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Hedging the hard way: Russia's response to world disorder

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This paper posits that Russia's role during the Ukrainian Crisis presaged a strategy of hard hedging. Confronted with the apparent threat of growing influence of the West and growing influence of China, Russia has responded with a policy of *hard hedging* that is characterized by an emphasis on military power, sovereignty and autonomy. The paper comes to that conclusion by reconstructing shifts and continuity in Russia's behaviour between 2014 and 2015, considering a wide range of economic, political, and military indicators.

Keywords: Russia; balancing; Europe; Eurasia; hedging; geopolitics

A few months before the West imposed an embargo on Russia, a Kremlin insider told me: "Be not mistaken, the President is not a street fighter, he is a chess player. He thinks strategically and has a clear vision of Russia's future in the world" (personal conversation, 14 November 2013). As years passed, however, President Vladimir Putin's foreign policy came to look increasingly like that of a street fighter (Gessen, 2013; Hill & Gaddy, 2015). A chess player we would expect after all to focus on the main strategic challenge, being the rise of China, to temper tensions with the West and not to get Russia entangled in an unequal partnership with its eastern neighbour. We would expect also that, after having secured the Crimea, he would broker a face-saving deal with the West ready to defend Russia's interests more assertively in the East. So how can we explain Russia's strategic behaviour since the Crimea Crisis (2014–2015)? That is the main research question of this paper.

This question instantly brings up the idea that Russia might not behave strategically, but that it acts erratically instead, wildly lashing out at its rivals, opportunistically seeking to exploit weakness, yet without a clear vision of Russia's long-term interests. Russia, some scholars insist, is governed by a band of crooks that take their own interests more seriously than the needs of the nation (Marten, 2015). There is no reason to dispute the existence of strong interest groups, but most of them survive only thanks to the power of the President, his popular support in the short term and his capability to influence his succession, ideally after his fourth term in 2024. Any attempt to preserve power for another eight years is in need of some sort of strategy to enhance Russia's international position. Students of Russian foreign policy, like Kathryn Stoner and Michael McFaul (2015) have argued that it is primarily driven by a nationalistic desire to restore the country's status as a great power. Again, this is likely so; the regime is not in need, however, of a short and powerful boost of self-esteem, but a way to strengthen the country's position so that it can survive many more years. Prestige without power is thus no option.

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While interest groups, nationalism and prestige do certainly play a role, Russia's foreign policy cannot simply be reduced to these factors. The question remains thus which strategy the regime pursues to advance Russia's power. A first possibility is that Russia's assertive behaviour towards the West marks the beginning of a long-term balancing effort, for which it likely needs the support of China and other Eurasian regional protagonists. What might have guided Russia in balancing more robustly against the West is the combination of growing European influence in Eastern Europe and, as Richard Sakwa called it, a more hermetic and universal form of Atlanticism (Sakwa, 2015). For all the weakness of the European Union, Russia could perceive it gaining power, at least as far as the negotiations for an Association Agreement with Ukraine are concerned, and, still consider the combination of European enlargement, the possible loss of its military facilities on the Crimea the ambiguity about future NATO enlargement more imminent a threat than the rise of China in the East (Mearsheimer, 2015).

But Russia might also be bluffing: It does not want to be enmeshed in an unequal partnership with China and uses the threat of a Eurasian axis to carve out a face-saving deal with the West. If it is bluffing, Russia's strategy is not to respond to the alleged strength of the West, but seeks to benefit from its weakness, its lack of resolve to defend Ukraine, and Europe's inability to reduce its dependence on Russian energy supplies. If the weakness of the West prevails in the short term, the long-term concern, however, remains the rise of China, its threat to Russia's Far East, its challenge to Russia's influence in Central Asia, and its detrimental impact on Russia's struggling industries. This option has been less discussed in the wake of the Crimean Crisis, but balancing China would be the most plausible strategy from a neorealist viewpoint, because Russia is well aware of the challenges. A third option is hard hedging. Hedging is an intermediary strategy between balancing and engagement. It seeks to reap benefits from economic cooperation, to avoid the costs of escalating conflict, yet to retain enough distance, to prevent dependency and to uphold deterrence capacity. A key feature of hedging is to pursue all these goals in a climate of moderation (Foot, 2006). Hard hedging differs from this not so much in the purpose of the policy, but in its form. It pushes the quest for profit and security to the limits. It lacks moderation and is more confrontational in its style. Russia seeks to strengthen its position as an autonomous actor between the East and the West, playing them off against one another to maximize its gains, and expecting to get away with it. However, at the same time the policy also strengthens the regime's status at home. We could consider it, as Bobo Lo puts it in his latest book, to be Russia's response to an increasingly unpredictable and anarchic security environment (Lo, 2015). If alignment is characteristic of the two previous strategies, autonomy is what characterizes hedging behaviour.

