

Conflict Studies Research Centre

Russian Series

06/46E

**Russian-Chinese Relations:
Past, Present & Future**

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September 2006

Defence Academy of the United Kingdom

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Key Points

- * The history of relations between Russia and China, especially from the middle of the 19th century to the end of the 20th century, is a story of cyclical swings between periods of antagonism and periods of rapprochement.
- * Present-day relations between the two countries are difficult. The increasing pace of cooperation in the political and military technology areas is not matched by mutually advantageous economic arrangements, so that what looks like a period of rapprochement could easily come to a sudden halt for a number of reasons, as has happened several times in the past.
- * Relations between Russia and China could be underpinned by more cooperation in industry, manufacturing and investment, for example within the Shanghai Cooperation Organisation (SCO). It would be in the interests of both countries to encourage the SCO to move in this direction.
- * In practice, however, there is not yet much sign of this happening. Moscow and Beijing continue to pretend that there are no significant problems in their bilateral relations, while paying little attention to the development of mutually-advantageous economic links. The SCO, meanwhile, is little more than a political club, where questions of cooperation in industry and investment have never progressed beyond declarations of intent.
- * The most likely development, seen from today's perspective, is the gradual economic absorption of the Asiatic part of Russia by China. This scenario could not only lead to conflict between the two states, but could affect Eurasia as a whole (half of which is made up of Russia and China).

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Russian-Chinese Relations: Past, Present & Future

Dr Vladimir Paramonov & Dr Aleksey Strokov

Introduction

From today's perspective it is not possible to guarantee that the apparent present rapprochement between Russia and China will be maintained into the future. Firstly, the history of relations between the two countries is characterised by periods of rapprochement interspersed with periods of cool, if not tense, relations. Secondly, the present close relationship between Russia and China in the political sphere and military technology area is not providing sufficient stimulus to economic relations between the two countries, which are confined to trade (comprising mainly the exchange of Russian raw materials for Chinese manufactured goods) and hardly involve industry and investment.

What will this lead to in the future? This is a difficult question, and can only be approached by having an understanding of the whole background to Russian-Chinese relations, past and present.

1 History of Russian-Chinese relations

Some Russo-Chinese connections had their origin in the days of the Great Silk Road – when the land trade routes between Europe and Asia developed. Because of the long distances involved, relations between the two countries remained weak until the middle of the 19th century.

The relationship became more dynamic at the end of the 1850s. Between that time up and the break-up of the Soviet Union there were two distinct periods of good relations, each of which was followed by a sharp deterioration in relations.

1850s to 1890s: gradual rapprochement and ally relations

In these four decades the relationship between Russia and China developed from one merely of cooperation on border issues (at the end of the 1850s and in the early 1860s) to being a military alliance (at the end of the 1890s).

In the second half of the 19th century Russia was expanding its borders at a great rate. The incorporation of Turkestan (the area occupied by today's Central Asian states) into the Russian Empire, and the conquest of Siberia and parts of the Far East by the Russians brought Russia into direct contact with China, necessitating diplomatic contacts between the two countries to define the border between them.

In 1858 a treaty on "general principles of mutual relationship" was signed between Russia and China at Tianjin, in northern China. This treaty formalised agreement on preparation of "detailed descriptions and maps for use in the future by both governments as agreed border documentation".¹ Then in 1860 the "Russo-Chinese

border treaty" was signed in Beijing, supplementing the Tianjin treaty. This set the border over most of its length, especially the low-lying parts.

A few years later, in 1864, the Chuguchak protocol was signed by Russia and China in Chuguchak, in western China. This protocol defined the main geographical features of the Russo-Chinese border (mountain ranges and peaks, and rivers) from the western Sayans to the Pamirs. The protocol also regulated trade across the border in the section between Chinese Xinjiang and Turkestan, which by then was part of the Russian Empire.

Russo-Chinese relations were given a boost by the accession of Tsar Alexander III in Russia in 1881. In 1881 a major event was the signing in St Petersburg of a treaty on the "settlement of border questions". This treaty settled the transfer of Kashgar province (in Xinjiang, western China) to China² and dealt with the definition of the border in the area of the Cherny Irtysh river.

Cooperation between Russia and China on border matters was the prelude to an expansion of economic links and to closer cooperation on military issues. Alexander III (1881-1893) made a significant contribution to this process, and after his death in 1893 the Russian Minister of Finance, Count S Witte,³ who was in post from 1892 to 1903, continued to support the active development of Russo-Chinese relations and Russia's involvement in the Far East as a whole.

