What does a Stronger China Mean for Russia?

Over the last 30 years, China has made a historical leap out of backwardness towards becoming a modern, developed society. The country is still facing many challenges, but one thing is clear: China is transforming itself from a poor, politically unstable country shaken by various vicissitudes into a powerful state capable of exerting significant influence not only on regional politics, but also on global politics. During the same period, Russia has grown significantly weaker. In comparison to the Soviet period, Russia’s political weight in the world community has decreased, although it remains a major and influential state.

Today, Russian-Chinese relations are at the peak of their development. There exists a carefully constructed bilateral mechanism of annual visits between the leaders of the two countries that extends all the way down to regional and municipal levels. Their new standing was secured in 2001 with the Treaty of Good-Neighborliness and Friendly Cooperation between the People’s Republic of China and the Russian Federation. There are no problems in Russian-Chinese bilateral relations such as those hindering Russia’s dealings with other countries in the region: territorial (as with Japan) and political problems (as with North Korea). The problem of delineating the border along its entire length of 4209.3 km – for many years a cause of disagreement – has been fully solved according to the principles of international law. The two countries managed to resolve their last remaining territorial disagreement in 2004, when three disputed islands in the Amur and Ussuri Rivers were divided approximately in half. In 2006, both parties observed “The Year of Russia in China,” and in 2007, “The Year of China in Russia” – a multifaceted program consisting of hundreds of different activities in the political, economic and cultural spheres. The leaders of both countries alone met five times in 2007. It has been officially

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Abstract

Over the last 30 years, China has made a historical leap out of backwardness towards becoming a modern, developed society. During the same period, Russia has grown significantly weaker. Today, Russian-Chinese relations are at the peak of their development. It is officially stated that China and Russia are bound together by a “relationship of strategic partnership and mutual benefit”. This and other similar formulations are not empty slogans or decaying remnants of the ambitions of the countries’ leaders. Rather, the Sino-Russian partnership is based on genuine national interests of the two countries. This does not mean that there are no problems between the two countries and peoples. However, a close, constructive and cooperative relationship that does not go to the extremes of mutual hostility on the one hand, or forming a military alliance on the other hand, is fully in accordance with the interests of both Russia and China.

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The opinions expressed herein are strictly personal and do not necessarily reflect the position of ISPI.
recognized that Russia and China are linked by a “relationship of strategic partnership and cooperation.”

All of this does not mean that there are no problems between the two countries and peoples. As a rule, however, they remain a subject of study by scholars and only rarely become a theme for broad public discussion. This article will examine the most significant issues concerning the interaction of Russia and China that the community of political analysts is currently discussing.

**Why Does Russia Need China?**

It is officially stated that China and Russia are bound together by a “relationship of strategic partnership and mutual benefit”. This and other similar formulations are not empty slogans or the decaying remnants of the ambitions of the countries’ leaders. Rather, the Sino-Russian partnership is based on genuine national interests of the two states.

Cooperation with China is extremely important for Russia’s international interests. China shares Russia’s vision of a future multipolar international system. In practical terms, both countries would like a world that is not dominated only by a single power, but one marked by cooperation between several centers of influence and guided by international law and the Charter of the United Nations. An obvious reality lies hidden behind the ideal of a multipolar world: Russia and China, as well as several other states, are large enough to have their own interests and their own approaches to issues of regional and global development. They are not satisfied with a world order completely dominated by a single major power that does not take their interests into account. However, they are fully content with the post-World War II world structure, its system of international law and the role of supreme authority played by the U.N. Security Council. Their status as permanent members of the Security Council places them on an equal standing with the United States – a state that in every other respect is more powerful and therefore naturally trying to alter a system that is fettering its possibilities.

Furthermore, both Russia and China dislike being told by others how to manage their domestic politics, referring to this as “interference in domestic affairs,” and they similarly support each other in the battle against separatism. That is precisely why both countries have been recently speaking out for preserving the principles of international law and the status of the United Nations, why they have been coordinating their votes at the U.N. on fundamental problems the world is facing, and why they have been taking a unified stance regarding negotiations on Iran, the Korean Peninsula, Kosovo, Syria and many other thorny issues in world politics.

Russia needs to have good relations with China not only for political reasons, but for economic reasons as well. China is one of Russia’s important strategic partners and thanks to this connection with China (and other Asian countries), Russian politics have become better-rounded and less one-sided. During the process, Russia has also become a centre of global influence. Those who see Russia as being more independent and powerful should support the country’s relationship with China – but of course not go so far as to establish a military alliance, something that neither China itself nor Russia desires.