To assess these options, this paper considers Russia's political relations. Balancing would imply that the shift of relations towards the East would come at the expense of relations with the West; hedging that Russia works towards a comparable level of political exchanges with China and the West; and bluff that relations with the West would continue to be a priority, despite tensions. Second, it looks at economic ties. Balancing would mean that Russia accepts major sacrifices in its economic ties with the West; hedging that relations with the West would be maintained but complemented with an economic charm offensive towards the east; and bluff again entails that Russia would seek to sidestep sanctions. Finally, it reviews Russia's military capabilities. Balancing would lead China to do the same, but with increased financial efforts, closer security cooperation with China and even mutual defence agreements. Hedging also means limited additional financial sacrifices for military modernization and an effort to bolster military capabilities in both the East and the West. Bluff would mean that Russia shows off its military power in the West, yet avoids exhausting its resources by excessive military spending and makes an effort to shift its military capabilities to the East.

Whereas the Crimean Crisis was a milestone in Russia's foreign policy, it is useful to contextualize the timespan of this paper. Russia's behaviour was, after all, already changing several years before. If the 1990s were a period of turmoil, disorientation and crisis, the first decade of the new century saw a gradual hardening of Russia's foreign policy. The Partnership for Peace with NATO and the so-called Common Spaces with Europe notwithstanding, Russia saw the gains of the engagement not in proportion with its loss of influence as a result of EU enlargement, the accession of the Czech Republic, Hungary and Poland to NATO in March 1999, NATO's air strikes against Serbia, America's apparent disinterest to consider Russia a security partner in Afghanistan after 9/11, and the complete disinterest towards Moscow's interests in the run-up to the Iraq invasion and during the Rose Revolution in Georgia. Relations deteriorated further in 2004, when several Baltic and Eastern European countries joined NATO and the Orange Revolution broke out in Ukraine. Russia grappled with the new reality. It pushed for greater economic cooperation with the West, but also signed a first friendship agreement with China in 2001, turned the Collective Security Treaty Organization (CSTO) into a military alliance, and joined forces with European and Asian countries to call for a multipolar order.

This was the first stage in the hardening of Russia's diplomacy. It sought to respond to alleged Western assertiveness, but still lacked the means. That changed. In 2006, it started to explore closer energy relations with China. Increasing energy prices increased government revenues and Vladimir Putin was now firmly in charge. This was the year that Russia started to use this influence: by threatening to cut gas supplies to Ukraine and the Belarus, severing economic ties with Moldova and Georgia, and at the same time playing the European countries off against one another with new pipeline projects like Blue Stream. Then came the thundering speech of Vladimir Putin during the 2007 Munich Security conference, the withdrawal from the Treaty on Conventional Armed Forces in Europe, and a raft of incidents with countries like UK and Estonia. Meanwhile, Russia prioritized relations with China and deepened security relations with several Asian countries. In 2006 a period of tit-for-tat began. When Russia felt provoked, it responded instantly. But none of these responses were comparable to what happened after the interference in Ukraine in 2014, which started a new stage in Russia's foreign policy. This paper will now review policy changes since that moment, starting with the military domain.

Military modernization

If the defence budgets of the European member states continued to shrink, Russia's military spending has increased significantly in the last few years (Figure 1). This allowed Russia to start modernizing its armed forces. There are two in the West, bordering Europe and the Black Sea. These are the Western and Southern Military Regions. There are two in the East, bordering China, being the Central and Far Eastern Military Districts. The point of gravity has been in the West. Yet, there was evidence that Russia, even before the Ukrainian Crisis, was shifting the focus of its military modernization to the East (Holslag, 2011). This section reviews whether that has changed. It reviews developments in the Air Force, the Navy and the Army, as well as recent military exercises. Evidence for this section is drawn from news reports in Russian media, satellite images, and statements by Russian military leaders.

