

ECONOMIC INTERDEPENDENCE BETWEEN RUSSIA AND CHINA

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Abstract

Since the world is becoming more interconnected, close economic links will be necessary to maintain the partnership. Local trade reopened when normalisation talks were restarted in 1982. Mikhail Gorbachev's perestroika sparked a series of adjustments in Russian international trade policy, boosting the power of regions in the RFE and of businesses. The establishment of trade contacts between Russia and China resulted in a major increase in trade as "regional and provincial agencies," as well as businesses themselves, gained the authority to undertake "foreign economic relations," including the formation of joint ventures "in each other's countries." The implementation of new Russian-Chinese projects in the fields of agriculture, power engineering, and other industries would boost bilateral trade. In March 2022, China declared that the country would refrain from taking part in American-led "sanctions" against Russia and would continue to have regular business and "financial" relations with the latter. Overall, the state of trade and economic cooperation indicates that it has evolved into a significant facet of reciprocal cooperation and the structural basis of strategic partnership relationships.

Key words: Russia, China, Bilateral Trade and Commerce, Strategic Partnership, Economic Ties.

INTRODUCTION

When it came to the growth of Russia-China political ties, China initially showed some hesitance, but not so with the development of economic relations. Several Chinese officials and observers thought that when the Cold War ended, states were competing more on the basis of economic factors than on military ones. As a result, they suggested that China's approach to Russia should switch from its previous geopolitical strategy to a geoeconomic one:

International relations and diplomatic relations are increasingly becoming economic. This is an important quality of the current world's developing international relations. Economic and trade relations for China and Russia are both now especially important; for strengthening and developing Sino-Russian relations and advancing friendship between citizens of the two countries, their relations are extremely significant.¹

A fresh wave of reform and openness emerged in China following Deng Xiaoping's speech in South China in January 1992. China planned to open not only coastal locations but also inland provincial capitals and even border regions, where previously Westerners were not permitted to enter. Russia was allowed access to China's border cities, and businesses and corporations in those areas were given special policy treatment. The proverb "If you want to make money, go to the CIS (Commonwealth of Independent States)" came about as a result of residents of border provinces who had previously lived in closed and deplorable conditions spotting an opportunity to become wealthy.²

Following the dissolution of the Soviet Union, Russia faced economic hardships and a shortage of consumer goods. Many Russians had a very optimistic outlook on expanding trade ties with China. "The Agreement between the People's Republic of China and the Russian Federation for Economic and Trade Relations,"³ which established mutual most-favoured nation status, was signed by the two countries at the beginning of March 1992. The Russian side also suggested doing away with the earlier Sino-Soviet regulation that demanded that all bilateral trade be conducted in foreign currency. Mutual visits were made by the deputy premiers in charge of overseeing international economic relations, and the "Committee for Economic, Trade, and Scientific and Technological Cooperation" resumed operations.⁴

Since the world is becoming more interconnected, close economic links will be necessary to maintain the partnership. The Chinese, especially, acknowledged that their bilateral economic relations fell far short of what was anticipated for a close collaboration. China considered four approaches to achieve economic integration with Russia:

- Utilizing its robust, if ageing, physical base and its cutting-edge science and technology, Russian industry should be rebuilt while also leveraging Chinese human resources, entrepreneurship, and markets. According to plans outlined at the summit in April 1997, joint development zones would be established in Russian cities including in the Russian Far East (RFE).⁵
- Siberian and northern Russian Far East energy resource exploitation should serve as a driving force for regional cooperation, accelerating China's economic expansion and paving the way for Russia's integration into the Northeast Asian labour market. Even if the bulk of the money must come from other countries, the Chinese market and its workforce are two essential components for large-scale projects to succeed.
- The best chances for the Northeast China (NEC) and the southern Russian Far East to live up to the high expectations for regionalism expressed early in the 1990's is cross-border collaboration between them. To ensure the prosperity of the entire region, Russia and China should work together to move forward with the long-proposed bridges, transit corridors, and other infrastructure projects.⁶
- As the two countries' economies increasingly converge, Chinese exports of apparel, food, and other consumer items will inevitably play a role. Russia will gain from the dramatic increase in Chinese exports of light industrial items also that began in the 1990's.⁷

Considering the above estimates, Russia and China have no difficulty foreseeing impending massive trade and economic integration, as well as a commensurate all-encompassing relationship.⁸

THE EUPHORIA OF "BORDERLESSNESS": 1991-1993

Cross-border "relations between the Union of Soviet Socialist Republics (USSR) and the People's Republic of China (China)" were at their best during the height of their friendship till the 1950's, but after Soviet advisors left China in 1960, they quickly began to deteriorate. These relationships were controlled by the authorities in Moscow and Beijing. Local trade reopened when normalisation talks were restarted in 1982. In the 1980's, three forces started to breathe new life into what had first been tightly regulated barter in the old bureaucratized way.

First, this region received a boost from the concept of special or free economic zones that had already been established in Southeast China. Dalian, located on the coast at the southernmost point of Liaoning Province, wanted to become the “dragon’s head”, or the driving power, for the entire Northeast China when the State Council of China extended precedence from the Southeast to this city in 1984. Also in that year, Hu Yaobang went to Heihe, which is located near the Heilongjiang-Amurskaya Oblast border, and there he proposed the slogan “in the South there is Shenzhen, in the North there is Heihe.”⁹ In 1987, Heilongjiang Province declared its own policy of connect “to the South and open to the North” in response to the rising economic importance of coastal China. With this approach, Heilongjiang suggested that it could utilise the benefits of China’s thriving coastal regions in order to open its borders to trade with the Soviet Union.¹⁰

Second, Mikhail Gorbachev’s perestroika sparked a series of adjustments in Russian international trade policy, boosting the power of regions in the RFE and of businesses. Following Gorbachev’s speech¹¹ in Vladivostok in July 1986, the potential for decentralised trade increased, and regional cooperation was approved by a subsequent development proposal for the RFE. Although crude bartering initially consisted of trading a boatload of Chinese watermelons for a boatload of Russian fertiliser, an agreement in 1988 paved the door for less constrained border trade.¹²

Third, regionalism became a hot topic by the close of the decade, propelled by the Japanese economic rim, South Korea’s northern policy of isolating North Korea by attracting its neighbours, and Jilin’s enthusiasm over plans for the Tumen River project. The continuously rising trade between 1986 and 1990 brought joy to both sides of the Russian-Chinese border, and they both anticipated better times ahead.

