matter of priority, the principle of consensus as the chief basis for the decision-making process. Such reform could be further expanded by deepening the SCO’s legal regime and adapting its Charter and the Treaty on Long-Term Good-Neighborliness, Friendship and Cooperation to the new international reality.

Chinese experts also note that the SCO still has areas of political instability as evidenced by recent public disturbances in Kyrgyzstan, Kazakhstan and Pakistan, and rising social tensions. The latter are seen by the Chinese side as the consequences of the Ukraine crisis affecting the food and socio-economic security of developing economies. To address these challenges, the organization members need to have robust mechanisms of cooperation in key sectors designed for pragmatic engagement to drive economic recovery and higher living standards and, therefore, the political will to create them.

Russia–China Economic Cooperation with Central Asia

Russia develops its economic relations with Central Asia mostly through various multilateral frameworks, such as the EAEU (Kazakhstan, Kyrgyzstan) or the CIS free trade area (Tajikistan). This system allows Russia to trade with the region’s countries on a duty-free (or almost duty-free) basis. The patterns and composition of Russia’s economic ties with individual countries of Central Asia depend on the economic strength of the partners. The higher the rate of economic and demographic growth, the more diversified the interactions are. Top priority areas of the Russia–Central Asia cooperation include migration, foreign trade, investment, transport, logistics and industrial sectors.

China builds its economic links with Central Asian states mostly on a bilateral basis, including their involvement in the Belt & Road Initiative. The fast-develop-

ing economic cooperation is focused on the energy sector. For this reason, the PRC's leading partners in the region are Kazakhstan, Turkmenistan and Uzbekistan. So, the need to maintain and expand its presence in Central Asia is for China a matter of strategic imperative.

In the context of sanctions, the energy sector plays an increasing role in the economic cooperation between Russia and Central Asia. Moscow seeks to increase exports of crude oil and natural gas to Central Asia and China, including via Uzbekistan and Kazakhstan. For this purpose, Russia, Kazakhstan and Uzbekistan established a “trilateral gas union” at the end 2022. In late 2023, the partners began upgrading the border-crossing infrastructure to increase its capacity and coordinate natural gas supplies to third countries, including the PRC.

However, while developing multilateral energy projects in Central Asia driven by China's growing demand, Russia need to consider the PRC's commitment to energy transition by 2050, which will inevitably lead to shrinking oil imports to China. Although natural gas is likely to last longer as a much-needed transition fuel, Russia would be well-advised to participate in multilateral renewable energy projects with China and Central Asian states that could offer new opportunities for Russia to sustain its presence in the region.

Russian experts emphasize that in 2022-2024, the EAEU has proved itself to be a fully functional integration framework readily adaptable to external shocks. While the Union has shown better trade and economic connectivity than the CIS and the SCO, its internal connectivity is distributed unevenly between member states, with highest connectivity indices observed between neighbors, such as Belarus and Russia, Kazakhstan and Russia, and between Kazakhstan and Kyrgyzstan.

Further development of the Eurasian Economic Union should remain among the top priorities for the Russian economic policy. Russia can use the EAEU to stimulate the industrial cooperation with Central Asia through localization of Russian manufacturing value chains in the region and involvement of Central Asian companies in Russian import substitution programs. Deeper cooperation will help the EAEU members to utilize their industrial potential more efficiently and jointly market their products in third-countries.

The Agreement signed between the EAEU and China in 2018 is no longer adequate to the attained level engagement need to be revised, Russian experts believe. At the same time, having a full-scale EAEU–China free trade agreement instead of limited liberalization appears too risky for the Russian economy.

Cooperation with Central Asia means that both Russia and China need to use the region's transport potential. This requires infrastructure upgrades in Kazakhstan, a key transit country traversed by China–Europe and North–South routes. Russia could contribute to increasing the throughput capacity of the North–South corridor's Eastern Branch by deploying end-to-end freight logistics and digital tools. Russia could also benefit from diversification of transport corridors and development of alternative trade routes, such as the Kyrgyzstan–Uzbekistan–Turkmenistan–Russia corridor.

In this context, it is important to consider that China is also stepping up investment in regional railways as part of its Belt & Road Initiative — such as China–Kyrgyzstan–Uzbekistan railway line — and is aggressively promoting Kazakhstan as the main transit hub on China–Europe routes.

About the Authors

Russia

Kirill Babaev – Ph.D. in Philology, Director, Institute of China and Contemporary Asia of the Russian Academy of Sciences (ICCA RAS); Dean, Faculty of International Economic Relations, Financial University under the Government of the Russian Federation; Deputy Chairman of the Russian-Chinese Friendship Society; RIAC member.