The most dramatic change in the Russian Air Force was the occupation of the Belbek Air Base, near Sebastopol on the Crimea, in March 2014. Since then, Russia has deployed 12–16 modern fighter jets at this base. About one hour north, at Hvardiis'ke Air Base, satellite images show three fighter jets and S-300 air defence missiles. At Dhzankoi Air Base several trucks were found on the tarmac with what looks like S-400 air defence missiles. Russia announced that it would permanently station long-range bombers on the Crimea from 2016 onwards. Besides the build-up in the Crimea, there is no evidence of a shift of Air Force

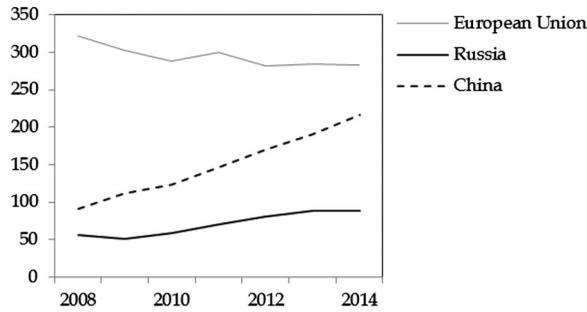


Figure 1. Military spending by Russia, China, and the EU.
Source: SIPRI.

capabilities to the west. The other area where the presence of the Russian Air Force increases is the Arctic, where 10–14 new airfields are planned (Staalesen, 2013). Otherwise, changes are limited. Apart from Petropavlovsk, Kamtchatka satellite images of the air bases in the Eastern and Western Military Districts do not show evidence of recently hardened landing strips, improved shelters for fighter jets, or new radar facilities. Most of the modern fighter jets were allocated to air bases in the West. Morozovsk, near the Black Sea, received at least 33 Su-34, Voronezh near Moscow 24 Su-34. Deliveries started in 2011. Dzemgi, near China, received 12 Su-35. Domna near Mongolia received 10 Su-30. As regards the advanced S-400 air defence systems, only one out of four batteries installed since 2014 was allocated to the West, in Novochoerkassk near the Black Sea. The others were deployed in Nakhodka, Moscow and Yelizovo, Kamtchatka. The batteries in Kaliningrad and St-Petersburg were already deployed before 2014.

The Russian Navy too prioritizes its presence on the Crimea. In the months following the annexation, Bastion K-300 anti-ship missiles were deployed near Sebastopol. The government announced that its six improved Kilo-class Submarines and the first six Grigorovich-class frigates would be home-ported in Sebastopol to serve in the Black Sea Fleet (Demianchuck, 2015). Besides the Crimea, bases and personnel accommodation along the Barents Sea and around the Sea of Okhotsk, of the Northern Fleet and the Pacific Fleet, are in the process of modernization, with the main focus being on improving the liveability in these rather inhospitable places. It is difficult to predict how the Navy's Vision 2030 will translate into geographic priorities. The facilities at Vilyuchinsk Kamchatka are being readied for the Borei Class Submarine, whereas the Northern Fleet will receive the first Yasen Class nuclear attack submarines.

The Army traditionally has most of its capabilities centred in the Western, Southern and Central Military District. Again, Moscow continues to prioritize its western frontier. Already in 2012, it announced the creation of a motorized brigade for arctic warfare that will be based in Arkhangelsk and Murmansk. In 2015, the Defence Ministry announced that it would create a new tank army, the First Guards Tank Army, and the Twentieth Guards Combined Army. The Tank Army will incorporate many existing units, like the Sixth Tank brigade, which was reportedly deployed in Ukraine, but it will probably also be enlarged and be the first to receive the newest Armata tanks and Kurganets infantry fighting vehicles (Vorobyov, 2015). In the east, the main adjustment will be the complete overhaul of the Fifth Tank Brigade, near the Chinese border. It is expected to receive new tanks and other platforms by 2020 (Rossiyskaya Gazeta, 2015).

