

“China and Russia’s Far East”

Cooperation and Competition: Economic and Political perspectives

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Abstract

In this paper, the relationship between China and Siberia/the Russian Far East is examined from both economic and political-security angles. China and Siberia/the Russian Far East have a conflictual and cooperative relationship. Siberia/Russian Far East provides China with natural resources and energy, while China provides Siberia/Russian Far East with consumer products, food, and labor to make up for its labor shortfall. The two regions have a mutually beneficial economic relationship. Their interests on matters like the Tuman River Development Project, however, differ. The border issue represents the "dark" side of their relationship, if their economic collaboration may be considered the "bright" side. The paper makes the case that in order to lessen conflict and foster cooperation, a multinational security/economic organization, tentatively named the "Organization for Security and Collaboration in Northeast Asia," should soon be founded as a means of lowering conflict and boosting cooperation in Northeast Asia.

Introduction

In terms of their ascension to superpower status through rapid economic expansion and Russia's collapse following the dissolution of the Soviet Union, China and Russia are frequently contrasted in international affairs. The decline of Russia's power in Asia has been particularly noticeable. Russians have questioned if their country will be able to hold onto Siberia and the Russian Far East, which border China. Some people have called for the return of the Russian Far East to China, claiming that a large portion of the region was taken from them as a result of an unfair deal made with Imperial Russia during the Ching Dynasty. According to Mao Ze Dung, throughout Chinese history, they had never come to terms with Russia's ownership of the Far East. Following the dissolution of the Soviet Union and the creation of the Russian Federation, regional governments started to exercise their power. Despite having abundant natural resources, regionalist sentiment has been on the rise throughout Siberia and the Russian Far East. Siberia/Russian Far East has the right to establish diplomatic ties with other nations because they are federation subjects. They have a very tight relationship with neighboring China as a result. Given this context, when the Cold War ended, Northeast Asia requires attention. This essay aims to investigate the development and issues in the ties between Siberia/Far Russia's East, which has a big landmass but a population of barely 30 million, and China, which has a sizable population. In other words, the existing connection between China and Siberia/Far Russia's East will be examined from an economic and political-security standpoint in this article. In addition, this study explores ways that cooperation and conflict resolution can help to advance stability in Northeast Asia.

The Economic Perspective

Economically speaking, China aims to trade labor, consumer products, and food for raw materials and energy with Siberia and the Russian Far East. Siberia and the Russian Far East are specifically regarded as a source

of raw materials by China for its economic development. In other words, China and Siberia/Russian Far East are in a relationship that is mutually beneficial given China's need for resources and its overpopulation issue, as well as Siberia/Russian Far East's vast resource base and scarcity of consumer goods, food, and labor. About 100 million people live in China's three northeastern provinces (Heilongjiang, Jilin, and Liaoning). Since the 1990s, China has exported light industrial goods, food, and electronic equipment to Siberia/Russian Far East, and some unemployed people from Heilongjiang and Jilin have relocated there in search of employment. They view commerce with China's three northeastern provinces, notably with Heilongjiang Province, as essential due to the high transportation costs associated with their physical isolation from central Russia. As a result, during the 1990s, collaborative projects between the two nations have grown. The 1980s saw the beginning of border trade between the two areas. Trade started in 1983 and was revitalized in 1988 after the central government ratified the "Trade between Regions" agreement. As a result, China accounted for 70% of Siberia's commerce in 1991 and 1992. The most typical form of trade has traditionally been bartering, while there are also tiny, independent businesses. With the establishment of ZPES (Zona Prigranicnogo Ekonomiceskogo Sotrudnicestva), a free trade and economic cooperation zone in Siberia, border trading increased. 90 percent of Siberian exports to China were made in 1993, and 446 businesses and institutions participated in the trade. Steel, petroleum products, fertilizers, trucks, bulldozers, elastic rubber, and railroad products were among the exportable goods.

