

China's impact on Russia's economy

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On June 9, 2018, at the very same day when the G7 leaders got together at Manoir Richelieu in Québec, Canada, for their annual summit, Russia's President Vladimir Putin gleefully peacocked in front of reporters in Qingdao, China, standing side by side with the leaders of China, India, and several post-Soviet states, who all are now members of the Shanghai Cooperation Organization. His three-day-long state visit to China was used to demonstrate how close the ties between the two nations were nowadays and how important China is for Russia.

Without any doubt, China now appears one of the most crucial allies of the Russian Federation – especially in a world Mr. Putin deems Russophobic, claiming that it 'is evident and in some countries is simply going beyond all bounds'. China's influence on the Russian economy is humongous – and I would argue that it reaches far beyond the traditional issues of trade and investment (in both, actually, the things might go better than they actually are). Trying to elaborate a systemic look at the issue, I would focus on several dimensions of China's role.

Emotions

It might sound funny, but the first and foremost element of China's influence on Russia is the emotional one. Intermittently (with short breaks in 2002-2003 and in 2009-2011,) Russia has positioned itself as a staunch Western-sceptic, if not an open adversary of the West. The entire ideological foundation of Mr. Putin's regime rests on the old assumption that 'Russia is not Europe', that it should rather be called 'Eurasian, or, as some researches

would have it, a Euro-Pacific country and is preordained to serve as a gigantic 'bridge' that links Asia to Europe. Therefore as more doubts concerning Russia's position in Europe were growing, the more active became talks on both Russian 'Eurasianism' and its 'pivot to the East'. The latter idea was elevated to a highest rank, just a tad shy from becoming a national ideology, with official Kremlin-linked experts drafting endless reports called 'Toward the Great Ocean', elaborated and extended every year. Since mid-2000s, China became a total substitute to the 'East' in the Russian sociological discourse even geographically 'Russia's East' was still the West: if one travels straight East from Moscow, she/he would get to Novosibirsk, Kamchatka, southern parts of Alaska, northern Quebec, Ireland, Britain, and Denmark – but by no means to either Beijing or Shanghai.

The China obsession was easy to explain. First, in a geopolitical aspect, the partnership with Beijing in both bilateral relations and inside the SCO compensated Moscow for its subordinate position in regards to the almighty United States and to Europe, which Russia (at least Moscow believes so) will never become a part of. By cooperating with China, Russia makes up for its loneliness in the contemporary world and so regains the sense of greatness it allegedly deserves. Secondly, from the economic point of view, with China on its side, Moscow may feel backed with a strong ally that grew up to the world's second-largest economy and became both its greatest industrial powerhouse and its biggest exporter of goods. With such a friend, Russia feels much more economically secured even when facing

some hostile actions from the West; therefore I would argue that Putin's recent boldness could be at least partially explained by the 'China factor'. Thirdly, cooperation with China has also an important ideological (or rather, anti-ideological) component: the leaderships in both Moscow and Beijing claim they are not obsessed with Western 'standards' whatever it means: the doctrine of human rights or the principle of popular democratic self-rule. This all makes the cooperation so seductive that the Russian political elite opts for it without thoroughly calculating its pros and cons.

I would argue that many centuries ago some adventurous Russians have already been thinking along the same line. In mid-13th century, when Russian principalities were attacked by the Mongols, the north-western part of the country, the democratic republic of Novgorod, waged a different kind of war, the one against the Western Catholics. The young warrior prince, Alexander Yaroslavich, later called Nevsky, defeated Swedes on a shore of Neva River and German crusaders from the Teutonic order on the ice-covered Chud' Lake. But, after securing his Western borders from those Catholics who wished to convert the Russians into their faith, he approached the Mongols, with whom he never crossed swords, and who didn't care about their vassals' religion, and submitted himself voluntarily to the Great Khan, who awarded Alexander with the *yarlik* to govern his land as long as he pays taxes to the Khan. I think that today Kremli is guided by the same logic: it would rather be a second-class partner of an 'ideologically neutral' China which does not intervene into Russia's domestic affairs, and even to engage into unfair trade with it, than to ally with Europe

which wants Russia to fully embrace its secular religion of human rights, democracy, and rule of law. Alexander Nevsky was canonized by the Russian Orthodox Church in 1547, and seems to become a role model for Mr. Putin, who opted to side with China in his showdown with the West.