The atmosphere along the border in 1992 became significantly more optimistic after two years of rapidly rising border trade, Chinese labour exports, and the establishment of joint-venture firms. Words like “border fever” and “hot spots” accurately described the frenzied nature of cross-border interactions.¹³ Deng Xiaoping gave the go-ahead for a swift move towards a market economy and liberalization in China in January 1992. In March, the State Council gave its approval for Hunchun, Suifenhe, Heihe, and Manzhouli to become open border cities comparable to several southern coastal ports.¹⁴ South-based businesses hurried to establish satellite offices there. Large businesses in Harbin and other NEC cities expanded their networks all the way to the border.

Russian President Boris Yeltsin promised to remove several of the visa requirements limiting cross-border trade during his trip to Beijing from December 17 to 19, 1992. Yeltsin agreed to provide China with three thermoelectric plants as well as machinery for a paper mill in Chiamussu as part of an agreement for economic and trade cooperation for 1993.¹⁵ Russia and China negotiated a deal under which the Russians would help China build a 1,000-megawatt nuclear power facility in Liaoning Province. It was also agreed that Russia and China will cooperate on nuclear projects to help the latter with its ongoing energy shortage.¹⁶ Additionally, the Taching (Daqing) Oil Field of China signed six cooperation agreements with Russian companies. These include a deal for the provision of natural gas as well as others relating to collaboration in technology, the labour force, and oil exploration in Russia.¹⁷

The largest stretch of the border, spanning “Heilongjiang and the Russian Far East,” contained

thirteen ports, four bridges, and three airports in 1993, and China had established a consulate in Vladivostok.¹⁸ Due largely to the initiatives of thousands of small-scale “suitcase peddlers”, who collected goods to sell near the border or inside the RFE, bilateral trade increased considerably.¹⁹ According to reports, 751,000 Chinese people travelled to Russia in 1993, with 200,000 of them apparently passing through only one checkpoint. Approximately 777,000 Russians were thought to have gone the other way.²⁰

After Beijing gave Heilongjiang Province the power to license trading companies, any businessman could get a licence by making the correct contacts with a bigger company. A company could be started even from a one-room office in China and just needed a little sum of money to acquire items, cross the border, and sell or barter them, or, for more ambitious acquisitions, start a joint venture in a room on the Russian side. An impoverished region of China with a high rate of underemployment found relief by delivering meals, clothing, and other everyday essentials to an RFE market that was experiencing severe consumer shortages. One catchphrase stated: “if you want to think of getting rich, quickly come to Heihe.”²¹ At a time when the Soviet planned economy was imploding and industrial businesses either could not find a market for their goods or tried to avoid exceptionally low Russian internal prices, bigger companies could make a rapid fortune by procuring fertiliser, steel, cement, and lumber - the four basic commodities - at a fraction of international costs.

Russian producers and consumers moved to China when their borders opened. Chinese buyers bought items of questionable quality since they were the closest, arrived first, had the lowest prices, and did not need hard currency. Prior to the arrival of the Chinese, Vietnamese immigrants who had been sent to Russia as labourers had been abandoning their employment, engaging in illegal trade, and forming criminal gangs. The Vietnamese were swiftly outnumbered by the Chinese at the end of the 1980's, who occasionally took over another wing of the same residential locality. The Chinese appeared to be adept at negotiating transactions with the least amount of red tape and formality and had no qualms about engaging in barter trading. The role of these uncontrolled traders became crucial in 1990–1992, when government contracts fell off quickly and local and cross-border trading grew.

Prior to 1994, increased trade between the two countries seemed to be a long-term factor in improving bilateral ties. Along with the lifting of visa requirements and reopening of border crossings, trade liberalisation initiatives were launched in both China and Russia. Vladivostok announced itself “an open city” and unveiled the “Greater Vladivostok Project” in 1992, with intentions to upgrade port infrastructure and build out a global transportation network.²² Further up the coast, “the port city of Nakhodka” established “the only free economic zone (FEZ)”²³ in the area after receiving Moscow's assurances of tax exemptions and funds for a feasibility analysis “from the European Bank for Reconstruction and Development (EBRD).”²⁴ Chinese contract labourers and construction workers arrived in the area, and “90 registered joint-ventures” with China were established “in the Nakhodka FEZ.” In Vladivostok, Chinese companies made up about 61 per cent of new joint ventures. Trade was further stimulated by a lack of consumer products in the Far East in 1991–1992, as well as moves made by local governments and businesses to heavily discount the sale of stocks like trucks and fertiliser.

The establishment of trade contacts between Russia and China resulted in a major increase in trade

as “regional and provincial agencies” as well as business companies gained the authority to undertake “foreign economic relations,” including the formation of joint ventures “in each other’s countries.”²⁵ Russo-Chinese trade volume rose from “nearly US\$4 billion for the Soviet Union as a whole in 1990 and 1991 to US\$5.8 billion in 1992 and US\$7.8 billion in 1993.”²⁶ China was “Russia’s second-largest trading partner by 1993, accounting for 35 per cent of Russia’s overall business with Asia, while Russia was China’s seventh-largest trading partner.”²⁷ “Up to 80 per cent of Russian trade with China” took place along the border between the Russian “Far East and the neighbouring Chinese provinces.”²⁸ In 1993, Heilongjiang sold goods valued over \$2 billion to Russia, and “two-thirds” of Khabarovsk’s purchases came from China. China accounted for almost half of Khabarovsk’s international commerce “in 1993 (43.5 percent, or \$302.5 million USD).”²⁹ Amurskaya Oblast and Primorskii Krai both reported comparable levels of sales.

BARTER TRADE

As both Russia and China were short of foreign currency reserves during the early stages of border ties,³⁰ “trade between” them initially was in the “form of rudimentary barter” combined with “direct” administration meddling “under” unfavourable “market” circumstances “and little” institutionalised monitoring, resulting in reckless contempt for contracts without repercussions.³¹ Russian exports typically included steel, cement, fertiliser, and wood, whereas China typically sent light industrial products and consumer items. Although barter allowed for trade to be conducted without the need for hard currency or an international system of commerce and settlement, it had several drawbacks:

- Chinese imports increased because of price differences between Russia and the rest of the world. These were reduced “by Russian government export” tariffs “and price liberalisation.” Russian exports were also made less accessible by the enforcement of quotas and licences on items made from strategically significant natural resources;
- Barter focused on quantity rather than quality because “neither side was likely to barter in goods” that might be exported “for hard currency”, which forced down “the quality of barter commodities” and undermined customer confidence on both sides;³²
- There were several anomalies because of the lack of adequate regulation of trade and payment procedures;
- A consistent reason for non-delivery on the part of Russia was fluctuation in both the cost of the items and their delivery;
- Even while the increase of commerce was fueled “by surpluses and shortages in the two countries,” it continued to be essentially insensitive to shifts in the market; for example, exports frequently comprised of what “suppliers could” find “rather than what” consumers requested;³³
- Later, the trade suffered from the “non-payments crisis in the Russian economy,” which made it such that “only” exports involving “hard currency” were permitted. The Russian government backed this stance to ensure a rise in its revenue.³⁴