On Witte's initiative the Russo-Chinese bank was established in St Petersburg in 1895, and soon after this, in 1896, a Russo-Chinese treaty was signed on "the alliance and construction of the "Chinese Eastern Railway Society". An important part of this treaty concerned the formation of a military alliance between Russia and China against possible attack by Japan on Russia, China or Korea. The treaty also foresaw the construction of a stretch of railway line from Chita (Russia) via Harbin (China) to Vladivostok (Russia). This line had great significance for both countries, both in terms of economic development (for joint exploitation of the resources of the land adjacent to the railway) and in terms of military strategy.

Soon after this, in 1898, a treaty was signed in St Petersburg between Russia and China on leasing the ports of Luishin (Port Arthur) and Dalian (Dalny) to Russia. These ports, both on Chinese territory, would become the main base for Russian naval forces in the Far East.

Early 1900s to mid 1920s: cooling of relations

This phase lasted about 25 years. The main reason for the cooling of relations was Russia's participation in the military intervention in China by the Western powers.⁴

In 1898 there was a popular uprising in China (the Boxer Rising, 1898-1901) provoked by the rapacious policies of Western companies which occupied key positions in the economy of China at the time. The rising was supported by a broad spectrum of the population in China.

In October 1900 Russia sent troops into northern China and took part in the suppression of the rising, along with Britain, France, Germany, Austria-Hungary, Italy, the USA and Japan. These powers then conspired to impose a treaty on China which was obliged to pay them considerable compensation.

This military intervention caused widespread anti-western and anti-Russian resentment at all levels of Chinese society. The resentment against Russia was particularly strong because Russia had previously been considered as China's ally.

Russo-Chinese relations plummeted to a low level, where they remained for almost quarter of a century.

Mid 1920s to late 1950s: improving relations and strategic rapprochement

This period lasted for about 35 years and more or less coincided with the Stalinist period of the Soviet era in Russian history. In this period, the Soviet Union and China progressed from renewed diplomatic relations to the creation of a real political and military alliance.

China was among the first countries to recognise the USSR. Diplomatic relations were established in 1924, and the Soviet-Chinese agreement on "general principles of settling problems" was signed in Moscow the same year. Under this agreement the USSR and China expelled the Russian Asiatic Bank from the board of directors of the Chinese Eastern Railway⁵ and took over joint control of this strategically important route.

Soviet-Chinese relations continued to flourish in the 1930s, particularly in the area of military cooperation. As in the earlier period (the 1890s), the motive for this was their mutual interest in countering Japan's military ambitions in the Far East. Japan pursued a particularly aggressive foreign policy at that time and had claims on several areas of both China and the USSR. Japan attacked China in 1930, so that China then had to fight a war of liberation.

The USSR, seeing Japan as the main threat to its security in the Far East, offered significant economic and military assistance to China to repel the Japanese aggression. In 1930 the USSR granted China special credits of \$250 million (about \$4 billion in today's terms), enabling China to purchase various types of Russian arms and military vehicles⁶ in vast quantities. In 1945 the USSR gave China direct military assistance, defeating the Japanese army in Manchuria, northern China.

The active participation of the Soviet Union in the liberation of China from Japanese occupation and the powerful political, military and financial support given to the Chinese communists⁷ by Stalin's regime played a significant part in the accession to power of the Chinese communist party in 1949.

After the proclamation of the Peoples' Republic of China (the PRC) in 1949, Soviet-Chinese rapprochement gathered momentum rapidly. This was in no small part due to the activities of the two leaders, Joseph Stalin and Mao Zedong, who strove to create a military and political alliance between the two powers, based on identical state ideologies. Thus from 1949 onwards the level of cooperation in the political, economic, military and other spheres increased considerably.

China furnished massive quantities of material to the Soviet market, such as textiles and light industry products and, notably, non-ferrous metals which were in short supply in the USSR at that time and were vitally important for Soviet industry.

The Soviet Union provided aid to China in various forms, such as building major industrial enterprises and power stations and providing training in science and technology for massive numbers of people to meet the growing demands of the Chinese economy. The USSR also provided the PRC with considerable support in the military technology area, such as equipping the People's Liberation Army (the PLA), officer training and arranging for the manufacture of military equipment in China.

The climax of all this cooperation was the joint participation by the USSR and China in the Korean War (1950-1953) on the side of the communist North Koreans against the government of South Korea, which was supported by the USA and its allies.

Early 1960s to end of 1980s: crisis and deterioration in relations

This stage lasted about 30 years. As in the earlier period, at the beginning of the 20th century, relations deteriorated very rapidly and many of the achievements of the preceding period were cancelled out. Relations began to cool at the end of the 1950s, and by the 1960s they had deteriorated to the extent that there was political confrontation between the two countries, almost culminating in armed conflict in 1969.⁸

Until the end of the 1980s relations between the two states remained extremely poor (in comparison with their relations in the early and mid 1950s). The first signs of improvement appeared just before the disintegration of the USSR. On the occasion of an official visit to Beijing by the Soviet leader Mikhail Gorbachev in 1989, the Soviets and China reached agreement on normalising their relations in the interests of both countries.