To summarize, I would reiterate that the very nature of Mr. Putin policies, whether economic, domestic, or international, dooms him to believe that the Sino-Russian alliance is the ultimate one that secures both Russian sovereignty and uniqueness even at expense of some economic concessions. And because, as we all have learned quite recently, Putin means Russia, and the latter's existence without former is unfathomable, what is good for the country is good Mr. Putin and vice versa. All this makes the ties between Russia and China crucial to the current regime – and perpetuates them even as the direct positive impact of the cooperation does not seem evident at all.

Trade

So far, the bilateral trade has been the factor of crucial importance to Sino-Russian economic interaction. Starting in the 1992 with a total turnover of a mere \$5.86b it has reached a staggering \$95.3b in 2014 before declining to the current \$84.0b as of 2017. China surpassed Germany to become Russia's largest trading partner in 2011 and holds this position ever since. But before praising these impressive results one should look deeper into the issue – both into its structure and into its dynamics.

Russia started its cooperation with China after the Soviet-Chinese relations were

'repaired' in the late 1980s. As China took its first steps on the path to industrialization, Russia positioned itself as a superior partner, so Beijing became a prime buyer of Russian machinery and equipment as well as of weaponry and ammunition. Back in 1995, these two groups of goods accounted for 68 percent of Russia's exports while oil comprised only 4 percent and natural gas was not shipped at all. Acting as a more advanced nation, Russia then secured a surplus of \$2.14b in bilateral trade, buying primarily textiles, cheap watches, and replicas of the Japanese electronics. But as China grew, trade structure started to change – and today it appears that in the eyes of China Russia looks not better than in the eyes of Europe: a huge storage facility for mineral resources with no proper management. As of 2017, out of \$41.2b of Russia's exports to China crude oil and oil products accounted for 59 percent, timber – for 9 percent, coal – for 6 percent and ores and metals – for a bit more than 5 percent. Combined oil, oil products and metals' share was larger than that in Russia's exports to the EU while machinery and military supplies dropped to below 8 percent of the total. Imports from China were dominated by machinery, electronics, mobile phones and office equipment that in total made 61.5 percent of their value. To summarize, Russia used the last quarter of century to add to its title of Europe's 'commodity appendage' the status of China's raw material colony, and would bring this process to full fruition with launching pipelines to export natural gas to its southern neighbor.

Another quite important issue is the overall trade balance. Even during the most challenging periods of its recent history Russia managed to keep its trade balance in

green (in 1992 the figure was the lowest at \$1.119b, in 2001 – the highest with \$5.25b). Unlike many other nations, Russia run comparatively similar balances with partners both in the West and in the East – but soon China became an exception. While Mr. Putin announced in his addresses and speeches that Sino-Russian trade that the overall trade over must reach another record (the biggest figure that he mentioned back in 2011, was \$200b to be reached by 2020), he rarely addressed the figures of either exports or imports. And one may easily understand why: the Russia-Chinese surplus disappeared already by 2004, and eventually the deficit grew to \$8.5b in 2007 and reached \$18.7b in 2010 (I should say that it became considerably lower from 2015 onwards, and may be completely leveled out this year – but only because of the massive oil supplies I mentioned earlier). If one sums up all the balances in Sino-Russian trade for the years Mr. Putin rules Russia in one or another capacity paying more than 30 visits to China so far, meeting with the current President Xi 25 times, and praising Russia-China cooperation, they would be in red for around \$59b, or by far the largest trade deficit Russia ever run with any other nation. To understand why it happened one should address one distinctive feature of Russia-China trade deals.