Border trade has been lively between the three northeastern provinces of China and the Russian Far East, with Heilongjiang Province in particular. However, following the restoration of diplomatic ties between Russia and Korea, Korean goods have become more popular than Chinese ones. Since the 1990s, China has faced competition from both recent arrivals in the Russian Far East, like Korea, and long-standing adversaries like Japan. China therefore intensified its attempts to maintain its ties with Khabarovsk Kray, which is crucial to the Russian Far East. China now enjoys the advantage in the race as a result of goods for raw materials from the Khabarovsk area. A resolution on economic collaboration in the agriculture, metallurgic, electronics, machinery manufacture, the two regions have approved natural resource development, and lumber industries. A shipping route between Dalian and Vanino and direct flights from Shenyang to Khabarovsk will improve ties between the two regions. Due to its proximity to the Khabarovsk region, Heilongjiang Province, which has four border trade cities (Heihe, Suifenhe, Tongjiang, and Hulin), engages in trade with it. Numerous people from Khabarovsk attend the yearly international exposition hosted in Haerbin to improve the aerospace sector through collaborative efforts. Regular air service between the two regions has also helped to promote travel and intercultural interchange. Alongside this, factories for processing lumber and shopping malls have been built. Additionally, the Heilongjiang Province's gold mining business received deep depth mining technologies from the Khabarovsk region. Additionally, there has been active exchange between local districts, which may include bartering. The vice mayor of Khabarovsk claimed that this area had been more active in trade with nations in Northeast Asia than Moscow. Chinese traders' man the sales counters, which are stocked with Chinese food and consumer products. Trading across borders grew quickly between 2000 and 2001. Trade in Heihe peaked at US\$ 210 million in 1998 before rising by 20.4 percent to US\$ 258 million in 1999. The largest city that transacts business with Russia is Suifenhe, another border trading hub in southern Heilongjiang Province. In May

2001, the city's trade with Russia was US\$ 470 million, an increase of 44.11 percent from the previous year. Pulp, wood, petrochemical raw materials, potassium chloride, and high-tech goods are among the imports it makes. From the previous year, imports of high-tech goods grew by 605%. Suifenhe exports a variety of goods, including apparel, footwear, produce, and electronics. The export of electronic goods in particular surged by 404% from the previous year.

However, consumer goods and light industrial products make up 84.24 percent of all exports. Additionally, the independent Inner Mongolia engages in trade with Siberia and other parts of Russia. The majority of Inner Mongolia's exports (a total of US\$ 200 million, or 27% of total exports) went to Russia in 1997. Additionally, Inner Mongolia imported the greatest quantity of commodities from Russia (\$220 million, or 39% of total imports). The Autonomous Inner Mongolia Office of Economy and Trade provided the data, and it also handled the most instances of technological collaboration with Russia totaling US\$13 million. Primorskij Kraj, a territory in the Russian Far East that borders the Heilongjiang and Jilin Provinces of China, used to source its food from central Russia, but these days it also imports from China, Canada, and other nations. As a result, China has the most foreign enterprises that are officially registered in Primorskij Kraj. China's commitment to trade with Russia is reflected in the establishment of the China Trade Center in the southern city of Ussurisk. However, there are disagreements regarding China and Russia's economic cooperation. For instance, the Tumen River Area Development Programme (TRADP) has made little headway because Primorskij Kraj believes that the initiative favors China. This is due to the weakening of Vladivostok and Nakhodka, where the Trans-Siberian Railroad begins, as well as the fall of the Trans-Siberian Railroad, as a speedier route between Northeast Asia and Europe will be provided by the development of the Tumen River on the Chinese side. There is also a claim that even if Posiyet and Zharubino ports were constructed as part of TRADP, China rather than Primorskij Kraj would benefit. High-ranking Vladivostok government officials think that the city must be built regardless of the TRADP for this reason. The Primorskij Kraj administration thinks that foreign investment will remain confined to the area around the Tumen River and won't spread to Vladivostok or Nakhodka. Primorskij Kraj is also worried that a substantial influx of labor may enter its territory as a result of China's participation in the TRADP. Primorskij Kraj is likewise concerned about becoming more economically influenced by China. Last but not least, Primorskij Kraj asserts that modest individual deals have greatly benefited northeastern China at the expense of the Russian Far East. Primorskij Kraj claims that only the Russian Mafia profits from the trade in this regard, contradicting reports that strategic resources have poured into China without any constraints.