The third quarter of 1992 saw the most significant growth in trade from a largely balanced situation, “with Russian exports more than doubling in only one quarter.”³⁵ Throughout the entire year of 1993, they maintained a level of more than “US\$1 billion per quarter”, while slightly falling after that. Contrarily, China’s exports only experienced a significant uptick in the fourth quarter of 1992 before reverting to a range of US\$600-800 million in 1993. One possible indicator of rising additional

expenses for China, specifically freight and customs, was the widening discrepancy “between the value of Russian exports and Chinese imports in the last quarter of 1993.”³⁶ With the exception that Chinese exports decreased even more during “the first quarter of 1994,” while Russian exports recovered to their 1992 level of rapid growth, “the first quarter of 1994” saw a severe “decline in trade volume” that was practically “a mirror image” of the gain of “the third quarter of 1992.”³⁷ At US\$5.2 billion in 1994, trade volume was 30 per cent lower than in 1993, and it stayed about at this level in 1995.

There are glaring disparities between “the data in real terms” during “the periods of” expansion and fall when looking at China’s share of Russian exports. While it has been noted that “Russian exports” fell “in real terms” in the final “quarter of 1992,” China’s market “share” increased, showing that it was being used to offset a fall in “real terms in trade with other markets.”³⁸ In contrast, in the final quarter of 1993, China’s proportion of “Russian exports” fell even faster than it had in “real terms”, showing that this decline was not widespread and was instead a result of “a shift” in “exports” away “from the Chinese market” and towards “other markets”.³⁹ The share of Chinese imports from Russia seemed to be increasing and decreasing more gradually, but the total impact was, if anything, more pronounced—“a fivefold” reduction “in share between the first quarter of 1993 and” the fourth “quarter of 1994.”⁴⁰

Thus, it is plausible to draw the conclusion that these significant variations were mostly caused by the relative rise and fall of barter trade, which resulted from both of its features as an exchange mechanism and regarding the structure of commodities. The border regions were significantly impacted by this change in trading patterns.

Barter was used with all the trading partners in the Far East, but it was most common with China, both because the latter was willing to engage in this type of commerce and because geographic “proximity” matters more in barter than in hard money exchange. Natural resources and semi-processed items from the Russian Far East were traded for the consumables that could not be produced or supplied domestically.

Barter was a temporary mode of exchange that resulted in several conflicts. Russian exports were so restricted in diversity and did not accurately reflect real shipping costs or international prices that they proved susceptible to changes in the NEC market after a brief construction boom had passed. The inferior quality of what China exported only filled a sizable market gap when imports from the centre suddenly became prohibitively expensive and overseas rivals were slow to enter the Russian market. The 1992–1993 trade boom had to come to an end, although not necessarily with such drastic and unfavourable effects.

While NEC media huffed and puffed about how border trade had evolved into the engine for economic growth, highlighting monthly improvements as indicators of impending wealth, RFE media and public opinion quickly turned against what was going on. Although border trade failed to increase during the “golden season” of July through October, it increased during the first half of 1993 and then remained at a high plateau.⁴¹

Companies struggled to deal with changing pricing and policies for the items they wanted in exchange

as well as the inability to find creditworthy partners. People in Russia started to think that their nation had suffered greatly from barter; estimates varied as high as US\$1 billion. The kinds of items that could be traded in this fashion were subject to new restrictions.⁴² Chinese import restrictions were tightened while crime and the economy were making it harder to make purchases and complete contracts. Companies in China were left without finances even for barter trading in June 1993 because of stricter monetary rules.

In the RFE, there was criticism of the geoeconomics of border trade. The RFE was at risk of changing from being “an exploited outpost of central Russia to a true” colonial-type “supplier to China” at the bottom of the regional division of labour if, in the opinion of local analysts, Russia was selling its natural resources for peanuts and allowing its industries irreparably decline.

Felgengauer claims that while around three-fourths of Chinese payments were initially made through barter, more recent contracts have included hard currency payments thanks to China’s expanding dollar trade surpluses.⁴³

THE COLLAPSE OF CROSS-BORDER COOPERATION: 1993-1996

By October 1993, the RFE was in a tizzy over its border relations with China. Yeltsin selected Yevgeniy Nazdratenko as the governor of Primorskiy Krai in May at the insistent request of the region’s business community and following a resounding vote by the Krai Soviet.⁴⁴ Soon after, Nazdratenko threatened provincial independence against Moscow and stoked nationalism by accusing China of covert expansionism. Chinese were subject to greater restrictions as trade became more constrained in peripheral markets.

A border-guard mindset reached its height in the RFE in 1994. To find Chinese who were residing illegally, “Operation Foreigner” was started, which resulted in the roundup of foreigners. Most of them had overstayed their visas in order to trade. In 1994, there was a constant refrain of warnings about the threat to national security, in contrast to 1993, when the media began to express increased worry over a “China threat”. There was no sign of relief, only increased concern.⁴⁵ Because Chinese joint ventures were viewed as draining resources from the RFE rather than investing in it, policymakers shuttered them in an effort to appease the irate public. Chinese investors with sincere long-term goals were also sometimes robbed of their assets. If colonisation of the RFE by China through immigration was the most worrisome threat, then stringent controls that significantly increased the expense and difficulty of acquiring travel documents drastically curtailed Chinese travel. It caused a severe fall in trade by leaving most Russian imports in the hands of Russians who could cross more readily. Amurskaya Oblast, which was almost entirely dependent on trade with China, was the only region in Russia to resist these changes and might have suffered the most.

Later in April 1994, joint hearings on the subject of “Problems of Russo-Chinese Relations and Perspectives of Their Development” were held by the legislative branches of the Russian Federation. According to a report from the regional association for the Far East and Trans-Baikal, uncontrolled circumstances had sparked anti-Chinese and anti-Russian sentiments, necessitating a change to regulated ties.⁴⁶

By 1995, the Russian side was still feeling the effects of shrinkage, but the most egregious Chinese

violations were waning. If any so-called Chinatowns or Chinese villages ever existed, they vanished, and Chinese traders were uncommon outside of markets under government authority. China took pains to monitor exports, but Russian dealers continued to bring back inferior items despite being aware that only the poorest of their countrymen would continue to purchase Chinese goods.

