

Regional Stability through Harmonious Development: Russia and China in the New Global Architecture

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Contents

1. Russia and China: Modern Challenges
2. Joint Response to Challenges
3. New Format for International Cooperation in Asia Pacific

Foreword

Strategic Russian-Chinese cooperation is a positive example of sustainable, friendly relations in today's world. The experience gained through this partnership, their resources and international influence can be seen both as the necessary conditions for and the instruments of their cooperation. Russia and China should formulate joint responses to global and regional challenges, consolidate other players on the international stage in the Asia-Pacific region and across the world, and bolster bilateral cooperation and advance it to a new qualitative level.

1. Russia and China: Modern Challenges

1.1. The largest international political problem facing Russia and China is **growing chaos in international relations and plummeting standards of political and economic governance at the global and regional levels.**

1.1.1. Compounded by the relative decline of the United States and other Western countries, this problem leads to increased tensions in Asia Pacific, particularly with respect to U.S.-Chinese relations. The chief source of tension here is the behind-the-scenes competition between these countries for leadership in East and Southeast Asia. The root cause of a possible confrontation between them is the rise of China as a viable and successful alternative to the Western mode of development.

1.1.2. China has so far avoided intense competition with the United States. It is strengthening its influence through natural processes of economic integration. But given the general economic decline of the West, China's economic progress could provoke the United States and its allies to implement a strategy of deterrence against China or to embroil it in conflicts. The United States could

drag China into a confrontation, particularly if there is a change of power in Washington. The militarization of U.S.-Chinese relations and an arms race, especially between the countries' navies, would be dangerous to China, its growth, and global economic stability.

1.1.3. At the regional level, there is growing mistrust and even fear of China in the other East and Southeast Asian countries. The problem is not Chinese policy, which is entirely peaceful, but rather the rapid growth of its economic, political and military might. These sentiments are damaging to China, which is not seeking regional domination, but sustainable development and higher qualitative indicators.

1.2. Another challenge is **Russia's clearly inadequate economic and political contribution to Asia-Pacific affairs.**

1.2.1. Military-strategic affairs are the only sphere where Russia is a key player. In fact, U.S.-Russian nuclear parity precludes an all-out war, including in Asia, which means that Russia has provided indirect strategic backing to China's economic breakthrough. However, Russia so far cannot act as a full-scale equalizer between China and the United States (i.e. the West) in Asia Pacific and hence has to leave them to face one another, thus undermining regional security.

1.2.2. Furthermore, the undeclared geopolitical battle for Russia may grow into an open war. The Russian "prize" – preferential access to its vast natural resources, to safe routes for their transportation, and to the undeveloped regions of Siberia and the Russian Far East – is becoming a key destabilizing factor in the region. A stronger China does not threaten Russian interests

globally or regionally, but if other international players fail to respond adequately a rising China, it could threaten global stability in the 21st century. Russia and China must prevent this.

1.2.3. And lastly, there is a political struggle for Russia aimed at influencing its foreign policy as a counterbalance to China. To avoid the negative consequences of this struggle, Russia and China should develop a multilevel strategic dialogue, which has so far been inadequate.

1.2.4. Meanwhile, fear of China is growing in Russia, despite friendly relations between the countries. This could encourage Russia to develop an anti-Chinese strategic alliance with the West. Such a scenario would be extremely unfavorable for China, Russia, Asia Pacific and the world as a whole. New solutions – at the theoretical level, at the least – are needed to prevent this

1.2.5. A challenge that Russia and China will most likely have to confront is the growing instability in broader Central Asia. It could grow dramatically when U.S. and NATO troops pull out of Afghanistan, which will become a source of regional instability.

1.3. At the bilateral level, **the quality of Russian-Chinese economic relations is considerably lower than the quality of their political ties**, although their political relations are insufficiently well developed in a number of spheres.

1.3.1. Russian-Chinese trade is insufficient and is overly geared toward commodities. The average import of Russian goods in 2000-2008 amounted to only 2.14% of China's overall imports, while the average export of Chinese goods to Russia was only 2.19% of China's overall exports.

