



Russian
International
Affairs Council

EVENT REPORT

Second International Conference “Russia and China: Taking on a New Quality of Bilateral Relations”

Moscow, 30-31 May 2016



RUSSIAN INTERNATIONAL AFFAIRS COUNCIL

MOSCOW 2016

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Russian International Affairs Council (RIAC) is a membership-based non-profit Russian organization. RIAC's activities are aimed at strengthening peace, friendship and solidarity between peoples, preventing international conflicts and promoting crisis resolution. The Council was founded in accordance with Russian Presidential Order No. 59-rp "On the Creation of the Russian International Affairs Council non-profit partnership," dated February 2, 2010.

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The mission of RIAC is to promote Russia's prosperity by integrating it into the global world. RIAC operates as a link between the state, scholarly community, business and civil society in an effort to find solutions to foreign policy issues.

The views expressed herein do not necessarily reflect the views of RIAC or the official positions of the institutions and states the speakers represent.

The texts of speeches are given with minor changes.

Any linguistic inadequacies are the sole responsibility of translators and translation editors.

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ABOUT THE CONFERENCE

On May 30-31, 2016 Russian International Affairs Council held the Second International Conference titled "Russia and China: Taking on a New Quality of Bilateral Relations". Senior officials, academics, experts on various aspects of bilateral relations, as well as representatives of businesses and media from both Russia and China took part in the Conference. The participants of the event assessed Russia–China collaboration dynamics, identified joint achievements of bilateral collaboration and addressed key challenges to its development, as well as brought forward proposals aimed at strengthening strategic partnership between Russia and China to be presented to the political leadership of the two states.

Recently, Russia–China interaction has reached an unprecedentedly high level of strategic partnership and mutual trust, as the countries created new opportunities for an open dialogue on a broad range of topical issues. The plenary and expert sessions of the Conference discussed priority areas of Russia–China bilateral and multilateral cooperation. Particular attention was given to coordinating Russia and China's efforts channeled into developing global governance institutions and ensuring security in Northeast Asia, to the prospects for interaction within the Russia – India – China triangle, to the issues of infrastructure and economic cooperation in Eurasia, to the impact both internal and external factors have on the quality and volume of the Russia-China trade, to the prospects for implementing bilateral projects in education and culture, in the media sphere, and to the joint search for solutions to the current environmental problems.

RIAC's Second International Conference "Russia and China: Taking on a New Quality of Bilateral Relations" continued the fruitful dialogue started in 2015. The Conference evolved into a platform for a regular exchange of opinions on the topical issues of Russia–China relations. As such a platform, the Conference also offers an opportunity to engage both Russian and Chinese experts in the discussion. The Conference brought together over 500 representatives of the governmental and business circles, leading experts from Russia and China, the EAEU and EU countries, the US, Japan, the Republic of Korea, India, Australia, and also around 70 journalists from 35 Russian and foreign media outlets. Full list of speakers, videos and presentations are available at the Conference page: <http://russiancouncil.ru/rucn2016>.

RIAC is grateful to the partners and participants of the Conference and highly values the ideas put forward at the event. This publication was largely based on the recommendations of the participants of the event.

OPENING SPEECHES

On behalf of Russian International Affairs Council and our partners, let me welcome all participants of the Conference titled “Russia and China: Taking on a New Quality of Bilateral Relations”. A year ago – in late May 2015 – Russian International Affairs Council together with its partner organizations held the first international scientific and practice conference titled “Russia and China: a New Partnership in a Changing World” in Moscow. Almost 500 representatives of Russian and Chinese expert communities, state authorities, businesses and civil society took part in the forum.

The discussions and materials of the conference were highly praised, with lots of voices wishing to see such a representative gathering on Russian-Chinese relations held on a regular basis. The initiative was supported by the Executive Office of the Government of Russia and the Ministry of Foreign Affairs of Russia, so now such conferences are to be held every year in late May.

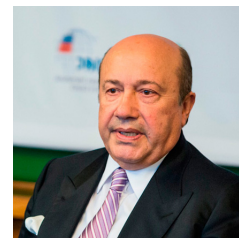
Over the last year, a lot has been done for promoting the relations between the Russian Federation and the People’s Republic of China in the top-level political dialogue, in strengthening global and regional security, and in the construction of multilateral cooperation structures. At the same time, the two countries have been developing the legal basis for their relations, expanding transborder ties and improving contacts in education, science and culture.

