

## Analysis

# Russian-Chinese Relations: Current Trends and Future Prospects

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## Abstract

The Russian-Chinese relationship has been strengthening since the signing of the “Treaty of Good-neighborliness, Friendship and Co-operation” in 2001. Against this background, 2008–2009 saw both progress and negative patterns in Russia-China relations. The main features of Russian-Chinese relations in 2008–2009 were associated with the presidential transition in Russia and the impact of the world economic crisis. Cooperation took on an increasingly intense dynamic and some significant agreements were reached, demonstrating that the relationship can survive leadership changes. However, the global economic crisis impacted on trade and also highlighted the growing imbalance between the two countries, with China’s seemingly continual economic growth signaling a change in the power relationship between Moscow and Beijing.

## A Decade of Expanding Cooperation

On July 16, 2001 Chinese President Jiang Zemin and Russian President Vladimir Putin signed “The Treaty of Good-neighborliness, Friendship and Co-operation between Russia and China”. This treaty aimed to lay the foundations for the long-term comprehensive development of relations and strategic interaction between the two countries within an equal and trust-based partnership. Indeed, the growing scale of their strategic partnership and incremental diversification of its forms and methods have ensured an overall positive background to Russian-Chinese relations in the first decade of the XXI century. It is symptomatic that the experts from the Institute of International Affairs at Tsinghua University in Beijing, in rating the strength of China’s foreign relationships according to a quantitative assessment of whether they are seen as “hostile” (-9 to -3), “not hostile, not friendly” (-3 to 3) or “amicable” (3 to 9), awarded China-Russia relations the highest rating of 8 points at the beginning of 2008 (compared to 5.5 points in 2000), while Sino-French relations received 6.3 points, India 5.4 points, and the United States 1.1 points.

## Developments in 2008–9 and Their Impact

In 2008–2009 some important developments in Russian-Chinese relations took place, and as a result the relationship has taken on some new features and nuances connected with the internal political processes in both countries, as well as advances in world affairs.

### *A New Russian President*

Significantly, the full range of China-Russia relations remained unaffected and adapted painlessly to the presidential transition in Russia. This resiliency can be attributed to the objective interests of both Russia and China

in continuing their mutually beneficial cooperation, the common ideological and political platform the new president shares with his predecessor, and Medvedev’s familiarity with China. As deputy prime minister in 2006–2007, he headed Russia’s effort during the “Year of Russia” in China and the “Year of China” in Russia.

In addition, China welcomed the fact that the newly elected Russian president chose China for his first foreign visit outside the CIS. The significance of Medvedev’s visit to China, held on 23–24 May 2008, was highlighted by the signing of a Joint Declaration outlining their agreement on major international issues. This document reaffirmed the commitment of both countries to civilizational and cultural diversity within the world community and to the formation of a multipolar world. Dmitry Medvedev and Hu Jintao continued the tradition of regular meetings (several times a year) to exchange views on pressing international and bilateral issues, which was established during the presidency of Vladimir Putin. Moreover, in 2008–2009 contacts in this format became more intense: apart from the official visits (Hu Jintao visited Russia in June 2009) and meetings on the sidelines of the G8 summit, APEC and the SCO, there were bilateral meetings at the summit of BRIC (Ekaterinburg, Russia, June 2009) and the G20 (three times).

### *New Agreements and Cooperation*

These multi-level mechanisms replenished bilateral cooperation with new elements at new levels, which have made practical interaction more effective. An “Action Plan for 2009–2012” aimed at the implementation of the “Treaty of Good-neighborliness, Friendship and Cooperation” was adopted by the two countries. A Russian-Chinese energy dialogue took place at the lev-

