

## Russian and Chinese Influences in Shared Borderlands

PONARS Eurasia Policy Memo No. 453

January 2017

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The political and economic relationship between Russia and China has been intensifying over the past decade, particularly as Moscow has attempted to “pivot to the East.” While their bilateral political and trade relations have experienced a recent honeymoon of sorts, Russia’s largely resource-based economy and economic downturn keeps its potential far behind China’s. One way to analyze the complex China-Russia relationship is through their respective projects and influence on neighboring states. In the three borderland cases examined—Kazakhstan, Mongolia, and North Korea—Russia continues to preserve its political and cultural influence, but there is a shift toward greater Chinese influence.



China has been influencing cross-border cooperation projects in transportation, goods/manufactured products, and raw materials. What are the key features of Russia’s and China’s cross-border cooperation with these three states? Does China contribute or hinder Russia’s (long-standing) role? As China’s economic power swells, its influence could seriously affect Russia’s relations with these borderland states, but Russia’s ties to most of these countries are strong enough to sustain a dominant role for years to come.

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## Russia's Cooperation with Kazakhstan, Mongolia, and North Korea at a Glance

Each borderland country is very different in terms of length of land border with Russia, economic potential, and political system. The contrasts are apparent in the following table:

	<b>Kazakhstan</b>	<b>Mongolia</b>	<b>North Korea</b>
Length of a land border with Russia (km)	7,512	3,485	17
<a href="#">Population</a>	18,400,000	3,000,000	25,100,000
<a href="#">Per capita GDP</a>	US\$ 25,900	US\$ 12,200	US\$ 1,800
Bilateral trade turnover with Russia (2015)	US\$ 15.5 billion	US\$ 1.1 billion	US\$ 80 million
Russia's ranking as a trade partner for each country	1	2	4
China's ranking as a trade partner for each country	3	1	1

As the table clearly demonstrates, the importance of the three countries for Russia as an economic partner varies greatly. Kazakhstan and Russia have the most significant economic partnership by far of the three. The two share the longest uninterrupted land border in the world; there are many large industrial centers on both sides of the border; Kazakhstan is a core member of the Eurasian Economic Union; it has a comparable per capita GDP to Russia; and there is virtually no language barrier between Russians and Kazakhs (unlike with Mongolians and North Koreans). Even though the Mongolian economy has been rapidly growing over the last ten years, its small industrial sector and consumer market keep it far behind Kazakhstan in terms of economic potential. Russian cooperation with North Korea is especially weak. This results from North Korea's isolationist policies and hypercentralized economy and was exacerbated by the 2016 UN sanctions imposed on Pyongyang in response to its nuclear and missiles tests. The Trans-Korean Railway project connecting South Korea with Russia through North Korea could potentially boost Russian-North Korean economic cooperation, but implementation efforts in the 2000s and 2010s were thwarted by North Korea's unpredictable and protectionist policies. Despite differences, Russia's economic cooperation with Kazakhstan, Mongolia, and North Korea has some important common features. For all three, Russia is a major export partner (overwhelmingly for Mongolia and North Korea).

However, Russian economic relations with the three have been significantly affected by the Russian economic crisis. Between 2013 and 2015, Russian trade turnover with

Kazakhstan dropped by 34 percent and Russian trade turnover with Mongolia by 31 percent. The crisis has reduced Russian companies' investment capabilities and assets. Notably, in June 2016 the Russian company Rostekh decided to sell its shares in the Mongolian-Russian Erdenet Mining Corporation and the Mongolrostsvetmet Corporation to the Mongolian Copper Corporation. These Russian assets were among the three largest shareholdings in Mongolia. Because of Russia's increased domestic challenges, it lacks the capability to boost cooperation and increase economic influence over the three states. The inclusion of China in cross-border projects augment the chances of enhancing Russian regional trade, but it may also introduce conflicts due to Russia's traditional and strategic interests in its neighborhood—Kazakhstan, Mongolia, and North Korea are explicitly [mentioned](#) in Russia's Foreign Policy concepts as states that Russia seeks closer ties with.