However, the more advanced the relationship is, the more complicated tasks emerge on the path to its development. They would require a permanent upgrading of the cooperation mechanisms, as well as the search for new formats and opportunities both in bilateral and multilateral frameworks. Just as in 2015, at the 2016 Conference we have chosen to focus not on indisputable achievements but on the problems that Russia and China are to tackle. And we do hope to have a supportive but at the same time honest discussion about the bottlenecks which arise or may arise on our way forward.

Please note the title of our Conference: the discussions are focused on the new quality of relations. We speak not only about higher figures in trade, investment and tourism, but also about bringing our ties to an essentially new level matching the current global trends.

I believe it appropriate to underline that there is a need for more dynamics in the Russian-Chinese joint efforts on the fundamental issues of future global governance. Our countries can be hardly unmoved by the fact that due to the geopolitical ambitions of the United States and its partners, Russia and China find themselves out of the two emerging geo-economic projects – the Trans-Pacific Partnership and Transatlantic Trade and Investment Partnership. The two projects will soon be complemented by relevant geopolitical structures that would directly affect the long-term interests of our countries. The dynamics of international relations increasingly compel Russia and China to interact closely in handling the key matters of global governance so that they could play apposite roles in building the new world order.

The reduction of the Russian-Chinese trade vividly illustrates the remaining structural imperfection of our trade and economic cooperation. The crisis-related phenomena in global economy and complex processes in the Russian and Chinese economies



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generate new challenges for large-scale development projects, affecting the quality and the level of bilateral ties and demanding innovative approaches to cooperation. I do hope that the Conference will discuss such innovative approaches in a most professional and motivated way.

We plan to give special attention to aligning the Eurasian Economic Union and the Silk Road Economic Belt at the Conference. Interaction between the two strategic projects is meant to create conditions for a radically new economic and political environment in Eurasia.

We should also admit that despite the substantial achievements of the recent years, the Russian and Chinese societies still know too little about each other and are still haunted by the stereotypes and prejudices inherited from the previous century. We definitely do too little as far as civil society and joint educational and scientific programmes are concerned. We should only welcome the drastically richer inflow of Chinese tourists to Russia in the past two years, but it can hardly supplant the painstaking and persistent efforts on raising the quality of our interaction in the educational, scientific and cultural areas.

A single conference can hardly offer answers to the numerous questions and challenges pertaining to such an intricate and multifaceted affair as the Russian-Chinese relationship. Nevertheless, I am sure that our discussion could and should make a practical contribution to the development of cooperation between the two countries.

This Conference has become possible largely due to the support of the Executive Office of the Government of Russia and the Ministry of Foreign Affairs of Russia. Great assistance was rendered by the Embassy of China to Russia and the Embassy of Russia to China.

We are honoured to welcome here the Co-Chairmen of the Russian-Chinese Committee of Friendship, Peace and Development.

We express gratitude to the Institute of Far Eastern Studies of the Russian Academy of Sciences, Russian advisory group CREON Energy, as well as to our Chinese colleagues from the Chinese Academy of Social Sciences, Fudan University and Peking University for the close cooperation in formulating the Conference agenda.

Special gratitude to the general partners of the Conference – Transneft and Rosseti, as well as to LUKOIL and the International Foundation of Technology and Investment for the financial support of the Conference.

We do believe that an interested attitude of the business community is a key factor for the development of the Russian-Chinese relationship.

Promoting relations with the People's Republic of China across the board is an absolute foreign policy priority for Russia. The Conference "Russia and China: Taking on a New Quality of Bilateral Relations" was organized by Russian International Affairs Council (RIAC) in cooperation with the Russian-Chinese Committee of Friendship, Peace and Development. For us, this is a great opportunity to gain insight into the current state and prospects for expanding bilateral cooperation, and its impact on the global political and economic landscape.

