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China, Russia, Unlimited Friendship, and Energy

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University of San Diego and KEPCO International Nuclear Graduate School
Proceedings of a Conference on Nuclear Power Futures (Summer 2023)

This collection of essays summarizes the presentations at a conference on nuclear power futures in June 2023 featuring more than a dozen speakers, more than twenty Korean graduate students, and over seventy local graduate students and professionals. The conference was hosted by the University of San Diego (USD,) funded by the Korean International Nuclear Graduate School (KINGS,) and coordinated by Professors Randy Willoughby and Juyoul Kim. The event would not have been possible much less smoothly conducted without the invaluable organizational assistance of several administrative specialists, most notably Tiffany Mullenix and Youngeun Lee, and two talented USD students, Calli Ortega and Alessandra Brizuela; the latter two took the lead on the eloquent summaries that follow. The USD KINGS relationship began with a presentation by KINGS President Kipung You to a USD International Center sponsored class session in Busan in January and was formalized in a MOU between the two universities in March. We hope future collaborations will be equally rich in conversation and collegiality.

Dr. Randy Willoughby, August 1, 2023

“China, Russia, Unlimited Friendship, and Energy”

Kacie Miura

Kacie Miura is an Assistant Professor of Political Science and International Relations at the University of San Diego. Her research focuses on the links between domestic and international politics with a regional focus on China and the Indo-Pacific. She was a 2021-22 Wilson Center China Fellow and a 2020-21 US-Korea NextGen Scholar and was previously a research fellow at the Belfer Center for Science and International Affairs at the Harvard Kennedy School. She holds a PhD in Political Science from the Massachusetts Institute of Technology, where she was a member of the Security Studies Program.

Given their shared frustration with the constraints imposed by the Western-dominated global order, China and Russia have deepened ties in recent years. Despite their strategic rationale for cooperation, China and Russia’s friendship is ultimately less than meets the eye. Major obstacles prevent a truly unlimited friendship between China and Russia given their asymmetric relationship. It is impossible to ignore the fact that China is a rising power while Russia is the weaker, declining power. The unbalanced economic relationship between these two countries translates to a relationship akin to that of a developed and underdeveloped country. Additionally, China’s activities in the post-Soviet space and desire to expand its influence in Central Asia, a region where Russia is especially sensitive to outside influence, undoubtedly worries Russia. The migration of Chinese to Russia’s far eastern regions has triggered waves of xenophobia and the weight of the history of the Sino-Soviet split and 1969 border war also serve as an impediment to closer relations. While Russia and China enjoy publicizing their friendship, it is by no means unlimited.

Following Russia’s invasion of Ukraine, China has limited its support for Russia to the informational and diplomatic realms. China has refused to publicly condemn Russia’s invasion, describing it instead as a “special military operation.” Furthermore, China has placed the blame on the U.S. for provoking Russia through NATO’s enlargement and has amplified Russian disinformation through Chinese state-owned media outlets. Xi Jinping has also personally supported Putin through a state visit in March 2023 following Putin’s International Criminal Court arrest warrant. Nonetheless, China has not provided Russia with significant material support in the form of military aid, nor has it helped Russia circumvent the

Western-imposed sanctions. As the war has dragged on, China has been eager to portray itself as the “neutral” arbiter, issuing a plan for a political settlement to the crisis and even communicating with Ukrainian President Zelensky.

China’s energy insecurity has been a longstanding problem for the Chinese Communist Party as the nation’s energy consumption has increased exponentially and is uncomfortably dependent on foreign suppliers. Over half of China’s energy consumption is fueled by coal. Although China has the largest coal reserves, it still imports coal and thus remains sensitive to fluctuations in market prices. The Fall 2021 blackouts in Northern China that were caused by coal shortages highlighted the unreliability of this energy source as factories were left in the dark, disrupting global supply chains. While China has large oil reserves, extracting and processing the reserves is prohibitively expensive. Consequently, China is the largest oil importer, having surpassed the U.S. in 2017. China aims to diversify its oil imports since oil from the Middle East is vulnerable in its transportation when passing through the narrow Strait of Malacca. Similarly to oil, China has large gas reserves but is unable to fully take advantage of these reserves because the extraction process is extremely water-intensive, leading it to import 40% of its natural gas.

Russia played an important role in China’s quest to diversify its oil supply away from the Middle East. Russian oil arrives in China largely via pipeline, avoiding the infamous Strait of Malacca. After the war started, Chinese refiners were eager to take advantage of the drop in Russian oil prices: Russia has since overtaken Saudi Arabia as China’s top crude oil supplier. Chinese access to this discounted oil came at a pivotal time as leaders were under pressure to revitalize the economy after it stalled under the stringent Zero-Covid policy. Despite receiving cheaper oil from Russia, the net cost of importing oil has still increased for China because of rising oil costs in other countries. Given the volatility of liquefied natural gas prices (LNG), China has decreased LNG imports and increased pipe imports from the China-Russia East-Route pipeline. But, China is not nearly as dependent on natural gas as it is on coal or oil and has used this fact as leverage in discussions about the construction of a new pipeline called Power of Siberia 2. China is aware that Russia, facing Western sanctions, is eager to see this proposed pipeline materialize, and is thus holding out for the best deal.

China has made bold climate change commitments, aiming to reach net-zero emissions by 2060. However, this commitment has been overridden by concerns about energy security and economic growth that were exacerbated by the war. The

coal sector continues to grow and an “all-out” infrastructure push to stimulate the economy is expected to involve new emissions-heavy projects. Despite these setbacks, China is still outpacing the rest of the world in renewable energy investments. Additionally, the war and the rise in energy prices seem to have revitalized support for nuclear energy in China. China’s concerns over nuclear security that arose during Russia’s capture of Zaporizhzhia in March 2022 are unlikely to prompt it to shift away from its growing reliance on nuclear energy. Since nuclear power is identified as a critical component of meeting China’s carbon neutrality goal, China is expected to become the largest operator of nuclear power by 2030. In the next 15 years, China is expected to invest as much as \$440 billion in the nuclear sector. Nuclear exports are also an important part of China’s Belt and Road Initiative as the Chinese National Nuclear Cooperation’s (CNNC) goal is to build 30 reactors across Asia, the Middle East, and Africa by 2030.

Amidst the war in Ukraine, China has capitalized on cheaper Russian oil and gas, yet the benefits are limited since China is today paying more for oil and gas from other sources. Today it remains unclear whether or not China is a beneficiary of the war. If anything, the war has heightened the importance of diversifying its energy supply and developing alternative sources. Doing so, however, will not necessarily translate into climate-friendly policies, as energy security and economic growth will always override environmental considerations, a phenomenon that is not unique to China. As other countries seek to reduce dependence on Russian energy, China is well positioned to take advantage of increased demand for alternate energy infrastructure projects – especially nuclear reactors.