Vladimir Danilov – Ph.D. in Economics, Senior Research Fellow, Center for World Politics and Strategic Analysis, ICCA RAS.

Yuri Kulintsev – Ph.D. in Political Science, Director, Center for World Politics and Strategic Analysis; Deputy Director for Youth Policy, ICCA RAS.

Julia Melnikova – Ph.D. in Political Science, Program Manager, RIAC.

Stanislav Pritchkin – Ph.D. in History, Head of Central Asia Sector, Center for Post-Soviet Studies, Institute of World Economy and International Relations of the Russian Academy of Sciences (IMEMO RAS).

Artem Pylin – Ph.D. in Economics, Leading Research Fellow, Deputy Head, Sector of Bilateral Relations Between Russia and Neighbor Countries, Department of International Economic and Political Studies, Institute of Economics of the Russian Academy of Sciences.

Sergey Sazonov – Ph.D. in Economics, Leading Research Fellow, Russia, China, World Center, ICCA RAS.

Sergey Tsyplakov – Ph.D. in Economics, Professor, Faculty of World Economy and World Politics, Higher School of Economics National Research University (HSE University); Leading Research Fellow, Center for Chinese Socio-Economic Studies, ICCA RAS.

China

Li Jianmin – Ph.D. of Economics, Senior Research Fellow, Institute of Russian, Eastern European and Central Asian Studies, Chinese Academy of Social Sciences (CASS).

Liu Huaqin – Ph.D. of Economics, Senior Research Fellow, Director, Institute of Europe and Eurasia, Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce of the PRC.

Liu Qian – Ph.D. of Economics, Executive Deputy Director, Center for Russian and Central Asian Studies, China University of Petroleum.

Ma Bin – Ph.D. of Law, Deputy Director, Center for Shanghai Cooperation Organization Studies, Fudan University.

Xu Changzhi – Deputy Secretary General, China–Russia Strategic Cooperation Council, CASS; Senior Research Fellow, Eurasian Institute of Social Development, Development Research Center of the State Council of the PRC.

Feng Yujun – Ph.D. of Law, Professor, University of Beijing.

Zhao Long – Ph.D. of Law, Senior Research Fellow, Deputy Director, Institute for Global Governance Studies, Shanghai Institutes for International Study (SIIS).

Russian International Affairs Council

The Russian International Affairs Council (RIAC) is a non-profit think tank focused on research in international relations and offering practical advice on foreign policy and international affairs for the benefit of Russian government agencies, businesses, non-profit organizations and other institutions requiring international analysis. The Council was established by the resolution of its board of trustees pursuant to the Order of the President of the Russian Federation No. 59-rp of February 2, 2010, “On Establishing the Russian International Affairs Council Non-profit Partnership.”

RIAC is a leading Russian think tank with an extensive research program that covers over 20 research areas. The Council’s expertise is widely used by the Russian government, academic community, and Russian and international companies.

Alongside its analytical projects, RIAC is also deeply involved in building a strong network of young foreign policy professionals and diplomats. The Council actively participates in expert diplomacy through its ongoing partnerships with international research centers, universities, and business associations.

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The Institute of China and Contemporary Asia of the 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 RAS before July 2022) is a leading center of Chinese studies in Russia with emphasis on analytical studies commissioned by Russian government agencies in areas of policy and politics, economics, social processes, culture and contemporary history of China and other countries in East Asia.

The ICCA's key research activities include comprehensive studies of socio-political and economic development of East Asian countries, exploration of various aspects of political and economic integration in East Asia and Asia Pacific, and analysis of the activity of international organizations and dialogue frameworks (SCO, RIC, BRICS, ASEAN, APEC, etc.).

Fudan University

Fudan University was established in 1905 as Fudan Public School. It was the first institution of higher education to be founded by a Chinese person, Ma Xiangbo, an outstanding educator of the time. The two characters, fù (“return”) and dàn (“dawn”) were borrowed from the classic Biography of Yu Xia (《尚书大传 虞夏传》) and are used in the famous lines: “Brilliant are the sunshine and moonlight, again the morning radiance returns at dawn” that celebrate eternal rejuvenation. “Fudan” was the symbol of hope that China would eventually develop to be a country with a mature system of higher education cultivated and guided by Chinese intellectuals.

In 2000, Fudan University was merged with Shanghai Medical University.

Fudan University was among the first institutions to be selected for education development projects, Project 211 and Project 985, that transformed it into a comprehensive university research center with a wide spectrum of faculties, including philosophy, economics, law, education, literature, history, science, engineering, medicine, management and arts.

In 2005, Fudan University marked its centennial anniversary.

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

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

119049, Moscow,
8, 4th Dobryninsky pereulok

russiancouncil.ru