Since the Crimean annexation, Western countries were especially alarmed about large-scale military exercises. Russia holds about 3000 military drills per year, so we cannot entirely reconstruct the geographic focus. Yet, open sources usually report the largest exercises. Departing from a list of 65 such exercises between March 2014 and September 2015, it is clear that there was an impressive increase of drills in Eastern Europe between March and September 2014. The most

dramatic exercises involved 10,000 to 16,700 troops that were deployed near the Ukrainian border for almost three months. Yet, otherwise, those large exercises were rather evenly distributed. More intimidating and revolutionary than the drill near Ukraine, for instance, was a large-scale joint-forces drill in the Arctic, involving 38,000 servicemen, 50 surface ships and 110 aircraft. In the Central Military District, an exercise of 65,000 troops was staged during the summer. By far the largest drills took place in the Eastern Military District: a snap exercise in Kamchatka involving about 100,000 soldiers and the annual Vostok Exercise for which a record of 165,000 soldiers were mobilized in 2014. China is the hypothetical enemy of this exercise.

So, on balance, there is evidence of an attempt to shore up Russia's military capabilities in the West, partially as a consequence of the annexation of the Crimea, which required military presence to enforce its claim, and partially, it seems, to be more capable to counter the West in the Black Sea, along the Western continental border and in the western part of the Arctic. The shift, however, is not dramatic. It involves brigade-size adjustments in the Army and squadron-size improvements in the Air Force. It is too early to speak of a large-scale military shift, particularly because Russia has not backtracked from its initial plans for military modernization in the East and the fact that its exercises still display concern about the rise of China. What it shows, is that Russia readies for bolder hedging between two challenging theatres, with a firm resolve to assert Russia's security interests in both directions.

Economic relations

This section evaluates the evolution of Russia's economic relations with the West, largely the European Union as its most important export market, and China. The main question is whether Russia has increased its efforts to strengthen relations with China, eventually at a greater cost. Subsequently, it assesses how much these efforts could also cause a reorientation of trade flows from the West to the East in the future.

Already during his first presidency Vladimir Putin has sought to strengthen economic relations with the East and with China in particular: not with the aim to sever relations with the West, but to diversify economic relations and to reduce Russia's dependence on Europe. The Ukrainian Crisis and the subsequent sanctions have emboldened Moscow in that attempt. In May 2014, Russia and China signed a deal to deliver 38 billion cubic metres of natural gas per year to China and to build a new pipeline to that end. The deal, worth US\$ 400 million included important concessions, such as a guaranteed low price and the lifting of some of the restrictions for foreign companies to invest in Russian strategic assets, which will allow Chinese companies to participate in the development of infrastructure and probably also gas fields. In May 2015, during a visit by President Putin, Russia obtained a US\$ 25 billion credit line to help its companies overcome the financial constraints that resulted from Western sanctions. Furthermore, a US\$ 2 billion agriculture fund was set up, which is expected mostly to facilitate Chinese investments related to the lease of 115,000 hectares of farmland in Russia's Trans-Baikal territory to a Chinese company, a deal that was affirmed in June that year. The China Development Bank established a RMB-denominated credit facility of almost US\$ 1 billion with the Sberbank to facilitate bilateral trade (Sberbank, 2015). In the months after the visit, a bill was passed through the Duma that turned Vladivostok into a free port, a measure that largely acceded to a Chinese demand for easier visa procedures and access to the Russian market.

The question remains what the impact of these agreements will be on Russia's economic position. Today, Europe still represents 50% of Russia's exports, which is only a minor decrease from 55% in 2000 (UN Comtrade, 2016). China's share in Russia's exports meanwhile increased slightly from 5 to 8%. The recent agreements will certainly increase China's share in Russia's exports, but it is unlikely to overtake Europe's part in the next five to 10 years. The main

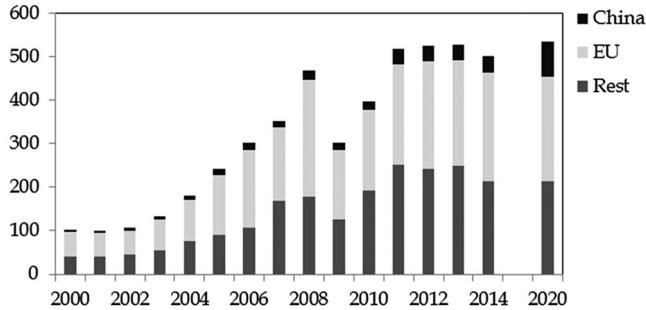


Figure 2. Russian exports and expected increase by 2020 as a consequence of new energy projects. Source: UN Comtrade, Duma Database of Parliamentary Debates.