Natural Resources Cooperation

Siberia and the Russian Far East are rich in natural resources. The already established West Siberia has provided natural resources to European Russia and other European nations. As the source of Russia's natural resources has gradually shifted east, East Siberia and the Russian Far East will serve as the country's primary natural resource hubs. In order to secure the raw materials and energy it needs for economic development, China has focused on strengthening its economic relations with East Siberia/Russian Far East, which is physically closer than the northwest region of West Siberia. In addition to importing a significant

amount of energy from East Siberia, China has been importing a variety of raw materials from Siberia and the Russian Far East. When the Koviktin natural gas reserves in East Siberia's Irkutsk Oblast are developed, China plans to import 20 billion cubic meters of gas per year along a pipeline of around 3,000 kilometers. Natural gas production from the gas fields is anticipated to be between 30 and 35 cubic meters per day, and the gas pipeline may be expanded to Korea and Japan. The pipeline's construction is anticipated to cost \$10 billion in US dollars. It is anticipated that the project will supply China with natural gas for 30 years after it is finished. Obtaining gas through a pipeline from West Siberia, which is farther away than East Siberia, is another gas project concept. The anticipated cost of this project is \$10 billion USD. If such a natural gas development project is successful, it will surpass the trans-European pipeline in size and become the largest trans-Northeast Asia natural gas pipeline.

Second, China intends to buy a significant quantity of Siberian crude oil. A crude oil pipeline from the oil fields in East Siberia's Irkutsk Oblast will be built alongside the gas pipeline as part of a proposal to import 30 million tons of oil annually. Another idea is to use a pipeline to transport crude oil from South Siberia's southernmost region. During Prime Minister Zhu Rongji's visit to Russia in 2001, Russia proposed building a pipeline from Beijing through Mongolia, but China insisted on building the pipeline to the Daiqing oil resources. China will be able to export Russian crude oil to Korea or Japan through the Dailian port after the pipeline arrives in China via Daiqing. Through the Dailian port, China will be able to send Russian crude oil to Korea or Japan. The pipeline for crude oil will be finished in 2005, notwithstanding.

Third, through 2,500 km of wire, China intends to import 18 billion kWh of electricity annually produced by hydropower units in East Siberia's Irkutsk Oblast. The anticipated cost of this project is \$1.55 billion USD.

Transportation Cooperation

One of the most illustrative examples of collaboration between China and Siberia/Russian Far East is the Suifenhe Transportation Corridor. This rail transportation route connects the ports of Vladivostok, Nakhodka, and Vostochny in the Russian Far East with Harbin, the administrative hub of Heilongjiang Province, via Suifenhe on the Chinese border, and then travels from Manzhouli in the northwest to Zabaikalsk in Siberia before joining the Trans-Siberian Railway at Chita. It is a route that connects the U.S., Korea, and Japan to Heilongjiang Province and gives it access to the sea-lanes. However, due to the different rail gauges in the two nations, there is a real issue with transshipment delays at border crossings when it comes to rail traffic between China and Russia.

One of the projects China has in mind for its transportation partnership with Siberia is the one that follows. At the provincial level of the Xinjiang Autonomous Region, a project named "About interstate development of a new continental bridge and of East-Middle-Asian economic zone" was drafted in October 1996. According to the project, a triangle-shaped economic region to include China's Altai district, Kazakhstan's East Kazakhstan region, the Republic of Altai, and Russia's Altai region will be constructed. The authors of the project proposed creating a "big triangle" based on the "small triangle," with focal points in the cities of Urumchi (China), Aktogai (Kazakhstan), and Barnaul (Russia), as well as connecting to Mongolia in the

east and Novosibirsk in the north, where the "Transsib transport bridge" (i.e., Trans-Siberian railway) is located. The construction of a railway as the connecting corridor between the two continental railway bridges is the project's primary objective (the Transsib and the PRC-Middle Asia railway). Russia, however, rejects China's suggestion. The migratory pattern from China to West Siberia and the competition between cheaper Chinese goods and Russian products are two factors that Russia should carefully address, according to the Russian academic Louisianan.