China is also one of Russia’s most important partners in the economic sphere and this cooperation is necessary primarily for the development of Siberia and the Russian Far East. Moreover, China is an important regional partner for Russia: within the framework of the Shanghai Cooperation Organisation (SCO), China, together with Russia, promotes the resolution of common problems in
Central Asia – the struggle against religious extremism and terrorism, the support of secular regimes, as well as economic and social development for the states in the region. In this way, cooperation with China objectively strengthens Russia’s position as an independent power centre on the international stage.

Russia’s partnership with China under the auspices of the dynamic “BRICS” group is highly significant. Overall, a partnership with China in a broad spectrum of sectors and activities enhances Russia’s position as one of the independent poles in the emerging multi-polar world.

Why Does China Need Russia?

China is also interested in Russia as a geopolitical and economic partner, although it must be recognized that in its current condition, Russia plays a far lesser role in Chinese politics than China does in Russia’s politics. All the same, for a number of reasons, China prefers that Russia be stable and strong – although perhaps not too powerful. Beijing sees a stable Russia, i.e. one capable of becoming an independent power center, as serving as a counterweight in China’s partner-rival relationship with the United States and Western Europe. Russia is seen as one of the guarantors capable of ensuring China’s “free and independent” foreign policy. The secure situation on its border with Russia, and on the borders with its other neighbors, is of great significance for China’s development – that is, for carrying out the goals set by the country’s current leadership. Finally, Russia constitutes an extremely important source of various commodities that China either cannot obtain from other countries (such as armaments) or can purchase only in limited quantities elsewhere (such as oil, lumber and other raw materials). This is why Beijing has taken a purposeful and constructive approach to resolving border, migration and bilateral trade issues in recent years. China would like to see Russia as a stable and economically developed country. China is willing to constructively assist in the development of Russia’s border regions. Therefore it does not understand Russian fears of its intentions or Moscow’s inactivity in addressing its own need to develop manufacturing, create a favorable investment climate, develop the Far Eastern regions, and so on.

At the same time, both Moscow and Beijing recognize the importance of having constructive relations with the West for the sake of strengthening their own positions in the international arena, for achieving important international goals (such as nonproliferation of weapons of mass destruction) as well as the goal of economic development. That is why China and Russia oppose the creation of an anti-Western military alliance.

Problems: Real or Invented?

For over 15 years, there has been talk in Russia with varying intensity about the threat of a Chinese “demographic expansion.” Newspapers write about the movement of hundreds of thousands, even millions of Chinese immigrants to Russia, and that China’s leadership supposedly encourages them as part of a plan to settle on Russian territory and ultimately seize it. Despite obviously lacking any basis in reality, horror stories about the Chinese invasion are popular among the public, as well as in some political circles – both “liberal” and “patriotic.”

In fact, it is completely natural that, at any given moment, a significant number of Chinese people reside in Russia, as well as Russians in China. Russia and China are friendly neighboring countries and the economic cooperation between them is growing from year to year. According to the
statistics compiled by the Russian Federal Migrations Service (FMS) and presented by Konstantin Romodanovsky, the FMS director, during a conference on customs and migration held on July 3, 2010 in Blagoveshchensk, at the time of the conference there were 284,000 citizens of the PRC in the Russian Federation (86,000 in the Russian Far East), including tourists, businessmen and all other categories.

The Myth of a Chinese-Russian struggle for supremacy in Central Asia

One of the most widespread theories, both in Russia and abroad, is a postulation of the unavoidable competition between China and Russia in Central Asia (CA).

In reality, China’s interests in Central Asia are in line with those of Russia and other major players in the region due, at the very least, to the following factors:

1. Support of political stability (no-one wants a socio-political explosion that would lead to the elevation of a radical Islamist movement).

2. Preservation of a secular regime at the helm of the Central Asian states.

3. Acceleration of economic development in the region, which is the only method for maintaining long-lasting political stability.

These three principles are upheld in Moscow, Beijing, Delhi, Washington and Brussels. Therefore every single Chinese economic and cultural initiative in Central Asia should not be construed as an attack on the interests of other countries (as is often done by conservatives who still base their views on the realities of the Cold War). If China and the European Union invest in Central Asia and thereby uphold CA’s cultural and scientific activities, this does not mean that Russia’s interests in the region will be hurt. After all, such efforts lead to the economic and cultural development of Central Asian states. It is another story that Russia needs to be more proactive in investing in such programs itself.