### **China as a Contributor to Russia's Cross-Border Cooperation with Its Neighbors**

In some cases, China can significantly contribute to Russia's cross-border cooperation with Kazakhstan, Mongolia, and North Korea. This would mainly be in the realms of transportation projects, free trade zones, and tri-state cooperation projects. China's investment and leadership in such projects could be mutually beneficial for all parties, bringing modernized roads and infrastructure, more intense cross-border flows, and new logistic centers to the border regions.

The Chinese-led "One Belt, One Road" project envisages railroad linkages across the Russia-Kazakhstan border areas (Atyrau-Astrakhan, Uralsk-Saratov, Aktobe-Orenburg, and Petropavlovsk-Kurgan) connecting to the trans-Siberian railroad. In 2009, Russia, China, and Kazakhstan already launched the "Europe-Western China Highway" project to connect Orenburg (Russia) with Aktobe (Kazakhstan). In 2016, Chinese investors [showed](#) interest in funding some segments of this route between Russia's Orenburg and Bashkortostan provinces.

At the Russia-Mongolia borderland, virtually every region wants to host or further develop a major transportation route connecting Russia with China, since such a passage could potentially be a crucial contribution to local prosperity. It makes sense that the Republic of Tyva, one of the poorest and most isolated Russian regions, is especially active in this respect. At present, the most important transportation routes from China to Russia via Mongolia pass through the Republic of Buryatia with a railway through Naushki and a motorway through Kyakhta. The Naushki railroad is part of the "One Belt, One Road" initiative, but its capacity is relatively small. Further east, a route through Manzhouli and Zabaikalsk in Russia's Chita province bypasses Mongolia and connects Russia and China directly. All in all, the importance of trilateral transportation and customs cooperation projects was stressed during 2015 and 2016 SCO summits, and a [trilateral economic corridor](#) was announced during the Tashkent SCO Summit in June 2016. This initiative envisages boosting tri-lateral cross-border cooperation by launching

more than 30 investment projects alongside an improved transportation and customs regime.

Another kind of cross-border cooperation with Chinese participation is the creation of special economic zones in border areas. In 2002, the Mongolian government implemented a border economic zone in Altanbulaq near the Russian town of Kyakhta to cater to intermediary trading between Russia and China. However, implementation of this project was delayed because of poor infrastructure and slow adjustments in Mongolian legislation and it has not been successful thus far. Still, the project has not been abandoned and Altanbulaq Expo, a major international business forum, was held in May 2016.

Regarding the China-North Korea-Russia borderland, an ambitious “Tumen River” project was proposed a while back in the 1990s to boost development, but the project collapsed due to Russian and North Korean worries about Chinese domination.

When it comes to environmental protection and other non-commercial activities, Chinese participation can be a positive factor in the shared borderland areas. In 2003, the “Our Common Home Altai” Coordination Council was established as a forum for Chinese, Kazakhstani, Mongolian, and Russian parliamentarians, officials, scholars, and activists to focus on environmental protection issues, cross-border tourism, and cultural and educational exchanges. (The Dauria International Protected Area nature preserve straddles the Chinese-Mongolian-Russian regions.) At the China-North Korea-Russia border, the three states cooperate in protecting the endangered Amur Leopard and all three have been discussing (since 2014) ways to establish a [joint](#) tourist zone.

### **China as a Competitor and a Bone of Contention**

The clout of China is large and it can be a challenging force for Russian bilateral cross-border cooperation with its neighbors. In some cases, Chinese interests can create rivalries and tension among counterparts. For the most part, China has the largest share of trade in the borderlands. In particular, it dominates trade in Mongolia and North Korea and in the majority of the Russian regions bordering these states. This domination could be largely explained by Chinese consumption of raw materials. In the cases of Mongolia and North Korea, the overwhelming share of raw materials goes to China while Russian raw material imports are minimal. The case of Kazakhstan is more complex: Russia buys relatively large amounts of oil (some of which is returned as processed gasoline and as return deliveries), gas, and metals—but China is still ahead of Russia both in the overall [consumption](#) of Kazakhstan’s exports and in the consumption of Kazakh oil.