The breakthrough came in 1991, the last year of the USSR's existence, during a visit to Moscow of the PRC leader and Chairman of the Central Committee of the Chinese Communist Party, Jiang Zemin, when the Soviet Union and China signed an agreement on "delimitation of the main part of the border", and discussed other areas for future cooperation.

* * *

The history of relations between Russia and China is thus turbulent, with periods of close cooperation being interspersed with periods of deterioration in relations. The periods of rapprochement seem to have been driven by the pragmatism of the ruling elites of the two countries, who saw cooperation in the political, economic and military spheres as advancing their respective long term interests. Similarly, when short-term, narrow national interests or the ambitions of the leaders of the two countries (or the subordination of their foreign policies to ideology) began to prevail over pragmatism and a strategic vision of their common long-term interests, the relations between Russia and China deteriorated, as for example in the following cases:

- relations between the Russian Empire and China broke down at the turn of the 19th and 20th centuries, largely because Tsar Nicholas II (1894-1917) failed to understand what Russia's longer term interests were when he sided with the Western allies in the 1900 military intervention in China;
- the collapse of the Soviet-Chinese alliance at the end of the 1950s – beginning of the 1960s was due to the collision of the ambitions of Moscow and Beijing, both of whom sought primacy in the world communist movement and leadership among countries of the third world.

It would be reasonable to assume that with the disintegration of the Soviet Union and the collapse of communist ideology and the political and economic transformation of Russia and China a line could be drawn under the confrontational relationship between the two countries. How have things turned out in practice?

2 Present-day relations between Russia and China

Since the disintegration of the Soviet Union there would appear to be clear signs of Russian-Chinese rapprochement. There have been 13 summit meetings between the two sides in the post-Soviet period. More than 160 agreements have been signed between the two governments or their departments, covering all areas of bilateral cooperation. Three of the main areas are the political, military technology and the economic.

Political

The political relationship between Russia and China in the post-Soviet period has thawed and shown signs of gathering momentum. Whereas at the beginning of the 1990s the relationship was still lukewarm, it began to improve markedly in 1996 and it received a substantial boost in 2000 with the arrival in power of Vladimir Putin.

Early 1990s

At the beginning of the 1990s the relationship between Russia and the PRC developed, but only slowly. The new political elite in Russia, headed by Boris Yeltsin, which came to power in 1991, made very little headway in any aspect of foreign policy, and the relationship with China was no exception. In fact Russia's main interest was closer integration with the West. There was also some uncertainty in China about their relations with Russia, after the sudden and largely unexpected collapse of the Soviet system.

The development of the relationship between the two countries during this period, therefore, was limited to the issuing of joint declarations such as "the need to expand areas of mutually-advantageous cooperation". At the end of president Yeltsin's visit to China in 1992 a joint declaration was issued expressing the intention of the two sides to develop bilateral relations as "relations between friendly countries". On the return visit to Russia in 1994 of the Chinese leader Jiang Zemin another joint declaration was issued, confirming the successful development of relations between the two countries, now described as "constructive partnership".

Mid to late 1990s

When in the mid-1990s Russia re-defined her foreign policy priorities on the basis of the "construction of a multipolar system of international relations", political interaction with China was considerably enhanced, mainly because this concept coincided with the Chinese leadership's own strategic interests and view of the world.

It was therefore no surprise when, at the end of a Russia-China summit meeting in Beijing in 1996, the leaders of the two countries, Boris Yeltsin and Jiang Zemin, issued a joint statement describing the bilateral relations between the two countries as a "strategic partnership". While this declaration described aspirations rather than the real situation between the two countries, it nevertheless reflected the desire of both countries to strengthen their foreign policy positions in dialogue with the West, especially the USA, and to provide a counter to American influence in the world.

This seems to have been the catalyst for a further improvement in Russian-Chinese cooperation. For example annual meetings between the heads of the two governments were set up in 1996. A direct phone link was also established between the Russian State Duma and the State Council of the PRC.

During the late 1990s, the two countries made determined efforts to resolve their border problems and attempts to deal with the issue of harmonization of the cross-border trade. As the result, in 1999 the Russia-China border was registered legally and identified along virtually its entire length, leaving only three islands on the Amur and Argun rivers as disputed territories.⁹ Also by 1999, more than 100 bilateral agreements had been signed covering economic cooperation between Russian and Chinese regional authorities.

Thus in the late 1990s cooperation between Russia and China moved on to cooperation on inter-regional issues. In 1998, in no small part due to the support of China, Russia joined the Asia-Pacific Economic Cooperation (APEC) organisation and thus became a full member of a forum discussing the key problems of the Asia-Pacific region.