The abrupt change in border trade had a disastrous impact on Heilongjiang and border towns in neighbouring provinces. Even though the province's "trade with Russia" declined "by 7.2 percent in the second half of 1993,"⁴⁷ it still set a record of US\$2 billion; however, the first half of 1994 showed a loss of 56.7 percent from the same time in 1993, which contributed to reduce the annual total back below \$1 billion.⁴⁸

Trade between the two countries decrease "from a high of US\$7.7 billion in 1993 to US\$5 billion" in 1994 and US\$5.5 billion in 1995. Trade between Primorskii Krai and China decreased by 78 per cent. Border trade in Amurskaya Oblast declined by 81 per cent (from US\$100 million to US\$19 million) between the first quarters of 1993 and 1994.⁴⁹ In 1995m the downturn persisted.⁵⁰ Between the first quarters of 1993 and 1994, Heilongjiang experience a 45 per cent decline in trade. In Russia, there were just four new joint ventures established in the first five months of 1995, down from a high of 56 in 1993.⁵¹

Numerous businesses were forced out of business, leaving Heihe and neighbouring communities with boarded-up stores and deserted streets. Harbin and other intellectual and industrial hubs saw an increase in the brain drain to South China.

When Russia and China were deepening their ties in 1994, Moscow's enthusiasts of close relations wanted to stop the deterioration in cross-border relations. While condemning regional elements in the RFE for failing to create appropriate new policies, they also asked for Chinese assistance in convincing Russians that their national interests were met. The Institute of the Far East director, Mikhail Titarenko, suggested five measures to be taken in relation to the Tumen River Project before Chinese President "Jiang Zemin's visit to Moscow in September 1994"⁵² to allay Russians' concerns over its completion: (1) rethinking the division of labour to prevent the RFE from serving as a raw material base in the developing industrial system as China's section of the zone evolved into a centre of industry and the global economy; (2) resolving immigration issues so that a major influx of foreign workers would not overwhelm the RFE, drastically altering the population's racial makeup and sparking tensions, for instance, by assuring that a sizable portion of the immigrants would be refugees from former Soviet states; (3) preserving the marine resources of Primorskii Krai, which have significant economic potential; (4) not allowing significant investment here at the expense of Nakhodka and Greater Vladivostok; (5) not diverting freight away from the Trans-Siberian and BAM railroads.⁵³

The proponents of warmer ties in Beijing mostly agreed with Moscow's arguments. Leaders highlighted China's efforts to manage immigration, restrict unethical trade, and promote collaboration between local governments on both sides of the border when they met with their Russian counterparts. China put the responsibility on Heilongjiang's local government, ousting the party chief in the spring of 1994 and left border trade with thin central support. To the dismay of Jilin, its resolve weakened even though it continued to negotiate Tumen with Moscow and even

appeared to make headway on a scaled-down version in 1995. And Liaoning Province, which had hoped to capitalise on Shenyang's position as the closest consulate for now-essential visas and its larger industrial base in the intended transfer to more substantial enterprises and research and technology rather than commerce in simpler items, discovered that financial institutions on both sides were hostile to such a relationship and to the pervasive corruption existing in the state sector of NEC and the RFE. The so-called new system of economic interactions was hard on restrictions but weak on contemporary institutions and confidence.

In comparison to 1993, trade plateaued between 1994 and 1996 at a substantially lower level. With stronger central control over raw material exports and an unreported excess from smuggling, which was more advantageous for regional interests, Russia saw a significant trade surplus. For China, it meant switching from exporting highly profitable goods like electronics and garments to less lucrative produce like watermelons and vegetables. Cash payments concealed from tax inspectors were part of the barter exchange that was reportedly taking place.

If in 1990–1991 regionalism in the NEA was closely associated with large-scale construction projects in the RFE or along borders, and in 1992–1993 the greatest momentum came from trade along the Sino–Russian border, then in 1994–1995 new partnership connections between Russia and China came to be considered as the best chance to break the impasse. The persistent conflicts over decentralisation in Russia were exacerbated by the recurring clashes between Nazratenko and Moscow. Although Nazdratenko returned from a trip to Moscow in the fall of 1994 with what appeared to be a more positive outlook on China, his readiness to make private assurances to Chinese officials or to strike deals for coal and other products that were urgently required in the RFE did not indicate cooperation for more extensive development.

TRADE AND ECONOMICS: 1997-2000

The fifth summit meeting between Chinese President Jiang Zemin and Russian President Boris Yeltsin took place in Beijing on November 10, 1997. Jiang Zemin emphasised the importance of the “Commission for Regular Meetings Between the Heads of Government of Russia and China” in advancing economic and trade cooperation between the two nations after the signing ceremony. He stated that businessmen from the two countries should increase their interactions in order to find collaborators for joint ventures.

Yeltsin emphasised that the economies of Russia and China were quite complimentary. The two nations had participated in a variety of projects including trade and “economic cooperation” and had made numerous recommendations in this area.

Other agreements on economic and technology cooperation were signed by Chinese Vice-Premier Li Lanqing and Russian First Deputy Prime Minister Boris Nemtsov. These agreements included a memorandum of understanding on the fundamental ideas guiding the construction of gas pipelines and the development of gas-condensate wells, a deal on the fundamental ideas guiding local government cooperation between the two countries, and “a memorandum of understanding” on the fundamental principles guiding “economic and technological cooperation.”

Along with signing a number of agreements, representatives from the respective Russian and Chinese

ministries also collaborated on diamond mining, tiger conservation, financial institution oversight, and the economic development of certain islets in border rivers and adjacent waterways.⁵⁴

Russo-Chinese economic and trade relations between 1997 and 1999 did not progress as expected, particularly in 1998 when the Russian financial crisis caused “bilateral” commerce to even decline. The proportion of Russian exports to China “fell from 3.5 per cent in 1992 to 2 per cent in 1998.”⁵⁵ The volume of bilateral trade decreased to less than US\$5.48 billion in 1998. Trade between the two countries reached US\$4.47 billion in the first 10 months of 1998.⁵⁶ With a share of almost 5 per cent in trade, China was Russia’s third-largest foreign trading partner.⁵⁷ Bilateral commerce, which totaled US\$9.48 billion in 1997, was dominated by “suitcase traders” and totaled US\$3.36 billion.⁵⁸ China imported commodities worth about US\$4.53 billion from Russia, whereas Russia imported goods valued at about US\$4.55 billion from China.⁵⁹

The biggest Sino-Russian joint ventures in Russia in 1998 produced computer chips in Zelenograd, communication equipment in Ufa, and the Hotel Far East in Nakhodka. Over US\$110 million had been invested in these projects overall.⁶⁰

The volume of bilateral commerce increased marginally to “US\$5.72 billion”⁶¹ in 1999 and rose significantly to “US\$8 billion in 2000”.⁶² Nevertheless, throughout this period the two countries were looking into new possibilities for cooperation, particularly in the area of large-scale projects, and they made significant strides in this direction. The construction of China’s nuclear power plant with Russian aid was going nicely. The economic and technological certification stages of building “a natural gas pipeline from Eastern Siberia” to the eastern coast of China were already complete.