At the Russia-Kazakhstan borderland, China dominates trade in only one region, Russia’s Aktobe province, because the China National Petroleum Company (CNPC)

controls the main local oil-and-gas producer, Aktobemunaigas. As a result, China became the leader in the province's trade turnover, [accounting](#) for about 40 percent of its foreign trade in 2015. Moreover, at the end of 2015, Chinese companies [proposed](#) building cement- and methanol-producing plants in the province, which would reduce its dependence on imports from Russia.

In the Russian-North Korean borderland, China absolutely dominates—in overall trade in North Korea, and in the Rason free economic zone. This domination could limit Russia's economic opportunities if the UN sanctions against North Korea are relaxed or abolished in the future. Even more important, according to some Russian experts' estimations, China is an intermediary for more than 90 percent of all [Russian-North Korean trade](#). In the case of Mongolia, China currently dominates foreign trade turnover in two of five Russian border regions, Buryatia and Chita.

Officials tend not to mention potential contradictions but rather emphasize compatibility among cooperation projects involving China, the Eurasian Union, and others. Yet, some large-scale cross-border transportation projects initiated by China may induce tensions between Russia and its neighbors. For example, within the "One Belt, One Road" project, Kazakhstan plays the role of a key node—some routes go westward through Russia while some other routes bypass it. If Kazakhstan prefers a Trans-Caspian or Trans-Iranian route, this could complicate its relations with Moscow.

Mongolia seeks to become a transit country—namely for the "Altai Gas Pipeline" project and for rail freight from eastern China to and through Russia. As of now, however, China and Russia decided to [bypass Mongolia](#) in gas pipeline projects and to prioritize a railway route that connects Manzhouli (China) and Zabaikalsk (Russia), about 40 km to the east of the Mongolian border. On the North Korean front, if political conjuncture becomes more favorable, the construction of a railroad from South Korea to Russia via North Korea has two competing routes: a railroad via the Russian Far East bypassing China or a railroad via China to Zabaikalsk. If the Chinese route is prioritized, Russia's Primorsky region that borders North Korea would be left out.

Chinese influence on Russia's cooperation with Kazakhstan, Mongolia, and North Korea is ambiguous. On the one hand, the Chinese contribution empowers many cross-border cooperation projects, specifically transportation routes connecting eastern Asia and Europe via Russia and its neighboring territories. These types of projects are not possible without China's involvement, and Russia explicitly welcomes Chinese investments in transportation infrastructure in the shared neighborhood. The economically weak regions in Mongolia and Russia would benefit from China's cooperation and efficiency.

On the other hand, Chinese economic influence in some border regions (such as in Aktobe, Kazakhstan) is so strong that it weakens Russia's cross-border cooperation, influence, and profit with its neighbors. China tends to bind the respective states and

regions to itself and diverts them from large-scale cooperation projects with other countries. While Russia cannot compete with China as a consumer of Kazakh, Mongolian, and North Korean natural resources (and does not necessarily need to as it has vast natural resources itself), Chinese large-scale investments in extraction companies in the three bordering countries can affect these companies' imports and increase Chinese lobbyist influences on these countries' foreign trade policies. Chinese processed goods seriously compete with Russian ones. Furthermore, Chinese leadership in trans-border projects can lead to clashes among participants depending on Beijing's demands. All of this reduces Russian opportunities for achieving serious growth in foreign trade with the three respective states.

## Conclusion

In the foreseeable future, neither the positive nor the negative facets of Chinese influence will prevail. Even if Chinese interests may, in the future, contradict some of Russia's interests, it is unlikely that Chinese economic power could suppress Russian influences in the Kazakhstan and Mongolia borderlands, though far less so for North Korea. Russia still has considerable political and, especially, cultural influence, nourished by the deep reach of Russian media and intensive daily communication between ordinary citizens, businesspeople, and politicians. In the economic domain and regarding the heavyweight of the three, Kazakhstan, the Eurasian Customs Union is a serious Russian competitive advantage that Chinese exporters cannot easily neutralize. Thus, though China is an increasingly strong economic competitor to Russia—in transportation projects, raw materials exports, and manufactured goods—Russia continues to hold the borderland regions under its sway.