If it comes to China's trade in resources with the rest of the world, its most crucial feature consists in a kind of a superiority China establishes upon each and every partner she trades with. This superiority originates from a proactive investment policy enabling Beijing not to buy the resources but rather either to exchange them for some loans or investments or to acquire concessions in different foreign countries

thus making the stuff she imports relatively cheap. In Russia the Chinese leaders applied a bit more sophisticated technique using Russia's two vulnerable spots. The first was the geographical location of major coal and of some of oil and gas fields that made China the only possible buyer since the alternative transportation costs were unbearable (I should mention here that a huge part of Russian coal exports to China, e.g. is effectively subsidized by the Russian state through the rail cargo tariff [in 2016 the subsidies exceeded the entire profit of all the Russian coal producers] since coal makes 54 percent of Russian Railways' *tkm* turnover). Therefore China can press Russian suppliers to lower their prices since they have no real alternative except to close their businesses. The second point is even more telling: since China amassed huge piles of cash she is able to make huge prepayments to the Russian companies that are so ineffective and corrupt that are always in debt. In the largest deals the Chinese struck with the Russians – as in a forward deal with *Rosneft* for supplying 45m metric tons of oil starting from 2004 till 2009, in another one for supplying 300 m tons of oil from 2010 to 2030 and a deal of the same kind with *Gazprom* for supplying around 1.1tr cubic meters of gas in 30 years from 2018 onward – the Chinese paid the *Rosneft* \$10b and \$25b well in advance; in the first case the money were used for repaying the loan issued earlier for buying the *Yukos* assets, in the second one - for building East Siberia-Pacific Ocean oil pipeline, while *Gazprom* needed cash for its 'Sila Sibiri' pipeline to China. In the first *Rosneft* deal the oil bought by the Chinese was in the end acquired at 80-84 percent of its average market price for 2005-2009, in the second the discount was around 15 percent, not to say that nobody actually

knows the exact price terms for the *Gazprom* natural gas contract.

Of course, no one should insist that the trade with China makes losses for the Russians. The huge Russian companies like *Rosneft* and *Gazprom* are developing new fields – like *Vankor* or *Chayanda* – looking predominantly for Chinese demand. The majority of local firms in Eastern Siberia and in the Russian Far East benefit from trade with China. Russian citizens greatly benefit of imported goods due to their affordability, and the Russian retailers make their profits in a great part from the Chinese supplies. But in general the explosion of the Russia-Chinese trade comes basically due to both countries' shared political values, which forced them to establish ever closer ties. The Russian companies could have found better markets for their exports if the trade would not be dominated by politically-motivated state corporations and the overall image of Russian business in the world would be somewhat better.

So I believe the trends that are clearly visible in Russia's trade with China will only consolidate in the years to come: new pipelines (like one through Altai and Mongolia that Mr. Putin debated with Mr. Xi at their recent meeting) will be build; larger amounts of Chinese industrial goods will be imported into Russia as their flow from the West decreases – but the most crucial ties – the ones created by bilateral FDI – that might bind together the modern economies will supposedly remain extremely weak by any contemporary standards.

Investments

In what one might call the ‘early years’ of Russia-China cooperation China’s role for the Russian economy consisted mainly in a huge support for the Russian military-industrial complex, by exporting cheap goods that helped the ordinary Russian people to maintain their reasonable living standards and in rejuvenating the economy of the eastern regions that border China. Later it became vital for the Russian resource industries – but what appeared evident already in mid-2000s was the fact that China is not very interested in investing into the Russian economy.