el of vice-premiers, which helped to conclude new agreements on cooperation in the oil and gas sector, including agreements on building the Skovorodino-DAQing oil pipeline, and on the provision of a Chinese bank loan of \$25 billion to Russian oil companies “Transneft” and “Rosneft”. This loan should be reimbursed by Russia’s future pipeline oil deliveries to China (300 million tons within 20 years, starting from 2011). During the 14<sup>th</sup> regular meeting in October 2009 in Beijing, the two countries’ prime ministers reached an agreement on the supply of Russian natural gas to China starting from 2014–2015 (up to 70 billion cubic meters). In the investment sphere, bilateral cooperation has received an additional stimulus: in June 2009, the heads of state approved a plan for Russian-Chinese cooperation in the investment sphere, and in September 2009 approved a program of cooperation between the regions of the Russian Far East and Eastern Siberia, and the Chinese North-East for 2009–2018, including in the fields of resources excavation, manufacturing, and transport facilities construction.

Beyond economic cooperation, a Joint Commission on the rational use and protection of trans-border water resources was established, strengthening cooperation between Russia and China on environmental protection. Cooperation between the two countries in the military field also continued to develop. In December 2008 and November 2009, meetings of the bilateral commission on military-technical cooperation took place. In July 2009 new Russian-Chinese military exercises entitled “Peace Mission – 2009” were organized in China. Culturally, the “Year of Russian Language in China” was the biggest event in the sphere of bilateral humanitarian cooperation, with 2010 proclaimed to be the “Year of Chinese Language in Russia”.

### *60<sup>th</sup> Anniversary of Diplomatic Relations*

In addition to practical agreements, Russia and China celebrated the 60<sup>th</sup> anniversary of the establishment of diplomatic relations on October 2, 1949 between the newly declared People’s Republic of China and the Soviet Union, whose legal successor from the end of 1991 is Russia. Several special events were organized around this anniversary to mark the occasion: exhibitions of archival documents from the 1949–1955 period were held simultaneously in Moscow and Beijing, the 3rd Forum of social scientists in Russia and China took place on June 2009 in Beijing, and a special issue of Russia’s leading journal dealing with China *Far Eastern Affairs* (2009, No. 5) was published. In an exclusive interview with the journal, Russian Foreign Minister

Sergey Lavrov said that the “strategic partnership established between Russia and China represents an important factor in strengthening stability and security in Eurasia and the world at large.” Additionally, Deputy Foreign Minister Alexander Borodavkin pointed out in his article that, now “Russian-Chinese relations, being at the highest level in their history, are making an invaluable contribution to developing the economies of the two countries.”

### **The Impact of the Global Financial Crisis**

However, in spite of a general upward trend in development, Russian-Chinese relations in the past year and a half have also experienced the negative influence of the global economic crisis.

#### *Decline in Trade*

The level of bilateral trade between the two countries suffered the greatest impact from the crisis. Turnover in trade between Russia and China had increased from \$8 billion in 2000 to \$56.8 billion in 2008 – just slightly below the level of \$60 billion, which was declared as a target for 2010. However, from September 2008, the volume of trade began to decline. The decrease in Russian–Chinese trade turnover was caused by the deteriorating economic environment and declining investment and consumer demand in Russia, by the depreciation of the ruble, which resulted in the higher cost of imported goods from China and, finally, by lower world prices for oil and petroleum products, which provide over half of Russian exports to China by cost. As a result, in 2009 the volume of Russo-Chinese trade declined, according to Chinese customs statistics, by 31.8 percent – to \$38.8 billion. Chinese exports to Russia fell by 47.1 percent – to \$17.5 billion, and Chinese imports from Russia declined by 10.7 percent – to \$21.3 billion.

Russia’s position as a trading partner for China dropped from its previous place of the 8<sup>th</sup> largest to 11<sup>th</sup>, and was overtaken by Australia, India and Brazil. Russia’s share in China’s foreign trade turnover decreased to 1.76 percent compared with 2.22 percent in 2008. In the coming years, the task of restoring the pre-crisis level of bilateral trade will be a priority, pushing into the background the problem of diversifying Russia’s exports to China and increasing the share of machinery products, which in recent years was about 1–2 percent.