The present day

At the beginning of the 2000s political relations between Russia and China received a substantial boost. Under Vladimir Putin, Russian foreign policy became distinctly more pragmatic in character. Russia began to pay even more attention to improving relations with China, seeing this as a key strategy for rebuilding Russia's foreign policy standing in the world, which had been undermined during the 1990s. China likewise saw a closer relationship with Russia as enhancing her own regional and global positions.

Factors which also played a part in the strengthening of relations between Russia and China were NATO's military operations in Yugoslavia in 1999, without the approval of the United Nations, and the activities of the USA and its allies in the Middle East. These factors encouraged Russia and China to coordinate their efforts to set up an alternative centre of gravity as a counter to the West, especially the United States. It is obviously no accident that a number of Chinese experts, assessing the state of Russian-Chinese cooperation, stressed the importance of this relationship for creating "a basis for the successful construction of a multipolar system in the world and a counterweight to the USA as the only superpower".¹⁰

A treaty on "good neighbourliness, friendship and cooperation" was signed in Moscow in 2001, providing evidence of the interest of both countries in developing their bilateral relations yet further. According to opinion of leading Russian experts this treaty provides a "legal basis for a partnership of trust and strategic cooperation between the two countries".¹¹

Another equally significant event in the political, or even geopolitical, rapprochement between Russia and China, was the formation in 2001 of the Shanghai Cooperation Organisation (SCO), which included Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan.¹² Soon after, at the SCO summit meeting in St Petersburg in 2002, the fundamental documents of the organisation were agreed (the charter and statutes), as were the main activities of the SCO integrated anti-terrorist centre.

This acted as a further spur to Russian-Chinese dialogue. There were now bilateral meetings approximately three times a year, including official visits, in addition to contacts within the frameworks of APEC and the SCO. Particular attention began to

be paid to cooperation on security issues in the Central Asian region, the borders of which are close to important economic and military infrastructure in both Russia and China.¹³

* * *

In general, the widening and deepening of the political interaction between Russia and China can be seen as a result of the recognition by the ruling elites in both countries of the need for cooperation in pursuit of their common priority, the creation of a multipolar world. These aspirations were expressed clearly in the joint declaration on "the international order in the 21st century", signed in Moscow in 2005 on the occasion of the regular summit meeting (the 13th) between the two sides. On that occasion Russia and China announced that they would unite their efforts to construct a polycentric world order¹⁴ based on the primacy of international law, and refusing to accept any party's monopoly in international affairs and the division of states into leaders and followers.

A further spur to cooperation between Russia and China is their common interest in fields such as terrorism, extremism and separatism. For Russia this refers principally to the North Caucasus, and for China to Xinjiang. Another field for cooperation is mutual support over a range of foreign affairs issues.¹⁵

At the same time it seems that the developing political cooperation between Russia and China does not have sufficiently solid foundations, being confined to the topic of the construction of a multipolar world order, and mainly motivated by reaction to the efforts of USA and NATO, rather than by objective requirements for the development of bilateral political dialogue. So it is not impossible that given a particular combination of circumstances, the relations between Russia and China could once again be dominated by short term narrow national interests and/or the ambitions of the ruling elites, as has happened before.

Military technology

Cooperation in the military technology area is one of the most important components of Russian-Chinese relations. In the period 1992-2005 China procured Russian arms to the value of about \$15 billion (an average of about \$1 billion every year). This represented about 40% of Russia's earnings from arms exports.

China purchases from Russia the most urgently-needed types of modern weapon and technology which it does not yet have the capacity to manufacture itself, such as military aircraft, air defence systems, warships and submarines.

At the beginning of the 1990s China was only interested in buying military hardware, but since the mid 1990s the emphasis has shifted onto acquiring the technology, with Russian assistance, to enable the most modern weapon systems to be mass-produced within China.

Early 1990s

In the early 1990s the cooperation between Russia and China in the military technology area consisted of Russia supplying China with arms. In 1992 China bought 24 multi-role combat aircraft, which provided the starting point for a large-scale upgrading of the Chinese military forces with Russia's help. The volume of military procurement contracts grew steadily. In addition to combat aircraft, they

began to include air defence systems, warships (destroyers armed with anti-ship missiles) and diesel-powered submarines.

Mid to late 1990s

From the mid 1990s, cooperation in this sphere took on a new aspect, as China, as well as procuring weapons and equipment, began acquiring Russian technology. For example, in 1996 China obtained licences to start manufacturing multi-role combat aircraft at the aircraft production plant at Shenyang in North-East China. At the end of the 1990s, on the basis of these licences, China started building two types of combat aircraft. Since 1999 Russia has only been supplying the engines and radars for these aircraft.