ECONOMIC RELATIONS IN THE 21ST CENTURY

The expansion and deepening of the strategic cooperative partnership between Russia and China are significantly influenced by developments in bilateral trade and commerce. While economic reforms and political reorganisation in the two countries was underway in the late 1990’s, development in bilateral trade was not entirely satisfactory. However, in order to consistently increase bilateral trade, the two countries took a number of steps.

According to “the 2000 Russian Foreign Policy Concept,” the primary challenge in the Russo-Chinese partnership was “bringing the scale of economic interaction in conformity with the level of political relations.”⁶³

Agreements on gas and oil pipeline feasibility studies from Siberia to China were reached “during Russian President Vladimir Putin’s visit” to China in July 2001.⁶⁴ Russia also consented to help China construct “a fast-neutron cycle reactor at the nuclear power institute” in Beijing.⁶⁵

Putin listed three main areas that could strengthen “Russia’s economic ties with China and other East Asian nations” in his 2001 speech at the Asia-Pacific Economic Cooperation Organization meeting in Shanghai. He claimed that Russia would soon rank among the region’s most dynamic strategic development resources. Power engineering, transportation, and basic sciences were stated to be the three key fields.⁶⁶

Energy links from Russia to East Asia, and especially China, were anticipated to be crucial for the region's sustainable and secure growth.

Another important area of collaboration was transportation. The expanding interactions between the Atlantic and Pacific beaches of Eurasia go hand in hand with economic globalisation. Like the Great Silk Road of the past, Russia and China's geographical location defined their role "as a bridge between the West and the East" in the 21st century.⁶⁷ The expansion of communication networks in the area will be aided by the connection of the Trans-Siberian and Trans-Korean railways, modernization of the Trans-Siberian Railway Line, and construction of a second transcontinental line from Lianyungang to Rotterdam.⁶⁸

After transportation and power engineering, fundamental sciences make up the third criterion. In addition to having abundant natural resources, Russia is also well situated. It is a powerful nation with highly educated citizens who hold top positions in high-tech fundamental sciences.⁶⁹

Russia announced its willingness to join the Chinese-initiated programme for maximising human potential during this summit. It allowed for collaboration in the education of professionals who would close the gap between the various regional countries' differing standards of development.⁷⁰

The sixth regular Russo-Chinese prime ministerial meeting took place in St. Petersburg in 2001, which boosted trade ties between the two countries. The areas, scope, and development orientation of economic cooperation were determined during the sixth and seventh meetings between the two heads of governments. Hi-tech, energy, natural resources, finance, transportation, aviation, spaceflight, ecology, telecommunications, and information technology were among the fields mentioned. Among the concrete projects were:

- Russo-Chinese oil pipeline construction;
- Natural gas pipeline construction;
- Establishment of a Russian-Chinese industrial park in Moscow;⁷¹
- Construction of a China-oriented aluminium plant;
- Cooperation in forestry;
- Cooperation in the fields of aviation and spaceflight, such as China purchasing civil planes from Russia;⁷²
- Construction of two generating units at the Tianwan Nuclear Power Station in Lianyungang, Jiangsu Province, which are scheduled to start generating power in 2004 and 2005 respectively;
- Participation of Russian oil companies in China's west-east natural gas transmission pipeline construction; and
- Cooperation in development projects in other countries, such as construction of an aluminium plant in Guinea.⁷³

Trade between the two countries reached a record high of "US\$10.67 billion" in 2001, "an increase of 25 per cent from the previous year."⁷⁴ It increased to a record high of "US\$11.93 billion in 2002",⁷⁵ excluding the "US\$10 billion" in trade that took place through chartered planes, a unique mechanism between the two countries, evading customs.⁷⁶ As a result, trade between Russia and China increased

“18 per cent in 2002 compared to 2001 (and 20 per cent in the first quarter of 2002, reaching US\$5.5 billion by July 1, 2002).”⁷⁷ Mutual trade increased by 30 per cent to “US\$4.5 billion” in the first four months of 2003 from “US\$3.5 billion” in the corresponding period of 2002.⁷⁸

Every year, a constant and expanding supply of Russian export commodities became necessary due to China’s economic expansion. Despite being relatively small (about 3 per cent) in terms of China’s overall imports, this percentage was much greater for a number of products. Particularly, imports from Russia met China’s needs for industrial lumber (61 per cent of its needs), paper and cellulose (17 per cent of its needs), ferrous metals (19 per cent of its needs), fertiliser (42 per cent of its needs), fish and other seafood (57 per cent of its needs), and crude oil (4.4 per cent of its needs) in 2002. In the area of military-technical cooperation, significant deliveries were made, particularly for the “Tianwan nuclear power station” that was being built in Jiangsu Province.⁷⁹

Russia imported far less commodities from China than it exported, in terms of volume.⁸⁰ Russia’s overall positive balance in bilateral trade from 1999 to 2002 totaled US\$16.4 billion.⁸¹

However, China’s exports to Russia have increased significantly in volume during the past few years. In 2002, for the first time, in absolute terms (“\$810 million vs. US\$450 million”), the growth of Chinese exports to Russia exceeded the growth of purchases made in the opposite way. It is important to take note of the current changes to the export structure. Deliveries of machine and machine products, particularly home electronics and specific types of industrial equipment, have been expanding at an increasingly rapid rate alongside the conventional items sent to the Russian market (leather goods, textiles, shoes, apparel, and toys).⁸²

Russia’s exports to China gradually became more specialised in a number of product categories. Primary goods and raw materials dominated them. Thus, for instance, in 2002, nine major categories of goods accounted for as much as 94.8 per cent “of the total value of exports.” Of these, “petroleum and petroleum products accounted for” 15.3%, lumber for 12.6 per cent, ferrous “metals” for 12 per cent, fertiliser for 10.3 per cent, and chemical goods for 8.4 per cent.