The alignment of various core interests in Central Asia by leading powers does not mean the absence of economic competition between companies associated with those countries. Many such entities, including some major state-owned corporations (mainly in the energy sector) are involved in intense competition for market share. However, economic competition between single companies cannot be equated with a struggle between states. Such competition often springs up between the closest of allies. Let us recall the “Potato War” between the USA and Canada in 1982-1983; or the “Banana War” that affected the United States, Great Britain, the European Union, and a number of Latin American states; or the constant trade disputes between the US and Japan. These were intense economic conflicts, but they did not lead to the exacerbation of overall political relations because those relationships were based on solid and long-lasting alliances. It is one of the responsibilities of the Russian government to protect and promote the interests of Russian companies abroad, but this should not necessarily lead to political or security conflicts in areas of primary national interests.

Real points of potential dispute

Both Russia and China construct their external politics based on self interest, and due to this fact some of their approaches to international problems and bilateral cooperation are not entirely congruent with each other. Here are a few examples:

China does not plan to sign on to any agreements for the reduction of its nuclear arsenal, believing that the United States and Russia must first curtail their own cache of atomic weapons to an unspecified amount. China’s refusal can, at some point, slow down discussions on nuclear disarmament. China also does not want to cut its arsenal of short and medium range missiles, as it is looking to stockpile them in case of war against Taiwan. Overall, while China supports Russia’s views on multi-polarity, it cannot recognize the independence of Abkhazia and South Ossetia. Furthermore, the very manifestation of this issue irritates Beijing, for whom territorial integrity is a highly touchy subject (especially in the light of the Tibetan riots of 2008 and the Xinjiang riots of 2009).

As the world’s largest producer of commercial goods, China is an obvious proponent of market liberalization and “free trade”. It defends these views in APEC, the SCO and other international organizations. On this issue it tends to resemble more the defender of the West and the global “North” rather than an ally of the developing global “South” and, in some ways, Russia, where many recent discussions have been held about the need to protect the “homeland producer”.

China and Russia are competitors in the race for international investments and foreign direct investors. China and Russia are also in a regional competition for the development of their outlying regions: the Russian Far East and the Chinese North-East. China is mostly interested in Russia as a producer of natural raw commodities and an importer of Chinese products. Meanwhile, Russia is interested in utilizing the Chinese labor force, capital and technology in order to develop the Russian Far East. Moreover, Moscow wants to export not just raw commodities, but also industrial machinery and technology. Today the producers of Russian and Chinese industrial machinery are in direct competition with each other for a share of the Russian market (for instance the automobile industry).

The aforementioned issues are not the kind of problems capable of creating a serious exacerbation of relations, such as the ideological rift of the 1960s. Today’s fundamental base of the Sino-Russian strategic partnership is strong enough to withstand any problems, as they can be resolved through the consultative mechanism in a spirit of constructive cooperation.

Economic relations

The Russian-Chinese economic partnership is developing rapidly, but accompanied by a number of problems. For the most part these are Russian concerns. Among them are issues such as: 1) an inadequately low turnover rate; 2) an increasing trade deficit on the part of Russia; 3) an extremely high percentage of natural commodities as part of Russia’s exports to China and an extremely low percentage of industrial goods and machinery - this while China’s nominal and actual exports of industrial goods and machinery to Russia are constantly growing. The keys to the resolution of all three problems lie in the structure of the Russian economy. It is easy for China to increase the turnover rate, but this increase depends on the Russian market’s capacity to accept Chinese goods. Meanwhile, it is difficult for Russia to increase its exports to China since the country produces few goods other than natural resources. Nonetheless, China has not taken an arrogant
stance on trade-related issues - it has been mindful of Russia’s concerns and has worked diligently toward their resolution.

### Russian-Chinese trade in 2002-2012 (US $ bill)

<table>
<thead>
<tr>
<th>Year</th>
<th>Turnover</th>
<th>Export</th>
<th>Import</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>11,928</td>
<td>8,407</td>
<td>3,521</td>
<td>+4,886</td>
</tr>
<tr>
<td>2003</td>
<td>15,758</td>
<td>9,728</td>
<td>6,030</td>
<td>+3,698</td>
</tr>
<tr>
<td>2004</td>
<td>21,23</td>
<td>12,13</td>
<td>9,1</td>
<td>+3,03</td>
</tr>
<tr>
<td>2005</td>
<td>29,10</td>
<td>15,89</td>
<td>13,21</td>
<td>+2,68</td>
</tr>
<tr>
<td>2006</td>
<td>33,4</td>
<td>17,6</td>
<td>15,8</td>
<td>+1,8</td>
</tr>
<tr>
<td>2007</td>
<td>48,2</td>
<td>19,7</td>
<td>28,5</td>
<td>-8,8</td>
</tr>
<tr>
<td>2008</td>
<td>56,8</td>
<td>23,8</td>
<td>33,1</td>
<td>-9,3</td>
</tr>
<tr>
<td>2009</td>
<td>38,7</td>
<td>21,2</td>
<td>17,5</td>
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</tr>
<tr>
<td>2010</td>
<td>55,45</td>
<td>25,94</td>
<td>29,61</td>
<td>-3,67</td>
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<tr>
<td>2011</td>
<td>79,25</td>
<td>40,35</td>
<td>38,90</td>
<td>+1,45</td>
</tr>
<tr>
<td>2012</td>
<td>88,16</td>
<td>44,10</td>
<td>44,06</td>
<td>+0,04</td>
</tr>
</tbody>
</table>