The present day

In the first few years of this century the cooperation between the two countries in the military technology sphere has expanded. In 2003 a "special state programme" was developed in Russia covering cooperation with China in military technology. Under this programme, Russia substantially increased the volume of contracts and licence agreements and provided access for the Chinese to new types of high-technology systems such as multi-role nuclear submarines, long-range bomber aircraft, interceptor fighters and heavy aircraft carriers and missile-equipped cruisers.

Russian-Chinese cooperation on military matters increased markedly in 2005. In August 2005 the first joint military exercises (exercise "Peace Mission 2005") were held, involving units of both armies, the purpose of which, according to official information, was "to develop methods of conducting anti-terrorist operations and dealing with inter-ethnic conflicts".

* * *

In general, military technological cooperation between Russia and China increased significantly, both countries having a particular interest in cooperation with each other in this area.

For Russia this cooperation is an important source of funding for Russia's defence industry, providing a stimulus for development of defence research and the defence manufacturing industry. The area of arms, military hardware and military technology is one of the few areas of high technology where Russia can compete in the Chinese market.

For China the main benefit is the opportunity to make rapid technological advances in the development of their own defence industry. Furthermore, China does not at present really have any alternatives to Russia as a supplier of sophisticated weapons and military technology, as the other countries with highly-developed defence industries, such as the US and the EU countries, are still maintaining an embargo on exporting arms, let alone modern military technology, to China.

There is however a down side for Russia of this relationship. In the longer term, China, acquiring Russian military technology, will slowly but inexorably catch up with the Russian defence industry. China has already started selling various types of military hardware on the world market, in competition with Russia, using the technology acquired from Russia. Russia is thus contributing to the development of a strong competitor for its own defence industry on the world market.

In this connection it is logical to suppose that as the Chinese military industry overcomes its technological backwardness, Russia risks finding that, at least in terms of economic losses, it may lose many markets for its own military production, and the Chinese market may well be among them.

Economic

The development of economic cooperation between Russia and China has been very limited in the post-Soviet period and remains an obvious gap in their mutual relationship. Trade relations were at a very low level in the 1990s and only started to pick up in 2001. Cooperation in investment and manufacturing is practically non-existent and there are no signs of it developing.

Trade

During the 1990s trade relations between Russia and China were unstable. In the period 1992-2000 the volume of bilateral trade fluctuated between 3.8 and 6.2 billion dollars. From 2001 onwards, it increased considerably. It is significant that this expansion coincided with the signing of the "good-neighbourliness, friendship and cooperation" treaty in 2001. Whereas the volume of trade grew only by 50% over the 9-year period 1992-2001, it grew by 200% over the 4-year period 2001-2005 (see table 1).

Table 1 Trade between Russia and China¹⁶

Year	Trade volume, US \$ millions	Russian exports to China, \$ millions	Chinese exports to Russia, \$ millions
1992	4665	2686	1979
1993	5402	3558	1844
1994	3841	2715	1126
1995	4297	2973	1324
1996	4322	2554	1768
1997	5819	3784	2035
1998	4264	2431	1833
1999	4973	3476	1497
2000	6197	4112	2085
2001	7242	4021	3221
2002	9238	6790	2448
2003	11521	8428	3093
2004	14851	10103	4748
2005	21653	14774	6879

Shuttle trade

A significant proportion of the trade between Russia and China is made up of the so-called "shuttle trade", which is not fully reflected in the Russian official statistics. This largely accounts for the discrepancies in the figures for Russian-Chinese trade given in various sources of statistical data. Figures from China's ministry of commerce, for example, state that the volume of Russian-Chinese trade reached \$18.1 billion in 2004 and \$29.1 billion in 2005. These figures are about 22% and 34% respectively higher than the corresponding figures from Russian sources, suggesting that China takes much more account of shuttle trade in its figures than Russia does.

The real scale of Russian-Chinese trade, however, is much higher than suggested by official statistics from Russian and even those from Chinese sources. Shuttle trade is conducted mainly by small-scale traders and comprises mainly food products and other consumer goods. Russian experts estimate the value of this trade to be at least \$10 billion dollars annually.¹⁷ If these estimates are correct, and the shuttle trade figures are not fully taken into account in the official statistics, the real volume of trade would have been about \$25 billion in 2004, compared with the official figure of \$14.8 billion according to Russian statistics or \$18.1 billion according to Chinese statistics.

Trade structure

According to official Russian figures, the volume of trade between Russia and China grew by 45.8% from 2004 to 2005, to about \$21.7 billion, comprising about 5.9% of Russia's foreign trade and about 1.4% of China's. Russian exports to China were to a value of \$14.8 billion (comprising 6.1% of Russia's global exports and 1.7% of China's imports), and the value of China's exports to Russia was \$6.879 billion (comprising 5.8% of Russia's imports and 0.7% of China's exports).