In general, it had a good reason for that. China’s investment policies these days are rather sophisticated, I should admit. The money is put either into high-tech or advanced industrial companies that may provide the Chinese counterparts with both new technologies and the access to the new markets or into the ventures that grant a direct access to the natural resources which might be exported to China (hence - investments in Venezuela, Angola, Burma, Turkmenistan, and many other countries). The first type of investments goes to the nations, which might be called ‘postindustrial’, and from where the new technological solutions originate. The second type is channeled to those that might be called ‘preindustrial’ and where only natural resources come from. Russia doesn’t fit into either of these categories: its hi-tech sector is either non-existing or linked to defense industries fully controlled by the state and therefore closed for the foreign capital, while the major major resources have ‘strategic’ value and are not available for purchase or even for lease (any oil field larger than 70m metric tons of

proved reserves as well as any natural gas field of size exceeding 50b cubic meters of proved reserves, let alone all projects in the Arctic and the entire off-shore drilling sector are deemed strategic). I would argue that the Russian officials’ rhetoric sounds like they hoped that the Chinese would invest into the Russian processing industries – but they did not, simply because China itself is developing as an industrialized nation, and has never assisted any other country to become industrialized.

I would argue that the gap between trade and investment activities in China’s case is by far the largest that Moscow may record in relations with any other of Russia’s partners. As far as the European Union is concerned (without Cyprus), its overall trade turnover with Russia stood at €248b in 2017, while the European accumulated FDI in Russia exceeded €107b as of January 1, 2018. But while China-Russia trade amounted to \$84.0b in 2017, the Bank of Russia evaluates overall Chinese investments accumulated in Russia at paltry \$2.84b, though some experts raise their estimates up to \$15.0b.

One should also note about Chinese investments in Russia that its major part remains actually a portfolio investment. One could mention here *Beijing Enterprises’* purchase of 20 percent stake in *Verkhnechonskneftegaz* for \$1.1b, or *Fosun’s* \$0.9b investment into 10 percent stake in *Polyus* (the most recent deal, the proposed acquisition of 14.2 percent stake in *Rosneft* from a Qatari investment fund by *CEFC China Energy Co.*, failed because the company’s management faced criminal charges from the Chinese authorities. The Chinese invest into motor vehicles production, but 21 thousands Chinese cars

produced in Russia by eight automakers, make up only 1.3 percent of the Russian market for cars. The talks about Chinese investments in Russian real estate (there were plans to build a huge Chinese-owned residential quarter in Moscow) have never materialized. When Mr. Medvedev and Mr. Hu Jintao signed a broad deal on border cooperation back in 2009, it appeared that the only mineral deposits that are to be developed are on the Russian side while the entire processing remains China's business. At the same time the Chinese infiltrate each and every business connected with their compatriots living in Russia or visiting the country: the Chinese tourism which is now on the rise is served by the Chinese guides, Chinese restaurants, and even Chinese currency exchange services; all these activities are mostly illegal (e.g., only Russian citizens are allowed by the law to guide the tourist groups in Russia), but the authorities never took on these activities because of 'brotherhood' and 'friendship' with the Chinese, and this provokes mounting protests from the Russian businesses. However, I would argue that Russia-China investment cooperation is as regulated and as informal as is the entire Russian economy.

The huge disillusionment in the perspectives for Russia-China cooperation came in 2014, as the Western powers imposed sanctions on Russia following the annexation of Crimea and the Russia-led invasion into the Eastern Ukraine. At that time the Kremlin was pretty sure that China would become the major moneylender and investor for Russia as the Europeans and the American withdrew their support. But it appeared soon that the Chinese banks were not ready to step in: from 2014 to 2017 the Russian companies got less than \$2b in

fresh loans from China, with only one Russian corporation (the ill-fated and operating under the U.S. sanctions RUSAL) is now listed on the Hong Kong Exchange compared to 41 traded at the LSE. Moreover, I would say that the Chinese respect both the U.S. and EU sanctions so their technological cooperation with the Russians remains very modest (today the Chinese investments into Russia are still 2.5 times smaller than those into Kazakhstan. The Russians tried hard to change this attitude by constantly asking Beijing for broader financial support. Finally, it seems that a breakthrough was made during Mr. Putin's recent visit as a deal was struck between Russia's Vnesheconombank and China Development Bank for releasing a \$9.5b line of credit to Vnesheconombank. But I would argue that there is not so much to celebrate, due to one obvious reason.