Today, international relations have entered into a conceptually new historical stage that consists of the emergence of a multipolar world order and reflects the strengthening of new centres of economic development and power, cultural and civilizational diversity in the modern world and the natural aspiration of the people to determine their own future. These are non-linear processes that face many obstacles. The main one is the inability of some countries to recognize that the concept of a unipolar world order is untenable, and their attempts to preserve their dominant role in international affairs at any cost by imposing, including by force, their will, values and development models.

In this context, it is hard to underestimate the importance of the Russian-Chinese partnership that has grown into a strategic relationship in terms of ensuring global and regional security and stability, and creating a global governance architecture that fulfills the imperatives of our time. The relations between our two countries have never been as good as they are now. In fact, they can serve as a model of state-to-state cooperation in the XXI century. This relationship is built on an imperative to not turn a blind eye to various issues where consensus has yet to be reached, but instead discuss them in a spirit of frankness, comradery and sincerity so as to reach mutually acceptable and beneficial agreements. We have been able to reach common ground on all issues of this kind. I believe this outcome to be quite logical, since our efforts are underpinned by equality, respect, trust and a commitment to take into account each other's interests. This is all based on a mutual sympathy between the peoples of Russia and China.

I think we have things to be proud of. A solid contractual and legal framework is in place, covering almost all areas of bilateral cooperation. Its main principles and areas are set forth in the Treaty of Good-Neighbourliness, Friendship and Cooperation between the Russian Federation and the People's Republic of China of 16 July 2001. We will be celebrating its 15th anniversary in 2016. Issues related to the Russian-Chinese border have been settled completely.

A trust-based political dialogue mechanism is efficiently operating at multiple levels, including an annual exchange of visits by the heads of state, regular meetings of prime ministers, preceded by sessions of four intergovernmental commissions at the level of deputy prime ministers. The commission that prepares the annual meetings between prime ministers includes 19 sector-specific sub-commissions. There are also contacts between Russia's Presidential Executive Office and the Secretariat of the CPC Central Committee, as well as regular inter-parliamentary exchanges, consultations on strategic security, cooperation in law enforcement, security and justice. Interregional ties are also increasing, as well as contact between political parties and NGOs. Joint military training exercises are held regularly on land and at sea.



LAVROV
Sergey

**Minister of Foreign
Affairs of the
Russian Federation,
Chairman of the
Board of Trustees
of RIAC**

China is a key trade and economic partner for Russia. We are currently working to deliver on the objective set by the heads of our two countries, which is to expand bilateral trade to \$200 bn by 2020. This is a clear target. In the current environment some may say that this is too high, but I'm confident that this goal remains relevant for our agenda and can be achieved despite the temporary and subjective issues.

A crucial prerequisite for success is moving to a new model of economic cooperation based on forging closer ties in terms of value chains and investment. We look forward to enhancing cooperation between Russia's and China's banking institutions, as well as within recently created multilateral financial institutions such as the Asian Infrastructure Investment Bank, the BRICS New Development Bank and the Eurasian Development Bank.

Our energy cooperation in all areas, including nuclear energy, is playing a cementing role in the Russia-China partnership. We are consistently moving towards a strategic energy alliance aimed at promoting global energy security.

We attach great importance to the development of our cultural relations. We have launched the China-Russia Media Exchange Year, which offers opportunities for strengthening mutual understanding and partnership between the journalism communities and the people of Russia and China.

Our countries were allies during World War II. They bore the brunt of attacks and sustained the heaviest losses. Russian-Chinese relations will be further strengthened by our common resolve to firmly uphold the truth about those events and to fight any attempt to falsify history and exonerate Nazism and militarism. In acts of convincing evidence of our cooperation and solidarity, President of China Xi Jinping attended the 70th Anniversary of Victory in the Great Patriotic War in Moscow in May 2015, and President of Russia Vladimir Putin attended the celebrations marking the 70th Anniversary of the Chinese people's victory in the War of Resistance against Japan.

Close foreign policy coordination is a major part of a Russian-Chinese strategic partnership. This coordination is not spearheaded against any other country. We are happy to say that our approaches to current global and regional issues mostly coincide and are very close in some cases.

Russia and China firmly stand for strengthening a collective foundation in global affairs based on international law, primarily the UN Charter. We consistently oppose diktat and blackmail, unilateral sanctions, double standards and attempts to interfere in the internal affairs of sovereign states.