These figures show clearly the raw materials orientation of Russia, while China adopts the role of supplier of finished products. 76% of all supplies from Russia to China in 2005 were made up of raw materials, with 54.6% of the total being energy resources, 15.8% ferrous and non-ferrous metals and about 6% chemical raw materials.¹⁸ 68% of Chinese supplies to Russia in the same period were finished products, with machinery and equipment making up 37.6%, foodstuffs about 17.3% and processed chemical products about 12.8%¹⁹ (see table 2).

Table 2 Trade structure between Russia and China, 2005²⁰

Category	Russian exports to China		Chinese exports to Russia	
	US \$ millions	share, %	\$ millions	share, %
Energy	8067	54.6	-	-
Ferrous and non-ferrous metals	2334	15.8	337	4.9
Chemicals	886	6.0	881	12.8
Machinery and equipment	1005	6.8	2587	37.6
Foodstuffs	-	-	1191	17.3
Other	2482	16.8	1883	27.4
Total	14774	100.0	6879	100.0

Another indication of Russia's raw materials orientation is the assessment by Russian leading experts that the most promising area for development of Russian-Chinese economic cooperation in the future is the construction of pipelines to carry Russian gas and oil to the north-eastern provinces of China.²¹ Chinese experts are of the same view, seeing the energy sector as key in the economic cooperation sphere.²²

Cooperation in manufacturing and investment

Against the background of the trade figures and Russian-Chinese economic relations generally, the level of cooperation between Russia and China in manufacturing and investment is almost negligible. At present there are 523 joint enterprises, mainly small and medium-scale businesses covering both wholesale and retail trade, with a total capital of about \$1.5 billion. In proportion to the size of the whole Russian economy, let alone the Chinese economy, this is a tiny figure.

Investment by Russia and China in each other's country is also negligibly small. In the period 1992-2003, Chinese investments in Russia amounted to about \$300 million, concentrated mainly on the development of border trade infrastructure (wholesale trade, public services, the hotel business, etc.) and on the formation of small joint enterprises for timber processing, etc. Almost all these businesses are sited along the Russian-Chinese border.

In the same period, 1992-2003, Russian investments in China amounted to about \$700 million, mainly in connection with old contracts, left over from the Soviet period, to supply 16 power units for thermal power stations, to develop a number of uranium mines and to construct a nuclear power station in Jiangsu province in eastern China.

In the period 2003-2005 there was no substantial progress in Russian-Chinese investment activity.

* * *

In general, it can be said that economic cooperation between Russia and China is developing extremely slowly and is dominated by the trade sector.

Cooperation in manufacturing and investment is practically non-existent, and the volume of trade, even allowing for shuttle trade, does not yet play a substantial role for Russia, and it plays even less of a role for China. Notwithstanding the apparent growth of bilateral trade in the 1990s, and even more in the period 2001-2005, China's contribution to Russia's foreign trade balance only moved from 5 to 8%, while Russia's contribution to China's foreign trade in the post-Soviet period was between 1 and 2%.

Furthermore, an analysis of the structure of Russian-Chinese trade shows that there is a persistent trend for Russia's trade with China to be dominated by the raw materials sector. This picture does not change even when the military hardware market is taken into account, where 3/4 of Russian supplies to China are made up of raw materials.

The shape of trade relations does not present an unambiguously rosy picture from the Russian point of view. On the one hand, the growth in imports of Chinese consumer goods represents good news for Russian traders and consumers, making a wider range of essential products available on the Russian market at accessible prices. On the other hand, the growth in the volume and range of Chinese goods is exerting pressure on Russian manufacturers, leading to the degradation and collapse of those parts of Russian industry²³ which cannot survive the competition from China.

It is therefore reasonable to assume that if the present shape of trade relations is maintained, Russia will sooner or later lose a significant part of its industrial capacity and will be forced to depend increasingly on imports from China, not only for essential consumer goods, but also for industrial goods.

Conclusions

Relations between Russia and China have been difficult and ambiguous in the past and they remain so today. Therefore future relations will be dictated by past history and present problems.

History

The history of Russian-Chinese relations is full of contradictions, characterised by cycles of periods of rapprochement interspersed with periods of sharp, almost instantaneous deterioration. With bewildering regularity, each period of rapprochement has taken place at key periods of change in the Russian political scene. At these times Russia underwent deep transformations in its internal political life and radically reviewed its foreign policy objectives.

Thus the first rapprochement occurred when Russia, as an absolute monarchy (the days of the Russian Empire), emerged from the political and economic crisis of the 1850s.²⁴ The second rapprochement began after the 1917 Russian revolution and the ensuing civil war (1918-1920), when Russia fundamentally changed its political structure, becoming the single socialist political entity known as the "Union of Soviet Socialist Republics" (USSR). The third and most recent rapprochement occurred after the disintegration of the USSR in 1991, when Russia once again changed its political structure, this time becoming a capitalist country under the title of the "Russian Federation".