Transit and infrastructure issues

If one reads the language of the CDB-VEB deal carefully, she/he would realize that the Chinese money was granted for 'creating a mechanism for financial support of integration processes within the Eurasian Economic Union and infrastructure projects in 'One Belt, One Road' countries'. The idea of transforming Russia into a kind of 'bridge' connecting the Eurasian landmass was a part of the Kremlin's 'grand strategy' for decades, but Russia proved to be unable to do anything significant in this field alone, so the Chinese ideas for 'One Belt, One Road' received a warm welcome in the Kremlin. Today there is not even a single highway connecting the Russian Far East with Western Siberia: for some parts of the year, especially in the spring and in the fall, the passenger cars cannot make it through the road. The aging Trans-Siberian railway

is capable to serve no more than 95-110 million tons of cargo per year, from which around 90 percent are either the goods moved between different cities in Russia or Russian export shipments, so less than 10 million tons of capacity might be used to deliver Chinese goods to Europe or vice versa (I would say that, if this capacity would be fully utilized, it would mean that the Trans-Siberian route serves around 0.8 percent of Asia-Europe trade, since 909 million tons of cargo have passed through the Suez canal in 2017 being carried by as many as 17.6 thousand commercial ships. The so called Northern Sea Route, or the Arctic Passage, that supposedly provides the shortest transit line from China to Europe, is rarely used, with only a dozen of transit ships passing through in 2017 carrying 194.3 thousand (!) tons of goods.

Russians, in order to change this situation, hoped both to extend the capacity of Trans-Siberian railway and to cut a brand new 'Silk Road' corridor leading from China to Europe. It was, as I would argue, the most ambitious dream based on the belief in the Russian resources: actually, the space itself was counted as a resource that might be used for connecting the continent. The Kremlin appeared to hope to benefit not only from what is covered beneath the Russian soil, but from country's territory *per se*. As early as in 2009, the Russian authorities started to speculate about high-speed railway between China and Europe with its first stage, that from Moscow to Yekaterinburg, to be built in 7-8 years. By 2014, however, the plan was developed only for the stretch going from Moscow to Kazan, or a half of what was projected earlier, for the price of Rub1tr (\$32b at the then exchange rates) and scheduled for operation by the time of the soccer World

Cup in Russia. The tournament is over, but not a single mile of the railroad was built. No significant progress has been noticed so far in constructing another strategic highway going from the border with Kazakhstan to Central Russia and further to Europe – and it should not be a surprise, if one takes into consideration that construction of a modern highway between Moscow and St Petersburg was launched in 2002, and only a half was built. In June 2018 the Chinese railway company CREEC has politely informed its Russian counterparts that it 'believes the high-speed railroad through Russia will never pay off'.

The Chinese tried several times to engage in these projects in hopes that they might accelerate the process of implementation. But the Russians give construction contracts only to Russian companies, most of which are owned or controlled by Mr. Putin's close friends like Mr. Rotenberg and his son. As a result, since late 2000s, the Chinese became much more active in Kazakhstan, where they have successfully built both a highway and a railroad from Dostyk to the Caspian port of Aktau in cooperation with the local companies and even ordered an Italian engineering company TOTO Holding to design a bridge over the Caspian Sea to the Azerbaijan. All the estimates I have seen indicate that the very idea of commercial transportation of goods by rail from China to Europe via Russia looks unrealistic, since even now its cost is three times higher than the one for ocean shipments, and if one talks about a high-speed rail, it may rise two to three times higher from today's level. The only option, which looks quite reasonable, consists of shipping the goods manufactured in Xinjiang, in the Western part of China, to Europe via Central Asia

and Turkey (several trains have already taken this route, obviating Central Russia, let alone the Russian Far East with its Trans-Siberian railroad.