Political Security

The 7,000-kilometer border between China and Russia was reduced to 4,300 kilometers after the dissolution of the Soviet Union. In a May 1991 agreement, the question of the eastern end of the boundary, from the eastern end of Mongolia to the southwest end of Vladivostok, was more or less settled. By deciding on the center point of the area where ships can traverse, the 3,700 km long boundary across the Argun River, Amur River, and Ussuri River as well as the numerous islands in the rivers has almost been resolved. The Sino-Russian border has, in the words of China's Russian envoy, "98% been resolved." Two islands near Khabarovsk (Tabarov and Bol'soj Ussuriskij) and one island in the Argun River make up the remaining 2% of the unresolved border. Damanskij, the location of the dispute in 1969, has been ruled in China's favour.

The Sino-Russian border dispute, however, now has a new issue. Russia and China's central governments have agreed to transfer China 15 km² of land in Primorskij Kraj, but the Primorskij Kraj government has vehemently opposed this. Giving China access to that portion of the land would allow China to develop it as part of the Tumen River Development Project and obtain access to the East Sea/Sea of Japan. It is more likely that this situation will put Russia's security at danger. The Primorskij Kraj government asserts that during the political unrest in the early 1990s, the central government disregarded this fact and caved in to China. If China constructed a port on the East Sea/Sea of Japan, the value of the trans-Siberian railroad would decline. At the same time, Northeast China would become more well known as the link between Asia and Europe, while the Russian Far East would lose its allure. As a result, the authorities of Primorskij Kraj ordered the Kosak population to relocate onto the 15 km square of the disputed territory and unilaterally designated 87 km square as an area for environmental protection. A joint survey by China and Russia of the disputed 15 km square was unsuccessful in determining who owned the area. This is the most extensively reported instance of a regional government in the Russian Far East overturning a policy decision regarding China made by the federal government. Russia's stance on border disputes with China has also hardened as a result of this issue. Additionally, it prevented the two parties from agreeing on what would happen to the three unsolved islands. In light of the boundary disputes, there are still disagreements between China and the Far East of Russia in terms of economic cooperation, and these disagreements could eventually act as obstacles to a framework for further cooperation. Chinese immigration into the Russian Far East is a different concern. One to two million Chinese are thought to reside in the Russian Far East.

Through the purchase of land, union with Russians, and establishment of China towns, they have entered the area either legitimately or illegally. In his meeting with the Prime Minister of the federal government on July 6, 1999, the Governor of the Russian Far East, Khabarovsk, issued an order prohibiting foreigners from

purchasing land in Russia. He warned that "all of the Russian Far East will be bought out by the Chinese" as a means of expressing his concern. Shakhrai, a former vice prime minister, predicted that by 2010, there would be 75% of Chinese people living in Siberia and the Russian Far East. Siberia and the Russian Far East are both home to 31 million people, however recently, only 7.1 million people called the Russian Far East their home. The population decreased by nearly 1 million from 1991 and 1999 due to a -9.4 percent population growth rate. However, there are about 100 million people living in Northeast China. Agricultural laborers from China were the first immigrants to the Russian Far East. They arrived in the Far East of Russia on long-term contracts. For instance, the Amur Oblast in the Russian Far East has more than 300 Sino-Russian cooperative farms. The majority of laborers have been employed under 30-year contracts, and their families inevitably accompany them. Others work as temporary employees at lumber yards and building sites. Additionally, throughout the harvest season, about 40,000 Chinese migrants serve as farm laborers in southern Siberia. The merchants were the second group of Chinese immigrants. While others launched their own stores, some of them developed cooperative operations in the Russian Far East. As the Russian population in the Russian Far East has been rapidly declining, Russia is unhappy about the massive immigration of Chinese people into Russia, whether legally or illegally (around 60,000 Chinese break the immigration law each year, and thousands of them are deported). In addition, some people think that Chinese immigration is effectively an unarmed invasion of Siberia and the Russian Far East. There are worries that Siberia and the Russian Far East may one day be lost to Russia, albeit this worry may be overstated. Siberia and the Russian Far East in particular have poorer political and socioeconomic conditions than European Russia, which prevents its residents from relocating there. On the other hand, China has a sizable population and a rapidly growing economy, and things are also moving quickly in the other nations of northeast Asia. This was the weather in Siberia and the Russian Far East, which is a long way from center Russia. "If we do not take significant measures to develop the Far East, people in the region may speak Chinese, Japanese, or Korean within a few decades," Russian President Putin remarked.