The present day

Present-day relations between Russia and China, like those in the past, remain full of ambiguities and contradictions. The growth of relations in the political and military hardware sectors is not backed up by effective and mutually-advantageous economic cooperation. This is seen in the almost total absence of any worthwhile manufacturing and investment cooperation. In general, their economic relations are limited to trade, and that is primarily in the direction "Russian raw materials for Chinese finished production".

It is obvious that the present shape of bilateral economic relations is not advantageous for Russia. The political rapprochement and the growth in cooperation on military equipment matters occurring in the post-Soviet period will not guarantee the development of long-term and conflict-free relations in the future. It is highly significant that a number of leading Chinese experts consider that "only economic relations based on close links and mutual support can provide a strong foundation for Russian-Chinese relations, and it is illusory to place trust in political relationships alone".²⁵

It is reasonable to say that if economic cooperation between Russia and China does not find a way out of the present impasse, all declarations at the highest level about strategic partnership will have a hollow ring to them and be like small change for both countries in their dealings with western and other important powers. The present rapprochement in the political and military equipment sectors could cease abruptly at any moment, as has happened in the past.

and in the future?

Theoretically, Russian-Chinese relations could be consolidated by cooperation between the two countries at the level of branches of industry, or, more generally,

by boosting manufacturing and investment cooperation in the defence industry and other sectors. Cooperation in these areas should be possible.

These tasks could be greatly facilitated by the work of the SCO. Russia and China should direct the attention of the SCO to focus on economic cooperation, by setting up an integrated regional grouping. The Central Asian members of the SCO could play an important role as connecting links in the chain of manufacturing and investment cooperation between Russia and China, as the industrial exploitation of the Central Asian region is of considerable economic interest both to Russia and China.

In practice, however, there are insufficient grounds to claim that relations between Russia and China will actually develop along these lines. Moscow and Beijing continue to give the impression that there are no serious problems between them, while totally ignoring the question of developing mutually-advantageous economic links.

From today's perspective, therefore, the most realistic scenario foreseeable is the gradual economic absorption by China of the Asiatic part of Russia. This scenario is a potential source of conflict, not only between Russia and China, but also in their relations with all of Eurasia (half of which is made up of Russia and China).

One can only speculate on the possible outcomes in the event of another collision of interests, like the ones which came before, between two regional powers occupying important positions in the global system of international and economic relations and both possessing powerful nuclear missile-equipped armed forces.

Endnotes

¹ Quoted from L Sumarokov. The establishment and organisation of the defence of the central Asian part of the border of the Russian Empire at the end of the 19th and the beginning of the 20th century / Afghanistan and the security of Central Asia. Bishkek: Ilim, 2005. Edition 2. Page 94.

² In 1876-1877 Chinese authority was overthrown in Kashgaria in an anti-Chinese uprising by local Muslims. The leader of this uprising, Yakub-beg (who originated from the Kokand khanate, Fergana valley), proclaimed the formation of the independent Islamic state of Yetishaar. In this situation, Russia, responding to a request for help by China, sent troops into Kashgaria, defeated the forces of Yakub-Beg and, in the period 1877-1881, held the province under its own control. In 1881, in accordance with the St Petersburg agreement, Russia withdrew its troops from Kashgaria and handed the province back to China.

³ At that time a key position in the Russian government.

⁴ The Russian Minister of finances, S Witte, was an advocate of closer relations with China and opposed Russia's participation in the intervention, but was unable to prevail against Tsar Nicholas II and his circle, who advocated intervention. Witte's political influence suffered another setback in 1900, following the failure of his economic policies. Since 1895 he had been introducing liberal reforms to Russia. Contrary to his expectations of economic growth, however, the Russian economy took a sharp turn for the worse, leading to his resignation in 1903.

⁵ The Russo-Asian bank (RAB) was formed in 1910 by the merging of the Russo-Chinese Bank (founded in 1895) and the Northern Bank (founded in 1901). The RAB was the leading joint stock bank in Russia at that time, in terms of financial turnover, and had 102 branches in Russia and a number in the other countries. Its main interest was the financing of industry. It was nationalised in 1917 by Russia's Soviet government. Its former chairman, A Putilov, emigrated to France, where he set up the headquarters of the bank on the basis of the Paris branch of the RAB.

⁶ 1000 aircraft, 1400 heavy artillery pieces, 14,000 machine guns, fuel and lubricants. See A Parshev. Why Russia is not America. Moscow: Forum, 1999. Page 226.

⁷ At that time the Chinese communists were struggling against the ruling bourgeois party, the Kuomintang, headed by Chiang Kai-shek, who were in power in China until 1949. When the communists came to power in 1949, the Kuomintang moved to Taiwan, and Chiang Kai-shek set up an independent government there. The separation of China into the mainland part and Taiwan has continued to the present day.