element in these exports is of course oil and gas. In 2014, Russia sent 133 million tons of oil to Europe and 17 million tons to China. By 2020, as [Figure 2](#) suggests, China is expected to take 50 million tons. In 2014, Russia sent 167 billion cubic metres of natural gas to Europe and about 1 billion cubic metres to China (UN Comtrade, 2016). By 2019 this is expected to be 38 billion cubic metres. Demand for oil in Europe will probably remain stable or decrease slightly. The closing of nuclear power plants will lead to a greater demand for natural gas import, especially as European reserves are limited. At the current low energy prices, around US\$ 6 per MMBtu of gas and US\$ 36 per barrel of oil, the energy deals might generate between US\$ 40 and US\$ 50 billion more in export revenues, which would imply a share of China in Russian exports roughly between 10 and 20% (International Energy Agency, 2016). China's recent slowdown has not halted the construction of the new 38 BCM gas pipeline and the volume of imported oil from Russia has continued to increase (Global Times, 2015). Russia actually became China's main crude oil supplier in 2015.

As a result of trade liberalization with China, the latter is set to gain in trade in manufactured goods, which explains Russia's current bilateral trade deficit of US\$ 11 billion – compared to a US \$ 114 billion surplus with Europe. Increased energy exports could partially compensate for that, but Russia could then lose on its current account if Chinese companies are allowed to participate in the exploitation and construction of energy projects and transfer their incomes from these operations back to China. So, Russia's behaviour in the economic field testifies of hedging, a desire essentially to benefit from both the East and the West. This seems to strengthen Russia's position to the West, but in essence sanctions have obliged it to make important and costly concessions to China, rendering its hedging strategy thus less rewarding, and certainly not increased its ability to play Europe against the East, because the maximum capacity to ship oil and gas to China remains limited.

It is more difficult to assess China's role as an investor. In 2014, China's stock of direct investments in Russia amounted to approximately US\$ 10 billion according to the Chinese Ministry of Commerce (see [Table 1](#)). In 2012, the European Union's stock of direct investments totalled US\$ 219 billion according to Eurostat. Aggregated European data for 2013 and 2014 are not available from Eurostat. On the first glance, though, it is thus clear that Europe remained a much more important source of direct investment. This is confirmed by data of the Russian Central Bank, which reports flows, not stocks. Between 2009 and 2014, accumulated net inward foreign direct investment flows from the European Union totalled US\$ 157 billion. Deducting Cyprus as a source, which is notorious for its tax-evasive investment round tripping by Russian citizens, this totalled US\$ 111 billion. Investment net-inflows from China meanwhile totalled US\$ 3 billion. In the period between the second quarter of 2014 and the first quarter of 2015, in the

Table 1. Foreign direct investments from the EU and China (US\$ billion, stock and inflows).

		2009	2010	2011	2012	2013	2014	Change
Stock	China	2	3	4	5	8	10	+8
	EU	112	148	193	219	n.a.	n.a.	+94*
	EU	15	28	33	29	45	8	+157
Inflows	EU ex Cyprus	11	15	20	27	36	2	+111
	China	0	0	0	1	1	1	+3

Source: MOFCOM, Eurostat, Russian Central Bank. *Change 2009–2012.

wake of the annexation of the Crimea, net inflows of foreign direct investments from the European Union were US\$ –1.7 billion with Cyprus omitted. From China, these were US\$ 1.7 billion. This implies disinvestment. China did thus emerge as a more prominent source of foreign direct investment, but the total amount of foreign investments remained too small to challenge the leading position of the European Union. Given the slow growth over the last years, certainly compared to the official promises of more investments, it is unlikely that this situation will change quickly.

China has probably become more important as a source of other investments. In the component of portfolio and so-called other investments, Eurostat data show that the European Union has been disinvesting from Russia since 2009. In those components Russia has in fact become a net-creditor to Europe, which is logical given its current account surplus. This evolution cannot be documented for China, but it is likely the opposite. It means, however, that a significant part of the Chinese investment projects are not direct investments, but loans. Chinese banks lend money to Russian banks and large companies to facilitate infrastructure projects. From a Russian viewpoint, these kinds of investments are certainly useful in times of Western sanctions, but they are less beneficial, as they come with less knowledge, for instance, and must of course be paid back. In other words: there is no chance that China will become an alternative to the West in Russia's economic relations, at least not in the middle-long term. In the short term, increased cooperation might allow Russia to limit the damage from the Western sanctions, but in the long term, the economic price for the recent unequal deals with China could be significant.