1.3.2. Russia's exports to China are dominated by commodities (mostly crude oil and oil products), timber and, to a much lesser extent, chemicals, metals and metal goods. China mostly supplies machinery, equipment and vehicles; textiles and footwear; metals and metal goods; and chemicals. The share of Russian goods in the overall imports to China has plummeted from about 30% in 1997 to less than 3% in 2007. Furthermore, a considerable part of bilateral trade is grey.

1.3.3. An even bigger problem is the low level of mutual investments, which determine the level of economic interdependence. According to experts, mutual investments in Russia and China are 1,400 times lower than in U.S.-Chinese relations, and have been estimated at less than \$3 billion, which is considerably less than mutual investments between Russia and small EU countries.

1.3.4. Russian-Chinese trade and economic relations are too closely administered by authorities, with negligible contributions from private – and especially midsize – businesses. Very seldom do Russian and Chinese companies list their securities on each other's exchanges. The cooperation potential of their border regions has not been tapped, although they could implement a number of joint transportation and production projects.

1.3.5. Experts acknowledge that the countries' inadequate economic relations have started hindering their political partnership, in particular in the Shanghai Cooperation Organization. For Russia, China represents both an untapped resource and a hidden challenge. But the majority of answers to this challenge lie in Russia, namely in the insufficient development of Siberia and Russian Far East.

1.4. The search for solutions to these problems will proceed amid **growing global challenges, such as climate change, food and fresh water shortages, and resource depletion.**

2. Joint Response to Challenges

2.1. The most sensible response to both the bilateral and international challenges facing China and Russia would be a package of measures designed to change the situation in Russian-Chinese trade and economic relations, and to harmoniously integrate Russia into the regional division of labor in Asia Pacific. This strategy could be based on the redevelopment of Russia's eastern regions and the promotion of an effective Partnership for Modernization between Russia and China.

2.2. A development strategy for Siberia and the Russian Far East should focus on openness to investment as the basis for creating a modern resource base for the development of Asia Pacific, capital intensive enterprises with a high degree of conversion, and efficient agriculture. This objective can be achieved through the use of two key resources: investment and technology, which can be provided by China, the United States, Japan, ASEAN countries and several Western states. China, and subsequently other Asian countries, would in return be granted access to Russian resources of a higher degree of conversion and agricultural goods, the relative shortage of which is growing in Asia. Central Asian countries,

China, India, and in the future North Korea, could provide the much needed workforce.

2.3. Regional gauging – i.e. cooperation based on a strategy of harmonious development of Russian and Chinese border regions – should be a major element of the bilateral Partnership for Modernization. Therefore, investments should be predominantly geared toward *creating large logistic centers in Russia*, which are so far planned only for China, and developing port hubs in Russia, first of all in Vladivostok, Khabarovsk, Nakhodka and other ports in the Russian Far East. Another goal is the accelerated construction of several motor roads to connect Russia and China.

2.4. Efforts against climate change could be facilitated by the import of Chinese green technology to Russia and Chinese investments in the modernization of the Russian power industry to reduce its carbon footprint. This would link Russia to the Chinese and Asian green technology strategy, offering it an opportunity for a technological breakthrough.

2.5. A new investment strategy for the timber-processing industry of Siberia and the Russian Far East would improve the quality of Russian-Chinese trade. The quasi-legal practices of Russian timber exports do not benefit Russia or China because they pose additional risks and lead to the excessive use of water for timber processing in China. Another promising sphere of cooperation is Chinese and Western investments in Russia's timber industry, from logging to manufacturing to reforestation, provided in return for China's preferential access to Russian timber goods and pulp-and-paper products.

2.6. In agricultural sphere, Russia could increase the export of the most water-intensive agricultural goods – grain and meat – to China. This would help China save its diminishing water resources and allow Russia to get a foothold in a growing market with solvent demand. Chinese and Western investments must be actively attracted in this industry.

2.7. The increasing mutual attractiveness of Russia and China in terms of food trade (through agricultural fairs, joint seminars of agrarian professionals and large-scale advertising campaigns for each other's goods) appears to be a promising and necessary sphere of cooperation. China, which has been a leading global food importer since 2003, is a large market for Russian exporters. So far, Russian foods account for a small share of foodstuffs imported by China, which is interested in increasing the share of Russian agricultural products in its imports.