We have cooperated effectively at the UN and in other international venues, including the G20, which will meet for a summit in Hangzhou in September 2016, as well as the SCO, BRICS and the Russia-India-China (RIC) group.

Our countries advocate stronger stability in Asia Pacific, where a reliable non-bloc system of equal and indivisible security must be created. The 2010 Russia-China initiative on security and cooperation in Asia Pacific is aimed at achieving this goal. Considering the principles formulated in this initiative, Russia, China and Brunei Darussalam have proposed creating a regional architecture that will meet today's realities. This proposal was supported at the Eighth

East Asia Summit (EAS) in October 2013. The EAS has held four rounds of consultations on this proposal. The fifth round will be held in Beijing, where we will continue to discuss initiatives aimed at creating a new security and cooperation architecture for Asia Pacific.

We have reached a basic agreement on finding ways to consolidate Eurasian integration in the EAEU format and China's Silk Road Economic Belt project. The Joint Statement of Russia and China, adopted at the summit on 8 May 2015 in Moscow, documents a common vision of the modalities of this work at the bilateral and multilateral levels in order to ensure sustainable development in the region, with a common economic space determined as the key landmark of this process. At the same time, the Eurasian Economic Commission has started working on a trade and economic cooperation agreement between the EAEU and China, as well as a roadmap for priority integration projects in this format.

We view this work in the context of promoting President Vladimir Putin's initiative to begin consultations between the EAEU, the SCO and ASEAN member states on the formation of a broad economic partnership based on equality and mutual consideration of interests. The recent ASEAN-Russia Commemorative Summit in Sochi has shown that the ASEAN countries appreciate and welcome this idea, which was proposed and discussed amid the US initiatives to create the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. These US-initiated partnerships are planned as a small circle of founding members who determine the rules of the process, while the rest can join if they wish, but will have to follow rules written without their help. We, on the other hand, are looking to create broader and more democratic economy-based partnerships involving the countries of the EAEU, the SCO and ASEAN, with no restrictions on joining the alliance. We expect that the open nature of our initiative will ensure efficiency and, most importantly, lead to the satisfaction of the interests of all participating countries.

Together with our Chinese friends, we will continue to take the necessary steps to elevate our cooperation to a new level for the benefit of the two peoples, in order to promote the principles of justice and equality on the international arena. We are convinced that Russian President Vladimir Putin's visit to China in June 2016 will give a powerful impetus to a multifaceted Russian-Chinese strategic partnership, will contribute to the further implementation of its unlimited potential.¹

¹ The information was valid at the time of the speech on 31 May 2016.

On 26 June 2016, in the framework of the official visit of the President of Russia Vladimir Putin to China, Russian International Affairs Council and Chinese Academy of Social Sciences signed the Memorandum of Cooperation in the presence of leaders of Russia and China. The document was signed by Director General of RIAC Andrey Kortunov from the Russian side and President of CASS Wang Weiguang from the Chinese side.



**DAI
Bingguo**

**Chairman of the
Chinese Chapter
of the Chinese-
Russian Committee
of Friendship, Peace
and Development***

As a Russian leader said in the autumn of 2015 in Moscow, Mount Qomolangma will not get any higher, but Russia-China relations will be taken to a new peak. The International conference "Russia and China: Taking on a New Quality of Bilateral Relations" held by RIAC and the Chinese-Russian Committee of Friendship, Peace and Development is a vivid demonstration of our desire to take the bilateral relations to a new height.

2016 celebrates the 20th anniversary of establishing China-Russia partnership and strategic interaction and the 15th anniversary of signing the Treaty of Good-Neighbourliness and Friendly Cooperation between the Russian Federation and the People's Republic of China. In June 2016, President of Russia Vladimir Putin will make another visit to China.² In this context, the Conference acquires a particular significance.

I hope that the Conference participants will put forward promising ideas for enhancing the China-Russia friendship and for developing mutually advantageous cooperation and will thereby provide intellectual support necessary for taking the relations to new heights. China and Russia are global powers which have a 4,300-kilometre-long common border, but have different histories, traditions, and cultures. Arriving at mutual respect, equality, mutually advantageous cooperation, and peaceful coexistence was not easy.