Political ties

Given the growing influence of the Kremlin over domestic debates, it is difficult to evaluate the expectations and perceptions of the Russian political elite. Assessments of Russia's security environment, like the Military Doctrine or any statement of the President, can give us insight into the concerns of the leadership, but have to be treated with caution as they might also be part of a strategy to intimidate the West. This section therefore departs from the leadership views, but checks them against four other sources: questions asked in the State Duma by both the ruling party and opposition parties between March 2014 and September 2015, positions of opinion leaders, public opinion polls and political *démarches*.

In his speech after the annexation of the Crimea, Putin depicted the USA as a revisionist power, putting NATO upfront to expand its influence and claiming the moral high ground while using force in disregard of international law. This speech presents a clear assessment of Russia's security environment (Putin, 2014). The USA figures as the main challenger of Russia's status and interests. Then comes an intermediate zone of more reluctant European states, loosely knit together by their alliance with the USA and the European Union. Germany is considered the leader of this pack, but fails to make decisions on its foreign policy orientation.

China is seen as a partner, as is India, but less prominent. “We are grateful to all those who understood our actions in Crimea”, Putin stated, “We are grateful to the people of China, whose leaders have always considered the situation in Ukraine and Crimea taking into account the full historical and political context, and greatly appreciate India’s reserve and objectivity.” This was echoed during the Valdai Club Meeting of 2014. The USA was depicted as the spoiler of world politics, with countries like Russia, China and Iran being used as enemies to maintain the position of America as indispensable security provider (Putin, 2015). “The unipolar world is simply a means of justifying dictatorship over people and countries.” Putin refuted that Russia was turning its back on Europe and explained that the growing efforts to reach out to Asia were a result of the fact that Russia is partially an Asian power and needs “integration” with the east for its domestic development. Putin praised Asian powers for getting their sovereignty respected. “They treasure it and would not let anybody near it.” The European Union was described as dysfunctional, failing to live up to its promises to Ukraine, but as “a good client” that pays its energy bill. Both speeches are largely consistent with the Military Doctrines of 2010 and 2014, which also pointed at US-led interference in Russia’s backyard as the main challenge, identified Europe largely as a fragmented intermediary zone and countries like China in the East that have many interests with Russia in common (Russian Government, 2010).

Moving to the debates in the Russian Parliament, the State Duma, between March 2014 and September 2015, there were 32 sessions that discussed the USA, NATO or China. Members of Parliament, across different parties, from Putin’s United Russia, over the Communists, to LDPR and Just Russia were united in their criticism of the West for neglecting Russian interests, clinging to an unfair global order and aggressively interfering in Russia’s neighbourhood. Members from different parties singled out the USA as a “revisionist power”, an “irresponsible power” and an “aggressive power”. A debate on European sanctions in March 2015 offered an interesting window on political perceptions of Europe. Alexei Pushkov, the Chair of the International Affairs Committee, highlighted that there are many common interests with Europe, but that Europe remains divided with hardliners like Lithuania, Poland, Sweden, and the UK on the one hand, and undecided countries like Germany, France and Finland on the other. He continued that Europe faces a tough choice between subordination to the USA or developing a more independent foreign policy. Duma Deputy Chairman Sergei Zheleznyak, also from United Russia, remarked that a wise outcome and the continuation of the strategic partnership between Russia and the European Union is possible, but that this required European member states “to act on the interests of their constituents” instead of “external commands” (State Duma of Russia archives, 16 March 2015). When it comes to China, Russian lawmakers frequently expressed their admiration for China’s economic trajectory (State Duma of Russia archives, 8 April 2015). BRICS is referred to as a positive example of international cooperation (State Duma of Russia archives, 20 June 2015). Yuri Shuvalov, for instance, stated that it was the West that blew up dialogue with Russia and praised the budding of Eurasian integration with China and BRICS countries as a way to destroy the unipolar system (State Duma of Russia archives, 18 August 2015). “Emerging before our eyes, the strategic partnership between Moscow and Beijing is a joint response to the policy of sanctions, threats and pressure”, said Alexei Pushkov (State Duma of Russia archives, 15 March 2015). There were no negative remarks about China’s military modernization, political tensions, or China’s growing influence in Central Asia.