2.8. The development of Russian-Chinese research and technological cooperation in the agricultural sector is another vital element. China is rapidly catching up with global leaders in terms of agricultural research, for which Russian engineers are highly respected in many countries. Russian-Chinese research and technological cooperation should be further developed, above all in the agro-industrial sector.

2.9. Fears over the possibly anti-Western nature of practical measures and projects aimed at improving the quality of Russian-Chinese economic relations could be alleviated by involving other countries. Having America, China, Japan

and other countries invest in the production of goods and resources for the Asian market in Russia could greatly contribute to the peaceful development of Asia Pacific. Achieving this goal can be facilitated by the continued rapprochement of Russia and the European Union within the proposed Union of Europe¹ and by efforts to overcome the rift in Europe through the signing of the Collective Security Treaty proposed by Russia.

¹ “Towards an Alliance of Europe” - analytical report by the Russian group of the Valdai International Discussion Club. Moscow, RIA Novosti, 2010.

3. New Format of International Cooperation in Asia Pacific

3.1. On a broader international plane, the involvement of the United States and other Asian Pacific countries in Russian-Chinese cooperation should be based on a joint search for solutions to problems of regional instability and global challenges. To prevent the militarization of relations with respect to acquiring resources, the countries involved should start working on joint approaches and measures to alleviate the negative impact of climate change and growing food and water shortages, develop common strategies and propose practical projects for the common good.

3.2. It is clear that the size and scale of China's economic might hurt its chances of integrating into the existing systems of international relations and the international legal space. Therefore, new formats should be created to resolve the main problem – a potential escalating confrontation in U.S.-Chinese relations. The achievement of this goal is impossible without Russia's full participation.

3.2. It would therefore be expedient to consider creating, as part of preparations for the 2012 APEC summit in Vladivostok, a permanent system of interstate consultation, like the Helsinki Process for Asia, as well as in a more narrow format involving China, Russia and the United States. This would improve the mutual exchange of information on the decisions these countries make, in particular military-political ones. A special international format, a Pacific Security and Development Pact, could be proposed in the future.

3.3. There should be a system of security and sovereignty guarantees for ASEAN and other small and mid-sized countries of the region, which is possible only in the context of stable dialogue between China, Russia and the United States, and if international legal conditions are created for ensuring equal security for all Asian Pacific countries. The list of regional problems that need to be approached jointly includes the settlement of the Korean, Russian-Japanese, Japanese-Chinese, Korean-Japanese and Chinese-Vietnamese disputes.

3.4. Acting in close coordination with the United States, India and other regional powers, Russia and China should use political, economic and military methods to maintain control in broader Central Asia, i.e. around Afghanistan and Pakistan. They could work towards that end in particularly close cooperation with India.

3.5. The security components of the Shanghai Cooperation Organization (SCO) must be increased dramatically and without delay, because the SCO potential is not being used fully and is also insufficient for meeting today's, let alone future, needs and challenges.

3.6. Russian-Chinese and U.S.-Russian-Chinese dialogue on climate change must be developed to preserve a clean development mechanism, which would be beneficial to China in the post-Kyoto period and allow for the sale of unused emission quotas after 2012. Furthermore, China could support Russia's efforts to add Russian forests as a carbon dioxide absorber to a post-Kyoto treaty. Another problem Russia and China should discuss with the United States is the introduction of carbon protectionist measures in the form of special taxes and customs duties imposed on the goods whose production requires large emissions of greenhouse gases.

3.6. Information policy and greater knowledge about each other should feature prominently in Russian-Chinese relations and in cooperation within the U.S.-China-Russia triangle and a larger group of other regional countries. We need to develop programs to enhance the standards and quality of knowledge about each other's economy, culture and society, and to promote intensive interaction among universities. There should be large-scale student and faculty exchange programs between Russia and China, involving the United States and other Asian Pacific countries as well. We could also consider creating a program of trilateral diplomas, to be implemented by the leading universities of China, Russia and the United States.