Over the last 300–400 years, China-Russia relations have traveled a difficult path. Over the last twenty years, especially after the signing of the Treaty of Good-Neighbourliness and Friendly Cooperation, the relations have been developing gradually and consistently and have reached an unprecedentedly high level. Today, our countries are as close as never before, especially compared to those large states which either form blocs or are in confrontation with each other. We have set a precedent. This is beneficial for ensuring sovereignty, security, and development of our countries, for reviving the Chinese and Russian nations, and for protecting peace, stability, and prosperity in the region and throughout the world. This is why our peoples support the development of China-Russia relations, and the peoples of other countries also welcome the developing ties between our nations.

Why have China-Russia relations been developing so efficiently over the last twenty years? This question deserves an in-depth analysis by our countries' strategists and scholars.

I believe that this is due, first, to the fact that the governments and the leaders of China and Russia look into the future with both insight and foresight and fully understand the special strategic importance high-quality bilateral relations hold. They always keep in step with the times, they carry out their mission conscientiously, and they strictly adhere to the strategic direction of the China-Russia ties' development as determined by both parties.

Second, China and Russia not only established a series of principles and concepts ensuring long-term, efficient, and stable development of bilateral relations, but also

*Translation from Chinese. Speech is abridged.

² The information was relevant at the time of the speech on 31 May 2016.

responsibly proceed to implement them. These principles include good-neighbourliness; mutual respect and mutual trust instead of a conflict or confrontational approach; equality; partnership instead of an alliance; mutual support; strategic interaction, etc. China–Russia relations are not directed against third countries. Mutual respect and support, equality are most valuable among these principles. Apparently, this is the engine and the life force of China–Russia relations.

Have the China-Russia relations reached complete perfection? No. I believe there is no limit to their development. The relations between our countries are not perfect yet. How do we take Russia-China relations to a higher level? An answer to this difficult question requires comprehensive discussions and research by the Russian and Chinese public.

In his article “Russia and China: Toward a New Quality of Relations,” Igor Ivanov put forward a large number of valuable ideas and suggestions. For many years, especially since my retirement, I have been thinking of ways of ensuring sustainable, efficient, and stable development of the Russia-China relations, of safeguarding them against obstacles. Today, I speak to you as an experienced person who has lived through the various stages, through ups and downs of our bilateral relations over the last sixty years, and I would like to share my vision with you.

So, how do we achieve another peak in the China–Russia relations? We will certainly have to solve a large number of problems.

First. We must value our current relations. China–Russia relations have reached a high level as a result of joint efforts of many generations in both countries, and we paid a high price for this result. This is why our cooperation is very valuable and important for both parties and for the world as a whole. History proves that it is very easy to ruin relations between states, while improving them is much harder. Our current China–Russia relations must not be weakened, they must only be strengthened. We must learn from the useful experience and the sad lessons of the last decades, we must diligently and responsibly protect and develop our relations of comprehensive partnership and strategic interaction in accordance with the demands of the times. No one should have grounds and rights to damage our cooperation. The peoples of China and Russia, as well as many other states support the development of our relations. However, not all actors welcome the strengthening of China–Russia relations. We should be wary of attempts to drive a wedge between us and put a rift into our relations.

Second. We must be fully aware of the long-term nature, relevance, and significance of the China-Russia comprehensive strategic interaction.

Today, we have grounds to assert that the world is moving forward, there are no causes for pessimism. Yet hegemonism and the policy of force still exist, and the world is still in a turbulent state.

China and Russia face both unprecedented opportunities and long-term domestic and foreign challenges and difficulties. Similar development concept, similar tasks of ensuring strategic security, China and Russia’s common international responsibilities ask for the development and ensure the long-term nature of the China-Russia comprehensive strategic partnership.

China and Russia should adhere to the concept of “forever friends, never enemies.” Both at the official and at the public level, the countries should promote the ideas of mutual support and common destiny and to embody them in the reality of China–Russia relations.

China–Russia comprehensive strategic interaction is not a temporary measure. We need to build up mutual confidence at any time and under any circumstances, and we need for the bilateral relations to be at an invariably high level.