Therefore, both for purely economic and managerial reasons, I believe the 'Silk Road' from China to Europe would not go across Russia, and all the promised 'investments' will never be disbursed. This may become another source of disillusionment for the Kremlin, since the topic seems to make high-ranked officials in Moscow increasingly excited, and the Russians are really fascinated by China's successes in building its high-speed rail network. And even while Chinese don't want to disappoint Russians, eventually unfeasibility of this ambitious project will become obvious, and Russia will lose its chance to benefit from it, because of its poor management and total absence of any kind of strategic planning.

Are a Russian and a Chinese brothers forever?

The last, but not least is the issue concerning Russia-China social and cultural ties, as well as their economic impact. The attitude towards Chinese as Russian 'brothers' that was nurtured during the early years of Soviet-Chinese friendship, has been replaced by mutual hatred of the last decades of the Soviet Union, and then by a sense of awareness, that, I would argue, has never become a genuine friendship. Even though Russia perceives China the most important ally and economic partner, and Russian citizens see economic cooperation with China as the most important for their wellbeing, many of them find 'excessive' Chinese influence disturbing or dangerous. This feeling originates in general from a

misleading idea that the Chinese want to 'colonize' Russia, as some experts claim, there are around 3m Chinese already settled in Russia. The real picture is more complex.

The Chinese immigration to Russia is rather modest, it is estimated at around 330 thousand people with approximately the same number of Chinese coming and leaving every year, most of them living either in the bordering regions of the Russian Far East and Eastern Siberia, or in major cities like Moscow and St. Petersburg. The vast majority of Chinese migrants keep their Chinese citizenship and stay in Russia only temporary for purposes of their business and/or trade. The trend of marrying with the locals in order to secure legal residence in Russia ceased to exist in mid-2000s, as the disparities in Russia's and China's development became too obvious. However, Chinese presence at Russia's southeastern border generated two serious issues.

First, as unexpectedly as this may sound, it raised among the Russians living in the Far East, awareness of their European identity. After all those years of the Kremlin anti-Western propaganda, less than 20 percent of the people in the central Russian regions identify Russia primarily as a European nation, and more than two thirds say it's a Eurasian country, in the Russian Far East the perception is quite opposite: first of all because the locals can feel the difference between themselves and the Asians living on the other side of the border. Moreover, though in the early 1990s, there was a significant and influential movement in support of a 'Far Eastern Republic' as an heir of the one that existed between 1920 and 1922, now the separatist ideas have

simply vanished. It happened not because of government propaganda or fears of charges that might be brought against separatists, but rather because the locals have realized that ‘independent’ Russian Far East would be a puppet state of the powerful China.

Secondly, the Chinese economic expansion also raises concerns among the locals who believe the China’s purpose is not to conquer the Russian Far East but to ruin it. The reason for such a suspicion is based on the brutal economic exploitation of the local resources: Chinese cut Siberian forests leaving behind empty deserts, hunt local wildlife ignoring every restriction, pollute tributaries that disembody Amur River, and force Russian tourists out reserving most Siberian attractions from Baikal to everything else worth seeing to the East of it to Chinese visitors. Chinese economic expansion is believed to be the primary source of the local corruption and the tensions are clearly growing between the locals and the Chinese businesses. I don’t think they would ever reach the degree of anti-Chinese riots that erupted in Indonesia in 1998 and Vietnam in 2018 – first of all because the number of Chinese in Russia is much smaller and because the government would do everything possible to safeguard its alliance with Beijing, though the risk are there.