Recent news and events have made it more difficult for China to expand its footprint in the Russian Far East. Locals' concerns about a demographic invasion of 20 times as many people from northeastern China into depopulating eastern Russia have been fueled by an increase in Chinese businesses and visitors. In the early 1990s, when the Soviet Union's disintegration led to an increase in unrelated border crossings, the territory of the Russian Far East, which is home to a little more than 4 million people, had more than 200,000 residents. Field visits to the region's two largest cities, Vladivostok and Khabarovsk, revealed the domination of Chinese wholesalers and retailers in a variety of goods, from vegetables and toys to furniture and vehicle components. However, if we look a bit deeper, we'll discover that China's influence in the area is dwindling. The heightened regulation by Russian authorities is one factor. The cost of doing business has recently climbed significantly as a result of rising import tariffs and annual business visa renewal fees. Additionally, these private, part-time traders have discovered that they are completely cut off from more lucrative trades involving the vast untapped natural resources in the Russian far east, which are almost exclusively driven by Chinese state-owned companies working with politically connected Russian oligarchs. Top decision-makers in Moscow have in some way purposefully facilitated the challenges faced by Chinese

traders. The Kremlin has been attempting to diversify foreign inflows to the Russian Far East despite being fully aware of the region's economic dominance by China.

The Eastern Economic Forum, which has been hosted twice a year in Vladivostok since 2015, serves in part as a venue for luring international investors to Russia's Far East, particularly those from Japan and South Korea, to displace the Chinese. Locally, the growing numbers of Vietnamese traders and Korean visitors in the major cities of the region demonstrate at least some success in the diversification approach. But probably the most important indicator of a future with less Chinese influence is the dismal situation in the Russian Far East. Chinese traders contend that commerce has been less profitable in recent years and attribute this primarily to local customers' declining purchasing power. They note that since 2014, the value of the Russian ruble in relation to the dollar has declined, increasing the cost of products imported from China for those living on stagnating nominal incomes. The local customer base is rapidly decreasing due to depopulation and is unlikely to have a durable recovery in the near future. According to Russian academics, the number of Chinese people who still live in the area as of now is only around 70,000. The Chinese presence in the region will become more "transient" as their wages continue to rise relative to Russians', with more short-term visitors and students looking for deals than long-term traders looking to make money.

The Russian Far East's Chinese community is not at all what it is portrayed in the media or deeply ingrained in the minds of the Russian populace. It is expected that a few high-profile Chinese investments in Siberia and the Russian Far East will continue to exist given the state-level Sino-Russian strategic collaboration in recent years. Like the actions of Chinese tourists in the area, some of these investments will likely anger the locals. The general trajectory of Chinese firms in the Russian Far East, on the other hand, demonstrates that the notion that Chinese presence in the region would only grow going forward is based on assumptions and myths with scant empirical support.

Conclusion

The cooperative and reciprocal resource sharing and the sublimated tensions in state affairs that exist between China and Siberia/Russian Far East can be used to explain the relationship between the two regions. Siberia/Russian Far East provides China with natural resources and energy, while China provides Siberia/Russian Far East with consumer products, food, and labor to make up for its labor shortfall. As a result, there is economic complementarity between the two regions. Their interests on matters like the Tumen River Development Project, however, disagree. The "dark" side of their relationship, such as their border issues, exists in addition to the "bright" side, which is their economic cooperation. The rapid rise of China as a superpower has increased insecurity from the perspective of Siberia/Far Russia's East. Between its incorporation into the rapidly evolving Northeast Asian economic zone and its ongoing dependence, Siberia/Russian Far East is torn. A multinational security/economic body has to be created shortly to help Northeast Asia with conflict reduction and collaboration. To address the issues between China and Russia, a group like to the Organization for Security and Cooperation in Europe, a body tentatively named "Organization for Security and Cooperation in Northeast Asia," is urgently required. A "Northeast Asia

Security and Cooperation Forum" with involvement from both the government and the corporate sector should be convened as a prelude to the official formation. It would be ideal to see an accord in Ulaanbaatar, similar to the one that Europe created in Helsinki in 1975 to create a framework of collaboration. The "Organization for Security and Cooperation in Northeast Asia" is thought to be better positioned to gain the backing of South Korea. Mongolia demonstrating its support for the establishment of this organization will also be very beneficial.

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