Third. We need to respect each other and ensure equality in bilateral relations. Both Chinese and Russian nations have long histories. They made significant contributions to humanity’s progress. Today, China and Russia channel their efforts into implementing the monumental tasks of national revival and they continue to contribute to the civilization’s development. At the same time, they remain among those few countries which have an enormous development potential, wield significant international influence, and are capable of independently conducting their foreign and domestic policies.

History’s message is clear: mutual respect is of utmost importance for our countries. Our relations are equal: neither party is subordinated to the other. Our relations are based on mutual support and development of both parties, and not on mutual containment. Our relations are not new relations between an older and younger brothers. Generation after generation China and Russia must remember it and put these ideas into practice.

Each of us has their merits and drawbacks. Countries should learn from each other, adopt each other’s positive practices and aid their partner. We, the Chinese, should see Russia’s advantages and merits and look up to Russia’s bright future.

Fourth. We must continue a frank dialogue and build mutual trust. A smooth development of bilateral relations in the recent years is due, among other factors, to the deepening strategic dialogue and significant mutual confidence-building in politics.

Those times when China–Russia relations were dominated by confrontation instead of dialogue are now gone. Yet mutual trust is not an issue that can be resolved once and for all, it requires constant attention and advancement. We need to fully use the opportunities offered by the existing platforms and communication channels, we need to exchange information in a timely manner in order to remove mistrust. We should not think that our relations are so great that we do not need such a dialogue. A lack of communication leads to misunderstandings or suspicions emerging even between the closest friends, and when such misunderstandings and suspicions accumulate, they are very hard to get rid of. Keeping silent about them could lead to grave problems.

Fifth. We should maintain a reasonable approach to advancing our relations and properly resolve problems and possibly diverging stances. However successfully bilateral relations and mutual confidence are developing, their state should never be idealized and it should never be assumed that no more disagreements would arise. Of course, we will not create artificial problems, but we should take into account the differences in history, culture, traditions, mindsets and ways of thinking between China and Russia.

When differences occur, the two countries should be composed and adhere to a reasonable approach in order to find a proper solution in the spirit of mutual understanding and mutual concessions.

Sixth. More attention should be paid to exchanges in education, science and culture and people-to-people contacts. Interstate relations are based on the peoples' leanings. Working in this direction is a long-term task. In recent years, exchanges in education, science and culture and contacts between the citizens of China and Russia have increased, enhancing the mutually positive perceptions in the two countries. Yet this is not enough. The citizens' mutual trust level is not on par with the high level of contacts of the two countries' leaders and with the degree of the bilateral relations' development.

We must strive to ensure that the development of exchanges and contacts corresponds to the will of the peoples. Although we will not travel the previous path towards an alliance, we cherish the atmosphere of friendship and close contacts which existed at some stages of our relations.

In the 1950s, I personally experienced the close relations between our peoples. As a former member of the Chinese–Soviet Friendship Society, I am ready, together with Russian colleagues and friends, to further contribute to stimulating contacts between our peoples and to promoting the ideas of the eternal Chinese–Russian friendship.

Seventh. We need to develop the studies of China–Russia relations. Our relations are among the crucial international relations in today's world. What are their specifics, content, and essence? How are they different from the relations between other powers? What policy, ideas, and measures are necessary in order to further develop our relations?

How do we build mutual trust in politics, how do we deepen comprehensive interaction in order for the bilateral relations to develop efficiently? How do we develop comprehensive practical cooperation? How do we improve the studies of the two countries' development paths, how do we learn from other state's governance experience? How do we improve the existing interaction mechanisms in both bilateral and multilateral formats? How do we develop new approaches to interaction? How do we create additional opportunities for development? How do we shape more favorable conditions for practical cooperation? How do we involve more participants into the trade and economic cooperation? How do we enhance inter-regional cooperation and use the opportunities offered by the small and medium businesses? How do we improve our peoples' mutual understanding and eliminate prejudices? How do we tie together the ideological, political, and practical dimensions of our countries' development strategies? How do we coordinate our stances and develop interaction on the topical issues of global governance? How do we safeguard the long-term interests of our countries? These are the questions our research centres could study in depth, since progressive development of the China-Russia relations asks for the growing support from the academic communities in both countries.