Deliveries of actual civilian machine products (apart from the equipment for the “Tianwan Atomic Energy Station”) either remained negligible or decreased, despite the fact that machinery and machine equipment made up the greatest portion of Russia’s export structure with a 20.1 per cent share. No significant contracts for the delivery of equipment for conventional thermal power plants were signed for several years. Orders for Russian autos, industrial equipment, machine tools, and aeroplanes had all been one-off purchases. The largest of these was a contract for the delivery of five Tu-204 aircraft, valued at US\$150 million each.⁸³

In summarising his visit to China from August 21 to 23, 2002, Russian Prime Minister Mikhail Kasyanov expressed confidence that in ten years, trade between China and Russia might exceed “US\$30 billion”.⁸⁴

The implementation of new Russian-Chinese projects in the fields of agriculture, power engineering, and other industries would boost bilateral trade. In order to create a comprehensive plan for the economic development of China’s western regions, a special working group was formed. The Russian

government, according to Kasyanov, was determined “to spare no effort to contribute to the promotion of Russian business in China.”⁸⁵

During a meet in Shanghai, Kasyanov and his Chinese colleague Zhu Rongji signed five agreements for collaboration on August 22, 2002. Three of them dealt with banking, while one was a settlement agreement for interbank accounts in border trade zones between the People’s Bank of China and the Central Bank of Russia. Russian banks in the Amur area were now permitted to swap rubles for yuan and vice versa. In order to convert rubles into yuans and vice versa, the dollar was no longer be used as an intermediate currency.⁸⁶ In order to pay for their customers’ export and import operations, Russian and Chinese banks were permitted to open correspondent accounts in their respective national currencies.⁸⁷ Russia consequently imported more Chinese machinery and equipment than ever before.

On December 2, 2002, the two countries signed agreements on their joint effort to combat money laundering, other economic crimes, and tax law violations during Putin’s three-day visit to China. In addition, they agreed to create a cooperative agency for tourism and signed three agreements on financial cooperation, a contract on research cooperation from 2003 to 2007.⁸⁸

The two governments emphasised that for trade and economic relations to advance in a stable and predictable manner, it was necessary:

- to take positive steps to boost trade volume and enhance the composition of its commodities by increasing the proportion of high-tech, machine-building, and electronic items, as well as other goods with a high added value;
- to establish favourable circumstances so that goods, services, and investments from both states can be sold on their respective markets;
- to promote technical-economic and investment cooperation, including the formation of joint ventures, industrial cooperation, and technology transfer;
- integrating Russian businesses in the policy of accelerated development of China’s western areas;
- intensifying collaboration in the border regions of the two countries;
- enhancing the system for handling commercial transactions, including greater cooperation in the areas of bank settlements, crediting, and insurance;
- to intensify efforts in the fields of law, administration, management, and other areas in order to align the trading regime with worldwide standards;
- and to strengthen ties between small and medium-sized firms.⁸⁹

Putin stated on May 28, 2003, following the signing of a joint declaration with the visiting Chinese President Hu Jintao, that the Russian-Chinese trade turnover may increase to “US\$20 billion” annually during the next 4-5 years. Between 1999 and 2003, two-way official trade increased by almost three times, “from US\$5.7 billion to US\$15.7 billion.”⁹⁰ And this was without taking into account “unregistered trade”, which was believed to be worth roughly “\$10 billion.”⁹¹ Additionally, a trade partnership that was previously “dependent on weaponry transfers and shuttle commerce had shown indications of diversifying.”⁹² Trans-Asian infrastructure projects, particularly those involving energy (oil and gas), became more and more popular.⁹³

During a speech in Beijing on September 25, 2003, Kasyanov estimated that “Russia’s trade with China in 2003 was between US\$13 billion and US\$14 billion.”⁹⁴

When Chinese President Hu Jintao officially visited Moscow on May 26-30, 2003, the two countries “signed an agreement on development and research of marine resources, as well as a general agreement on buyer’s export credit between Russia’s Bank for Foreign Trade and the China Construction Bank on May 27, 2003.”⁹⁵

In 2010, China ranked sixth among countries importing Russian products.⁹⁶ China is currently “Russia’s largest trading partner”, and the bilateral trade “in 2012” was close to “US\$ 88 billion”, a significant rise “from 2001”.⁹⁷ China is also the largest “Asian investor in Russia”, and in 2010, Chinese foreign direct investment in Russia totaled “\$567.72 million”, a huge rise “from \$77.31 million in 2004.”⁹⁸

“The volume of trade” between Russia and China in 2010 was “1.92 percent of China’s overall international trade and 10% of Russia’s entire trade”.⁹⁹ Although only “7 per cent” of all “Russian exports” went to China, “China was Russia’s” biggest trading “partner in 2012”, accounting for “10 per cent” of all purchases.¹⁰⁰ As a result, “while trade with China” accounted for a sizeable portion of Russia’s total commerce, it only made up a minor portion of China’s total trade.¹⁰¹ In 2010, “Russia was China’s fourth-largest” supplier of “hydrocarbons” after “Saudi Arabia, Angola, and Iran,” and it also gave the country “electricity worth \$44.09 million.”¹⁰²

It has been observed that a significant portion of “Chinese investment” in Russia is moving towards “raw materials and energy” industries, “particularly metals”. Other investments are made in businesses in border regions that sell “raw materials and semi-finished” goods to China.¹⁰³

A quarter of the “bilateral trade” between Russia and China has been paid in renminbi (RMB) or the Russian ruble since their 2019 agreement to reduce the usage of the US dollar.¹⁰⁴ Although the renminbi is not extensively utilized worldwide, it might be supported “by energy or gold” because of Russia’s links with “Shanghai’s gold exchange”. Trading in renminbi might help both parties save “US dollars”, shield commerce from penalties, and increase renminbi usage. In June 2021, according to data from the Russian “central bank”, “14 per cent of its reserves” were held in renminbi. It has approximately \$140 billion worth of “bonds” in Chinese renminbi and has a “\$24 billion short-term” borrowing agreement with “China’s central bank”.¹⁰⁵

Despite unequal patterns, trade between Russia and China has increased since 2014. “In 2021, Russia accounted for 2 per cent of China’s trade,” whereas “China represented 18 per cent of Russia’s trade.” At the cost of the European Union (EU), “China’s trade share with Russia has progressively increased from 11% in 2013.”¹⁰⁶

In terms of “electronics and semiconductors,” China provides around “70 per cent of Russia’s technology imports”. “These exports” make up around “2 per cent of China’s” overall “exports of these” goods.¹⁰⁷