The Chinese also pay attention to the plethora of economic issues related to trade with Russia. Their concerns range from general issues (corruption, opaque and contradictory laws etc.) to more personal topics such as the general societal treatment of Chinese citizens by Russian nationals. Ordinary Russian people and even some minor officials have a poor understanding of China. Many still see it as a poorly developed, destitute country. China does, in fact, still have many poor regions, but this is not the same type of overwhelming poverty that existed in the past – there are certainly no starving or derelict masses. The majority of the country now has a highly developed and modern economy. Furthermore, there are now many affluent people in China who travel to Russia and are amazed by the poverty and neglect of the regions that immediately border on China. They are also bewildered by the apathy expressed by Russian government officials in regards to the proposals of Chinese businessmen (who are treated far differently by the Russians than are their western counterparts). It is rather obvious that Russia sees China as a migratory threat and it is now far more difficult to make an official business invitation for a Chinese business partner than to invite a citizen of any other nation.

The Chinese are also cognizant of the fact that many Russians, particularly those residing in Siberia and the Far East, are fearful of entering into a partnership with a Chinese business. This may explain the strangely negative coverage by the Russian media of a cooperative project between regions of the Russian Far East/ Eastern Siberia and the Chinese Northeast; the project is set to take place between 2009 and 2018 and promises to invest substantial sums in the economies of both regions. According to the media, it is these very investments that would lead Russia to become China’s puppet supplier of raw materials.

Siberia and the Russian Far East are rich in natural resource areas. However, the danger is not that those natural resources will be mined and utilized with the help of Chinese investment, but that the profits from such projects will be squandered instead of being used to create the type of innovative economy that Premier Medvedev has constantly pointed out in his recent speeches.

At the same time, we must admit that the main obstacle to creating a deeper, broader and more beneficial Sino-Russian trade relationship is not the absence of bilateral measures, which are actually present, but rather the overall condition of the Russian economy and the lack of a proper
investment environment in Russia. Due to the non-existence of such an environment, the only businesses able to thrive in Russia are large, multinational corporations that are prepared to make strategic capital investments, stay in the market for the long haul and have enough influence to counteract the pernicious corruption of government officials at the lower and medium levels. At present, few Chinese companies meet these criteria, and those that do usually prefer to work in other, more welcoming markets.

In China’s relations with the West, the powerful commercial networks that bind China with other countries often support and even improve the bilateral political relationship. For example, it is the profound and mutually beneficial commercial relationship between China and the US that has caused the last few American Presidential Administrations to gradually eliminate anti-Chinese rhetoric from their agenda. On the contrary, in the Sino-Russian relationship it is the highly successful political relationship between the two states that stimulates commercial ties (with varying degrees of success).

Conclusions

China’s rapid development had placed Russia into a quandary and the Russian government understood this predicament very well. As President Vladimir Putin said on July 21, 2000 in regards to the needs of the Russian Far East, “If we do not take concrete steps in the immediate future, then in a few decades even the native Russian population of the Far East will be speaking Japanese, Chinese, and Korean”2.

China’s new “self confidence” in foreign affairs can be interpreted as the natural aspiration of a large and successful state to actively pursue its own interests. Nonetheless, we must draw some conclusions based on future perspectives. Currently, China is rapidly developing but the country still faces many problems. According to the analysis of experts, China’s economic and political growth will continue in the short-term future (10 – 15 years). In the long run, it is possible that the current tendency towards development will continue, but a deceleration of growth, which can lead to troubles or even a political crisis, is also possible. Theoretically, Russia must have a plan of action for every conceivable scenario. In the immediate future Moscow should take a pragmatic approach. The main focus of Russia’s policy towards

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China should be a combination of the following two elements: 1) a general thrust towards the development of a cooperative infrastructure with a concentrated effort to attract Beijing’s interest and participation; and a pragmatic utilization of Beijing’s investment capital to facilitate Russia’s economic growth; 2) gradual building of partnerships with China’s neighbors (and other states) with the ultimate goal of balancing Beijing and eventually eliminating Russia’s economic dependency on China.

Control of Corruption (2010)