Most of the critical questions and comments were confined to economic cooperation. When Energy Minister Alexander Novak presented the new energy agreement with Beijing, the Communists asked critical questions about the price (State Duma of Russia archives, 10 April 2015). Novak himself stressed that “that the eastern accent in the gas policy does not mean abandoning the development of infrastructure in the European direction” (State Duma of Russia archives, 10 June 2015). Ivan Abramov (LDPR) complained that China only wanted unprocessed oil and

refused to have it refined in Russia. Others complained that the tax on exported oil to China was waived, that the contract was shrouded in secrecy. A member of United Russia concluded the debate, however, by stating that the deal would “strengthen Russia–Chinese cooperation” and “create favourable conditions for deepening the strategic partnership” (State Duma of Russia archives, 24 April 2015). In other debates, the communists criticized China for making Rosneft and Gazprom too dependent on Chinese loans and lamented the “disturbing state of trade relations” (State Duma of Russia archives, 24 September 2015). A representative of Fair Russia criticized China for developing transport networks that bypassed Russia. In debates about the Russian Far East, law makers from different parties warned of a large influx of Chinese immigrants, the alleged practice of handing out official visas to Chinese migrant workers, and the land transfer in the Trans-Baikal project (State Duma of Russia archives, 28 February and 17 June 2015). Nationalists of Fair Russia called for an antidumping investigation against Chinese manufacturers (State Duma of Russia archives, 17 September 2015). The most straightforward critique came from a heavyweight from within the ranks of United Russia. Vyacheslav Lysakov, Deputy Chairman of the Committee on Constitutional Legislation and State Construction, who went on record in the *Kommersant* by accusing China of pursuing soft expansionism in the Far East: “China is moving a significant number of Chinese people to this region to open new businesses and to expand them and they marry Russian women. This assimilation, this mild expansionism is really dangerous. ... The transfer of a large portion of Russian land to Chinese farmers is also fraught with problems” (*Kommersant*, 23 June 2015).

It is clear that sanctions have not withheld Russian leaders from paying frequent visits. When Vladimir Putin was invited as a guest of honour to China’s national parade in the autumn of 2015, standing next to President Xi Jinping on top the main gate of the Forbidden Palace, the pictures of that moment all seemed to confirm a reorientation of political exchanges to the East. In essence, however, the majority of official visits still heads to the West. Whereas Putin visited China three times after the annexation of the Crimea, he visited the West eight times.¹ During this period he met French President Hollande more frequently than China’s President Xi. While Foreign Minister Sergei Lavrov paid two visits to China between March 2014 and the autumn of 2015, he visited Europe at least 20 times.²

There is no consensus among opinion leaders about Russia’s position between the West and its partners in the East. For this review, experts with access to the main Russian newspapers and news portals were selected, for media with relations with the Kremlin, e.g. *Rossiyskaya Gazeta* and *lenta.ru*, and media related to other political parties, e.g. *Moskovskii Komsomolets* and *Komsomolskaya Pravda*. Most news reports about China tend to be positive and sceptical opinions in these media are rare. Alexander Khramchikhin (2012, 2014) of the Institute for Political and Military Analysis wrote that Russia sells out its interests to China and that China’s peaceful rise does not make sense. He criticized the fact that in 2004, Putin agreed to hand over Tarabarov Island and half of the Bolshoi Ussuriski Island on the Amur River to China as a final settlement of the border dispute and advises to strengthen Russia’s conventional forces in the Eastern Military District. Vladislav Inozemtsev (2014), Professor of Economics at Moscow’s Higher School of Economics and Director of the Center for Post-Industrial Studies, remarked that China in the short term will only be a geopolitical threat “as far as Russia allows it to become one”, by permitting illegal migration, bribery and fake work permits, but emphasizes that it does pose an imminent challenge to Russia’s industrialization. Andrei Kazantsev argues that while Russia continues bear the cost of providing security in Central Asia and maintains a military presence, China effectively undermines Russia’s influences by means of soft power and statecraft (Shchelín, 2015). Alexander Dugin, the notorious conservative thinker, repeatedly warned that China remains Russia’s most dangerous neighbour (Kondrashov, 2010).