In the XXI century, there is no such power that could block the rise of China and Russia. No power could interfere with the steadily rising level of the China–Russia relations and interaction. I am sure that we can constantly strengthen ties between our countries, if our peoples make the necessary effort. Provided international cooperation, we can certainly arrive at a new quality in China–Russia relations and solve the difficult tasks we are facing, thereby serving the good of our peoples and of the peoples of the entire world.



TITOV
Boris

**Chairman of the
Russian Chapter of
the Russian-Chinese
Committee of
Friendship, Peace
and Development,
Member of RIAC**

I would like to join Mr. Dai Bingguo in greeting you on behalf of the Russian-Chinese Committee of Friendship, Peace, and Development. People-to-people diplomacy is the Committee's task. We should contribute to the development of relations between the peoples of our two countries. The Committee does a lot of work holding various events – it implements the soft power policy – in culture, sports, mass media. We also believe it is very important to develop business relations, primarily in the area of small business, the most people-oriented of all types of business. On 30 May 2016, the Second Russia–China Small and Medium-Sized Business Forum was held in Sochi.

We also believe analytical expert work to be of great importance. A special analytical council was established within the Committee. We have already conducted surveys on the attitudes of the Chinese and the Russians toward each other, and we attempted to gauge the mutual perceptions of people, not governments. From this point of view, our countries have gone through different stages, from a firm friendship to a certain degree of separation.

In the early XX century, Russia had a significant influence on China's progressive intelligentsia. Subsequently, it supported China's revolutionary movement in every possible way which resulted in the establishment of the People's Republic of China. In the early XX century, 150,000 Chinese lived in Moscow alone; Chinese culture became popular, primarily the special culture that had formed in the Chinese-Russian city of Harbin. This city which combined Russian and Chinese traditions could be considered an example of the two peoples living side by side.

Subsequently, Russia has changed greatly. It developed a new ideology and the culture of social realism. Since China was moving along the same path, the two proletariat states established very close relations. The spread of the Soviet socialist culture in China is probably unprecedented in the world. We sang the same songs, we watched the same films. We had the same culture of production and industry, the same public ideology, and even the same language the elites spoke.

At that time, China perceived the Soviet Union as a "big brother." The older generation in China still likes to speak Russian and still sings Russian songs.

Yet it was a one-way street, from the USSR to China. Further on, much of what had been created over several decades was lost. The relations cooled down, mutual distancing was accompanied by a mutual feeling of danger. That sentiment penetrated into the minds of the people, and such sentiments, unfortunately, still exist in our society.

In 1984, China entered a new period in its development, a new 60-year cycle of the traditional Chinese calendar. China changed, and its attitude toward Russia changed as well. We were no longer perceived as a "big brother," we were seen as a careless neighbour who with his own hands largely changes what had been created by an entire generation. At that time, the movement reverses its direction; it is now going from China to Russia. Chinese companies work in Russia, Chinese goods dominate Russia's consumer market, although this movement encounters harsh attitude of the authorities, corruption, and simply hostile attitude.

Even today, the Chinese still complain of an unfriendly attitude they often experience right on the border where they are met by border guards and customs officers. This trend is changing in a very slow and complicated manner, despite largely improved relations between our states, which have acquired a strategic nature.

Since 2014, the situation has been favourable for a new stage in Russia–China relations. Russia abandoned the pro-Western course it had been steering for over twenty years. It is no longer the weak country it had been at the time. Russia has become much stronger. Businesses in both countries have been developing mutual interest. Now we no longer have a one-way street: Russian goods started flowing into China, large markets for Russian goods work in China's cities.

Investments have picked up pace. Today, Russian investments come into aluminum industry and mining, into fertilizer production, into information technologies; Russian investors engage in manufacturing and retail in China itself. So far, Russian investments are smaller than Western ones, but the situation is changing gradually in this area as well. We are witnessing the beginning of a new stage in Russia–China relations, which opens up new opportunities for both countries.

The situation became favourable for a conscious rethinking of the essence and the future of our countries' relations. These ties should become a priority for joint research in political science and history of the two countries, since only the rational determination of a joint development strategy will allow for the most productive and mutually advantageous international action.