#### *Russian Domestic Economic Pressures*

In Russian domestic economic affairs, the Russian government’s desire to protect domestic producers of consumer goods led to the closure in July 2009 of the

wholesale Cherkizovsky market in Moscow, where the bulk of commodities were imported from China under the so-called “gray customs clearance” scheme, that is without payment of full customs duties. Since about 50,000 Chinese merchants were involved in these trade flows to the Cherkizovsky market, it is likely that the total number of Chinese labor migrants in Russia in 2009 decreased (in 2008, according to official statistics, 281,000 of these Chinese laborers were legally registered in Russia). While the situation concerning the closure of the market was formally resolved, it provoked a significant backlash in China. As a consequence, in October 2009 experts based at the Institute of International Affairs of Tsinghua University reduced their evaluation of the standing of Russian-Chinese relations from 8 points at the start of 2008 to 7.8.

### *Wider Impact of the Economic Crisis*

The impact of economic crisis on Russia-China relationship goes beyond trade. The crisis clearly showed the growing economic and technological gap between Russia and the current leading economic powers in the world, illustrating the urgent need to implement a comprehensive modernization of Russia in a short space of time. It is quite natural in this context that leading Russian experts in political economy have devoted a lot of attention to the Chinese experience of modernization. Despite the prevalence of negative opinions regarding the adoption of the Chinese model in Russia, participants in the debate argue that “it still might be beneficial for Russia to adopt certain appropriate and suitable findings or best practices and examples from China’s experience of modernization”. In my opinion, the very idea of “the Chinese horizon of Russia’s modernization” symbolizes the radical change of roles: Russia, seen as the teacher of China for much of the 20<sup>th</sup> century, has now become a pupil of China.

In 2009 China’s GDP growth exceeded 8 percent, while Russia’s GDP fell by 7.9 percent. As a consequence, the ratio of the two countries’ GDP (in 2008 dollars)

rose from 2.63:1 in 2008 to 3.13:1 in 2009 with the prospect of an even larger increase by 2012, when Russia expects to have restored its economy to its pre-crisis level.

It is important to stress the following nuance: If in previous years Russia had consistently outpaced China in the level of its socio-economic development, then more recently there has been an obvious closing of the gap, due to the upward trend of China’s development and a simultaneous downward trend in Russia. This pattern can be indirectly confirmed by the “prosperity index”, which is calculated in the UK for 104 countries based on an analysis of the variables of economic situation, education, personal security, political freedom, health care, and political institutions. In 2009, Russia was ranked 69<sup>th</sup>, and China 75<sup>th</sup>. However, the most significant gap between Russia and China across these variables was the economic component, with Russia ranked 39<sup>th</sup> and China 29<sup>th</sup>.

### **Prospects for the Russian-Chinese Relationship**

In terms of the hierarchy of foreign policy priorities in Beijing, the relative weakening of Russia objectively increases the importance of relations with the West and especially with the United States. Indeed, this factor will most likely have a greater impact on Russian-Chinese cooperation in the future than it has played before. Another important variable likely to impact on Russian-Chinese relations in the upcoming years will be the “2012 factor” – this year will see the election of a new president in Russia, as well as the renovation of the top party and state leadership in China. This consideration should be taken into account with regard to the future prospects of bilateral Russian-Chinese relations.

However, in spite of these negative factors for development, the Russia-China relationship has significant reserves and both countries have the objective need to further improve and deepen their strategic partnership. Therefore, it seems that a positive dynamic will continue between the two countries in the foreseeable future.

#### *About the Author*

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#### *Recent Publications:*

- Portyakov, V., *From Jiang Zemin to Hu Jintao: The People’s Republic of China at the beginning of the 21<sup>st</sup> Century* Moscow, 2006 (in Russian).
- Portyakov, V., “Russia and China: Consolidating the Strategic Partnership”, in Zhang Yunling (ed.), *Making A New Partnership: A Rising China and Its Neighbors*, Beijing: Social Sciences Academic Press, 2008, pp. 262–281.
- Portyakov, V., “Cina, amor e odio”, *Limes*, Roma, 2008, No 3, pp. 203–211.