China receives critical exports from Russia, “including metals, energy, and fertiliser (e.g., gold, nickel, titanium, and platinum).” Russia has become a more popular source of “coal, natural gas, and crude oil for China.” As China experiences shortages, Russia may start to play a bigger role as a “supplier of wheat and fertiliser.” Following Russia-Ukraine war in 2022, China removed “import restrictions on Russian wheat.” “Machinery and electronics” account for “28.8 billion” dollars’ worth of “China’s exports to Russia,” followed by basic “metals (\$5.7 billion), textiles and garments (\$5.4 billion), and vehicles, ships, and aeroplanes (\$5.0 billion).” If Russia’s access to international markets worsens and China turns to Russia to cope with “global shortages”, the war may strengthen “bilateral” relations.¹⁰⁸

In March 2022, “China’s banking” watchdog declared that the country would refrain from taking part in American-led “sanctions” and would continue to have regular business and “financial” relations with “relevant parties”.¹⁰⁹

Several Chinese companies have attempted to acquire “western and Russian” properties in Russia with the support of the Chinese “government”, and certain transactions (such as those involving “oil and coal”) are denominated in the renminbi.¹¹⁰

Overall, the state of trade and economic cooperation indicates that it has evolved into a significant facet of reciprocal cooperation and the structural basis of strategic partnership relationships.

SIGNS OF FAILURE IN ECONOMIC RELATIONS

Russia and China have consistently attempted to increase trade between them. The outcomes have been disappointing, even though they first appeared to be succeeding. In 1994, overall trade decreased 30 per cent from the previous year. The total had to rise “back to the peak of more than 7.5 billion dollars in 1993,”¹¹¹ but, it dipped again in 1997. Yearly trade data “from 1994 through 1997” varied “between 5 and 7 billion dollars.”

Surprisingly, Russia was heavily favoured in the trade balance during this period. Without energy exports to China, Russia that can only sell energy to much of the globe runs a significant surplus and is unable to sell the consumer products that China has swamped other markets with. Russia looks elsewhere rather than relying heavily on China for its consumer goods needs because it is unable to supply itself with high-quality clothing, appliances, canned products, and nearly all other commodities. One typical argument is that Chinese goods are so strongly associated with subpar quality, fake labelling, and even health risks that Russian consumers would shun them even if they are inexpensive. However, the fact that even attempts to highlight top-notch Chinese goods are met with resistance implies that a more profound negative reaction has taken hold, one that could potentially hinder friendship in other contexts. It appears doubtful that Chinese officials have not provided Russia with favourable terms since they have been eager to strengthen their “strategic cooperation” with Russia through “closer economic ties.”¹¹² The crux of the problem must be a confluence of “structural” challenges to “finding common ground for capitalist trade between two socialistically planned countries,” as well as Russian misgivings and “lack of confidence in the face of Chinese entrepreneurs and state-owned” businesses.¹¹³

Worried about the precipitous decline “in trade in 1994” and the problems in “selling” its commodities in Russia, China emphasised “economic ties in meetings of top leaders.”¹¹⁴ To

strengthen the strategic cooperation, it presented a vision of economic cooperation. Leaders committed to an ambitious plan in 1996 to increase “bilateral trade to \$20 billion by the year 2000.”¹¹⁵ However, China’s substantive proposals did not receive Russia’s support at future talks, and despite in-principle agreements, the large projects that Russian industry depended on disappeared.

In addition to initiatives that would connect Northeast China and the Russian Far East, “at least four” additional noteworthy “targets” captured the attention of economic strategists on both sides. The decisive event “on the Russian side in 1996–1997” was when China announced its intention to buy a few “turbo generators” for the enormous “Three Gorges hydroelectric dam.”¹¹⁶ This transaction would demonstrate the competitiveness of Russian heavy industry on the international market. It would demonstrate “that the new collaboration with China” generated income “for Russian” businesses and employment for “Russian workers.”¹¹⁷ Then, unexpectedly, in September 1997—when “the Yangtze River” was diverted and “China’s project of the century” entered a new phase—Beijing ordered all of the massive “generators” from somewhere else.¹¹⁸ Whether this occurred as a result of Russian generators failing the competition test or due to Russia’s refusal to sufficiently open its market to Chinese exporters, it highlighted yet another example of the collapse of economic ties. Ironically, the failure of Russia’s “BAM railroad line”¹¹⁹ which was primarily developed in reaction to the “Chinese threat”, had signified “the wasteful economy”. However inefficient “the Three Gorges project” may turn out to be for the “Chinese economy”, it has now come to stand for “Russian industry’s” failure to change with the times.

Restoring China’s solid export standing in the clothing and other industries was one of the main priorities for the Chinese side. These exports were despised in Russia in 1993–1994 as being of the lowest quality. To improve upon this image, the Chinese suggested setting up shops to display their wares in important places in Russia. The high-end products shipped to middle-class consumers around the world would be crammed into retail spaces with billboards, and they would steadfastly put an end to the bad image “of Chinese goods in Russia.” However, everything that looked like a Chinese retail store was rejected by the Russians. Chinese exports to Russia (apart from those concealed under labels from other nations) decreased to about one-thirty of those to the United States, and they continued to draw mostly underprivileged customers with limited options.

The creation of joint ventures for research and production in particular high-tech industries was another suggestion made during bilateral negotiations. China offered to help with production and marketing in exchange for Russia sharing some of its most innovative technology. Evidently, Russia was hesitant to part with such assets out of concern that, should the technology be given to China, the benefits would disproportionately go to that country. Joint ventures failed to unite the two countries, just as they did in the Far East in 1992–1994.

The production of electricity “in Eastern Siberia and the construction of pipelines” to deliver “the oil” to consumers in China and South Korea had been a fourth issue at high-level discussions in 1996–1997.¹²⁰ The possibilities for a project connecting Irkutsk Oblast to Shandong province¹²¹ via Mongolia were less promising by the beginning of 1998 than they had been in 1996. China struck a deal “with Kazakhstan for a project” that would result “in a pipeline” across “western China” (perhaps because it was getting tired of Russian delays).¹²² At this time, investment climate in Asia, particularly that connected to South Korea, had also drastically deteriorated. A deal “between Japan and Russia

as part of a new” cooperative “spirit” announced at the Krasnoyarsk¹²³ summit was the only thing keeping the Irkutsk pipeline from being abandoned.¹²⁴

In January 2004, China imposed anti-dumping taxes on imports of Russian cold-rolled steel. The Russian administration was shocked and upset. The Magnitogorsk Metallurgical Factory and other businesses that supplied steel to the Chinese market sustained losses of up to “US\$80 million”. Beginning on September 23, 2003, these new prohibitive import taxes on steel were to be in place for a period of five years. Chinese measures against steel exporters could be attributed to increased demands made during discussions about Russia’s potential World Trade Organisation membership as well as efforts to exert pressure on the Russian Cabinet on the Angarsk oil pipeline problem. At that time, it appeared that this was one of the primary issues affecting Russia’s relations with China and Japan.¹²⁵

MANAGED TRADE, DIVERGENT INTERESTS

Jiang Zemin spent considerable time discussing the trade situation at the summit in Moscow in September 1994. According to him, “these challenges accompanying our advancement and development are not difficult to solve”¹²⁶ as long as the overarching objective of creating secure relationships is kept in mind.¹²⁷ The most significant barriers to the smooth expansion of trade were said to be the payment issues and a lack of adequate transportation infrastructure.¹²⁸ As a result, several meetings between the governments of Russia and China were held with the goal of improving relations. Both Yeltsin and Jiang emphasised the importance of keeping “border trade” at “normal levels”.¹²⁹

China tried to persuade Russia by addressing their concerns that had annoyed them, such as inferior quality goods, illegal immigration, and other issues.