Regarding tourism in general, I would say that it is a two way street. China holds a place in top-5 in both as destination for Russian tourists and in terms of sending Chinese tourists to Russia. But I would argue that China is not perceived in Russia as a country where Russians would like to move or which living standards or cultural traditions are appealing to Russians. Unlike in the Soviet times, no matter how strong

are political ties between Moscow and Beijing, they definitely fail to produce a sense of friendship between the two nations. The challenge of dealing with Chinese has reawaken among Russians their European identity to the extent, which doesn’t match the reality.

During the recent three decades Russia’s geopolitical and geo-economic posture has changed dramatically. Back in the late 1980s, the Soviet Union was one of two superpowers bordering a divided Europe, where the GDP of the strongest economy, that of West Germany was less than 70 percent of the Soviet GDP, and China which economy was roughly a third of the Soviet size. Now Russia faces the European Union in the west with the combined GDP of 5.2 times larger than the Russian one (calculated at purchasing parity ratio), and China in the east with GDP 5.8 times larger. In order to avoid its fate predicted in a famous old Soviet joke of turning into a buffer state between China and Europe, Russia should either to make a choice between the EU and China as its main economic partner, or to establish equally close relations with the both. I would argue that the Kremlin made its crucial choice in favor of China, and it did so from 2005 onwards for political and ideological reasons. The effort China made to dock Russia to itself in a purely economic sense is shockingly small. However, it is enough.

Today Russia is not trying to ‘diversify’ its economic ties with Europe by adding China as a trade partner. It rather really makes an irreversible ‘turn towards Beijing’ by building new pipelines to China, organizing supply chains that lead to the East and opting for some gargantuan projects that China might be interested in. Mr. Putin’s

choice in the end is to reject the historical tradition of Russia that put its feet on the Pacific shore as a European power that reached the far ends of Asia and to propose a ‘new’ vision of Russia as a rather ‘Eurasian’, than a European nation. The Kremlin now believes that any concessions to China is justified as a price to pay for establishing ‘ever closer relationships’ and hopes that the rapprochement with Beijing delivers some tangible economic and financial results. But, from my point of view, these thoughts and dreams are plainly wrong.

I should also say that my point of view is increasingly shared even among those who belong to Mr. Putin’s closer circle. The main problem lays not even in the Russia-China unequal statuses and in unbalanced trade between the two nations, but rather in the strong pro-Chinese lobby that emerged within Russian ‘power vertical’ in the recent years. The Chinese companies that infiltrate Russia massively bribe both the local officials and the managers responsible for the development of entire industries, and if they are accused of any wrongdoings or of some violations of existing rules, they can easily appeal to high-ranking officials in Moscow who readily offer their support. Since the Russian judicial system these days is completely dependent from the executive power, there are no means at all to challenge the Chinese lobby that grows increasingly stronger.

For two main reasons, the future of economic interaction between Russia and China looks dubious. First, Russia is too small for China to be treated as an equal partner. China’s economy is about six times larger than Russia’s one, and while China appears now to be #1 trading partner for

Russia, the Russian Federation finds itself on paltry 16th place in the list of China’s trading partners. China is the second largest consumer market in the world and the biggest market for commodities and industrial equipment, while Russia falls behind from year to year. Therefore, while the Russians can claim the equal status with China, the reality proves the opposite. Secondly, in order to be a developed nation Russia should industrialize itself and export not only crude oil, but processed investment and consumer goods as well. China has successfully transformed itself exactly along these lines in recent decades, and it seems it has much more interest in keeping Russia as its raw materials supplier than to help it to develop itself technologically. In other words, China wants Russia to remain economically backward and politically aggressive – this would perfectly fit with Beijing’s geopolitical aspirations.

There is nothing Russia gets from China, it cannot get from other potential partners; its economic ‘leaning’ on China is caused mainly by geopolitical and ideological motives. Such a policy is by no means new for Russia – but I cannot recall any cases when sacrificing economic benefits for sake of political ambitions has ever delivered positive outcomes for my country.

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