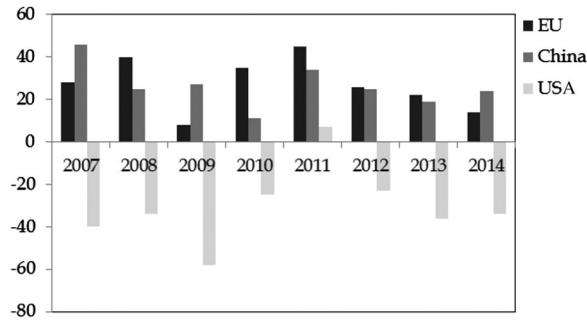


Figure 3. Russian attitudes towards China, the European Union and the USA.
Source: Own calculations based on BBC World Poll 2007 to 2014 editions.

This is reflected by the attitudes of the Russian people. The BBC World Poll allows us to track Russian attitudes towards important actors. If we subtract negative opinions from positive opinions, it is clear that the USA is viewed very negatively, but that has been the case throughout the past eight years (as [Figure 3](#) indicates). Attitudes towards the European Union are more positive, but also deteriorated since 2011. Attitudes towards China are comparable to these towards the European Union, but also grew worse since 2011. The crux is that while the Russians are not very appreciative of the West, they are not positive about China either.

Hedging the hard way

There is no evidence yet that Russia is balancing with China and that a new anti-Western axis is in the making. In the coming decade, China cannot be an alternative to the European Union in terms of economic gains, and without guaranteed incomes from energy export, Russia will not be able to sustain the modernization of its hard power. One explanation of the limits of economic cooperation is the absence of infrastructure to reorient energy exports more drastically to the East and this cannot be remedied quickly. Another element is that economic cooperation with China is just not beneficial in the long run. Politicians and opinion leaders already complain about the unbalanced nature of the economic partnership, the deficits, and the fact that Russia risks becoming a financial dependency. Seeking closer economic cooperation with Beijing and accepting unbalanced exchanges might be expedient in the short-term, to counter Western sanctions, but it does not serve Russia's interests in the long run. Neither is there evidence that Russia has come to accept an unequal partnership with China that allows it to enforce its security interests in the West while it sacrifices its security in the East. In the last few years, the priority of military modernization did shift to the West, but Russia continued to bolster its armed forces in the East as well. All this testifies of tough hedging behaviour, hedging that has to permit Moscow to defend its interests and increase domestic support for the regime by means of a more muscular foreign policy.

Such hedging behaviour can, of course, still develop into balancing, if, for example, Russia does not see the possibility of a face-saving *détente* with the West and if China, at the same time, feels a greater necessity of cooperation because of tensions with the USA in the Pacific. This could also prompt China to make greater economic concessions to Russia, more serious efforts to ease Russia's fears of a Chinese "invasion" and more serious efforts also to allow Russia to diversify its exports. In any case, it would imply Russia's acceptance of a junior position. The consequences of such a formation would be phenomenal, but for now, Russia still keeps its options open.

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Notes

1. Visits to Western countries and meetings with Western leaders: 5 June 2014, visit to France with meetings with François Hollande, Barack Obama and Angela Merkel; 17 October 2014, meeting with Matteo Renzi, Angela Merkel and François Hollande in Milan; 15 November 2014, meetings with Angela Merkel, David Cameron and François Hollande and Barack Obama in Australia; 11 February 2015, meetings with François Hollande and Angela Merkel in Minsk; 17 February 2015, official visit to Hungary; 9 June 2015, meeting with Matteo Renzi in Rome; 27 September 2015, meeting with Barack Obama in New York; 3 October 2015, meeting with François Hollande in Paris. Visits to China: 20 May 2014, visit to Beijing; 2 September 2015, visit to Beijing; 8 November 2015, visit to Beijing for the APEC Summit; 3 September 2015, visit to Beijing for World War II commemoration.
2. Visits to China: 16 April 2014 and on 24 August 2015. Visits to Europe: 4 March 2014, visit to Spain; 5 March 2014, visit to France; 29 March 2014, visit to France; 14 May 2014, visit to London; 6 June 2014, visit to Finland; 8 July 2014, visit to Slovenia, Bulgaria; 17 August 2014, visit to Berlin; 22 October 2014, visit to Norway; 8 December 2014, visit to Brussels; 10 December 2014, visit to Switzerland; 13 December 2014, visit to Rome; 10 January 2015, visit to France; 7 February 2015, visit to Germany; 25 February 2015, visit to France; 2 March 2015, visit to Switzerland; 3 April 2015, visit to Slovakia; 18 May 2015, visit to Brussels; 2 July 2015, visit to Berlin; 18 August 2015, visit to Cyprus; 12 September 2015, visit to Berlin.

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