Most Chinese analysts agreed that there was a difference between economic and political interactions; this gap was an inevitable reality when bilateral trade grow from a small to a large volume and from irregular to regular.

Consequently, the leaders of the two countries emphasised trade and increased collaboration in research and technology. These issues were the primary concerns of Russian Prime Minister Victor S. Chernomyrdin’s visit to China in May 1994. The two sides were able to come to a broad agreement when they discussed enhancing macroeconomic management, improving product quality, extending the scope of economic cooperation, and completing the infrastructure and legal base in the economic field. Following the visit, the two parties inked agreements on several matters, including a border management system, the avoidance of double taxation, general agricultural and industrial cooperation, cooperation in maritime transport, environmental protection, and the preservation of maritime resources in border waterways.

These initiatives achieved some degree of success by 1996. A “bridge project with Amurskaya Oblast” was permitted in October, the 81 km of railway connecting Jilin and Zarubino in China was finished, and “a fiber-optic cable link” connecting Harbin and Khabarovsk was completed in 1997.¹³⁰ For the first time since 1993, border trade increased dramatically as a result of Chinese tariff exemptions and quality controls.¹³¹ Moscow dissuaded the Far East from opposing the expansion of trade with China.

Russian Prime Minister Yevgeny Maksimovich Primakov lashed out at those who were against “the Tumen River Project,” and during the second meeting of the Prime Ministerial Commission¹³² in June 1997 “a Russian-Chinese Committee on Regional Border Trade and Economic Cooperation” was created by signing an agreement.¹³³

Despite these initiatives, the Yeltsin administration’s general trade policy toward China changed after 1993 from one that favoured cross-border connections to one that focused on important sectors including energy, nuclear power, heavy industry, and defence. Both a nuclear power plant and an enrichment facility for uranium were built by Russian enterprises in the provinces of Jiangsu¹³⁴ and Shanxi.¹³⁵ The Russian government was optimistic that the advantages of such strategic partnership would result in the creation of thousands of jobs in Russia and a considerable rise in two-way trade. A joint venture between China and Russia was announced “to explore the gas reserves in the Irkutskaya Oblast” and to construct “a gas pipeline” from there “to South Korea via China and Mongolia.”¹³⁶ In November 1997, “a framework agreement” regulating “the pipeline project,” which was anticipated “to cost US\$12 billion, was signed.”¹³⁷ In order to develop fields in China, Gazprom (Russian state-owned multinational energy corporation) declared in 1996 that it will enter into an agreement with the Chinese Oil and Gas Corporation.¹³⁸ In addition, “a high-voltage power line from Eastern Siberia to China” was also planned.¹³⁹

CONCLUSION

It was reassuring to see the Chinese and Russian administrations approach this crisis with understanding, composure, and realism. When addressing the Russian press on his visit to Moscow in September 1994, Chairman Jiang Zemin outlined the Chinese government’s perspective on this issue:

In recent years, under circumstances of rapid increases in mutual exchanges on both sides, mainly in border trade and personnel exchanges, some disorderly phenomena appeared. First, no matter which side gave rise to the problems, the cause was always individual behaviour, not the policies of the two governments. Second, these are problems that arise in the context of progress and development [of the relationship], problems that have appeared in the rapid transition from the closed borders of the past to openness and exchange. . . . They have not and ought not to influence the whole situation of the development of bilateral relations. Third, the principled standpoint of the Chinese government is to support and maintain orderly and legitimate trade activities . . . consistently opposing illegal migrants, and resolutely attacking criminal elements engaged in illegal migration activities. It does not permit Chinese citizens to do things harmful to bilateral good-neighbour relations.¹⁴⁰

Law enforcement agencies from China and Russia worked closely together in 1993-1994 to combat organised crime and criminal elements that were violating Russian border controls. Both Russia and China started adopting a visa system in January 1994 and worked to improve the legal and physical infrastructure of the border region in an effort to foster healthy and orderly bilateral personnel exchanges. In light of these facts, the “yellow peril”¹⁴¹ argument was abandoned. Through it all, Chinese academicians paid little attention to the “yellow peril” texts, dismissing them as a

“nationalistic manifestation” when they were considered at all.

The Chinese government frequently explained that there had never been a strategy to Sinicize Russian territory and expressed its willingness to work with the Russian government to stop illegal immigration. Chinese Premier Li Peng made official declarations reiterating this stance “during his visit to Moscow in February 1998.” He also urged Chinese nationals living in Russia to follow Russian laws governing emigration.

Advocates for economic growth in both countries also view international relations differently from great-power strategists. In Beijing, cross-border trade is no longer the primary priority. Some observers charge China’s economic ministries with negatively influencing the “strategic partnership” through their one-sided perceptions of the Russian economy as being plagued with outdated machinery, obsolete technology, and poor products that cannot be produced on time. Instead, they argue that Russia has a sizable market, has a significant impact on other Central Asian markets, and—most importantly—is a significant power in the field of science and technology. If Russia found itself unable to use its technological innovations in production, China could accomplish this. Together, the two governments could build better transportation infrastructure, bolster law enforcement at the border, and create a unified bank that offers commercial guarantees. One report noted that the 1996 summit gave these initiatives some momentum, but it also cautioned that China confronted tough competition for the Russian market and risked falling behind.¹⁴²

There are also several major explanations for why regional anti-Chinese campaigns in the Far East have not succeeded in slowing the development of state-level reconciliation between Russia and China. There is still political support for “an open region”, provided the “commercial, legal,” and general “economic framework can be brought into” compliance “with the region’s unique circumstances and up to appropriate international standards.”¹⁴³ The Russian leadership has proposed a constructive collaboration, and their Chinese counterparts have acknowledged the specific significance of the relationship between China and Russia.¹⁴⁴

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