⁸ In 1969 local hostilities broke out between units of the Chinese and Soviet armies on Damanski Island. This conflict was resolved by an urgent visit to Beijing by the Soviet prime minister A Kosygin, following which Damanski Island was transferred to China.

⁹ In 2004, during the official visit by Russian president Vladimir Putin to Beijing, all border questions were finally resolved.

¹⁰ O Arin. Academic circles in the PRC and relations with Russia / The place and role of Russia in Beijing's foreign policy. Personal site of Oleg Arin (Academician, Academy of Military Sciences, Russian Federation, published in the West under the pseudonym Alex Bettler). <http://www.olegarin.com/books/eastasia/book-eastasia-part06-page002.html>

¹¹ G Chufirin. Cooperation between Russia and China on questions of international security // Problems of national security in China's foreign policy. Russian Academy of Sciences, Institute of World Economy and International Relations. Moscow, 2005. Page 148.

¹² There were two agreements between five states (Russia, China, Kazakhstan, Kyrgyzstan and Tajikistan) which were fundamental in the formation of the SCO. One was the Shanghai agreement of 1996 and the other one was signed in Moscow in 1997, both aimed at increasing trust in the military sphere and on reducing troop levels in the vicinity of the former Soviet-Chinese border. The SCO was formed in 2001 on the basis of these two agreements, with the five countries referred to plus Uzbekistan as founding members.

¹³ Central Asia (Kazakhstan) has a common border with Russia about 7500 km in length. The border runs close to some very important industrial centres in Western Siberia and the Urals. The border of Central Asia (Kazakhstan, Kyrgyzstan and Tajikistan) with China is about 3000 km long and runs close to some nuclear weapon facilities in the Xinjian-Uighur Autonomous Region.

¹⁴ This system of international relations is assessed by a number of experts as being "a system based on the principle of multiple checks and balances". See for example Bobo Lo. The fragile balance of Russian-Chinese relations. Programme of research on Russia and the CIS, French Institute of International Relations. Paris, April 2005. № 1. Russie. Cei. Visions. Page 7.

¹⁵ For Russia, China's support is important in the question of the post-Soviet space remaining a special sphere of interest for Russia, while China needs Russia's support over the Taiwan issue.

¹⁶ Data for 1992-2004 taken from the Direction of Trade Statistics Yearbook. IMF. 2005. Data for 2005 taken from the Russia: Country Report. Economist Intelligence Unit. April 2006.

¹⁷ See for example A D Vosresensky. Russian-Chinese strategic interaction and world politics. Moscow, 2004. Page 104.

¹⁸ Mainly mineral fertilisers, primary products from petroleum refining, gas condensates and other types of mineral raw materials.

¹⁹ Plastics, synthetic resins, paints, etc.

²⁰ Russia: Country Report. Economist Intelligence Unit. April 2006.

²¹ A D Vosresensky. Ibid. Page 105.

²² Russian-Chinese cooperation in energy sector inadequately developed, experts say. Site of "Ren min ri bao" (People's Daily) on line (China), <http://www.russian.people.com.cn/31518/456523.html>.

²³ This is mainly concerned with textile and light industry facilities, but also mechanical engineering enterprises producing goods for the civilian sector.

²⁴ This crisis was brought about largely by the expansionist policies of Tsar Nicholas I (1825-1855) in Europe. This policy resulted in ruining the economy of the Russian Empire, straining relations with Britain, France and Turkey and to Russia's subsequent defeat in the Crimean War (1853-1856). The consequence was a weakening of Russia's position in international relations. This forced Nicholas I's successor, Alexander II (1855-1881) to embark on a programme of wide-ranging reforms and a fundamental foreign policy review.

²⁵ O Arin. Ibid.

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See:

E-Journal "Comparative Connections" (A Quarterly E-Journal on East Asian Bilateral Relations) of Pacific Forum Center for Strategic and International Studies, <http://csis.org/pacfor/ccejournal.html>

Shanghai Cooperation Organization, <http://www.sectSCO.org>

Dr Vladimir Paramonov & Dr Aleksey Strokov, "Russia and Central Asia: Current and Future Economic Relations", *Conflict Studies Research Centre*, Central Asian Series, 06/31(E), July 2006.

<http://www.defac.ac.uk/colleges/csrc/document-listings/ca/>

Dr Vladimir Paramonov, "China and Central Asia: Present and Future of Economic Relations", *Conflict Studies Research Centre*, Central Asian Series, 05/25(E), May 2005. <http://www.defac.ac.uk/colleges/csrc/document-listings/ca/>

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ISBN 1-905058-91-8

Published By:

Defence Academy of the
United Kingdom

Conflict Studies Research Centre

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Swindon
SN6 8TS
England

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ISBN 1-905058-91-8