Developing a new common ideology that would bring together all the existing opportunities for advancing a productive dialogue under the new historical and political conditions should become top priority in our countries' interaction. One thing is clear: unlike in the past, it should be a two-way street.



**VEKSELBERG
Viktor**

**Chairman of the
Russian Chapter of
the Russian-Chinese
Chamber for
Commerce in
Machinery and High
Technology Products**

Today, Russia faces challenges linked to the significant drop in energy prices. The state is pressured by international sanctions imposed on several economy sectors. China's economy has also encountered certain problems. On initiative of several countries China was excluded from several trade and investment partnerships in the Pacific and the Atlantic regions.

The analysis of the current trends prompts us to rethink the relations between Russia and China. This rethinking leads to a new quality of political relations between the states, and such relations are actively supported and developed by our political leaders. We are now witnessing the increased quality of intergovernmental relations transpiring in a variety of forms.

Today economic, investment, and trade connections, especially in the non-resource partnership, are at a low level and do not match the opportunities our states possess.

I am neither a politician nor a diplomat. I am a businessman, and I would like to call a spade a spade. If we clearly define the tasks we are facing, maybe we will be able to handle them more efficiently.

Since July 2014, I have served as the Chairman of the Russian Chapter of the Russian-Chinese Chamber for Commerce in Machinery and High Technology Products. The Chamber was established in 2007 upon the initiative of the leaders of the two countries. For nine years, it has been trying to establish partnership between our countries in the sector which, I believe, has the greatest prospects, especially given the trends in today's international markets.

Our results for 2015 make me note the disastrously low level of our partnership in trade in machinery and innovative products. Yes, there are wonderful examples of trading in hydrocarbons and other natural resources, but the partnership in engineering (excluding the traditional areas of military technical cooperation and nuclear energy cooperation) is extremely underdeveloped.

We certainly have an enormous cooperation potential. Russia has preserved, maintains, and is successfully developing higher education, academic and fundamental research in many areas. China has achieved unprecedented success in industrialization: today, China is a leader in manufacturing cutting-edge machinery, equipment, technologies, which the Chinese adopted from the leading global markets. These factors guarantee the potential of our future joint development, give us reason to believe in implementing such large engineering projects as high-speed railways, a new wide-body aircraft, power engineering, robot manufacturing, new materials, etc. A reasonable cooperation and alliance between our states would lead to the emergence of world-class top companies in Russia and China. Appropriate steps in this direction should be taken today; such steps would include providing state support for business and its initiatives aimed at finalizing the structure and advancing these projects.

During the last two years, the Chamber held two large meetings. In the late 2015, representatives of over 40 Chinese companies visited Russia to meet with

members of the Russian business community. In 2016, a similarly strong delegation of the Russian businesses visited China. Russian and Chinese deputy prime ministers met with both delegations. Those meetings, supported at the level of the leadership of states, determined the possibility of promoting and implementing specific projects.

The Russian side of the Chamber is comprised of thousands of companies which are ready to come to the Chinese market with their offers. China demonstrates a similar interest. Today, our portfolio includes 52 specific projects the Chamber assists in the real time. I hope we will be able to implement the majority of these projects shortly and thus we will lay the foundations for the joint work of the Russian and Chinese business. In the future, there will be joint Russian-Chinese capital ventures moving into the third countries' markets.

Today, we are starting from a very low level of partnership in machinery and engineering products and innovations. I would like to draw particular attention to the factor that is required to create a platform for achieving a new level of partnership and development. Ultimately, joint projects are implemented by specific professionals, engineers, entrepreneurs, businesspersons on both sides. We need more formats which would provide Russia and China's businesses with a better understanding of how both countries live and develop.

We need to develop exchange programs in the framework of educational and student curricula. For instance, Chinese students constitute the majority of foreign students in American universities, while the number of Chinese students in Russian universities is low. I would like to suggest that the ministries for education in both countries pay special attention to the fact and create special programmes for Russia-China educational exchanges as part of our partnership and cooperation. It would be expedient to focus on those majors which could then contribute to developing our economic relations.

I would like to make similar proposals regarding the cooperation between the academies of sciences: collaboration in research, joint research groups, intellectual products exchange. These types of interaction are necessary for further development and cooperation. In both Russia and China, governmental bodies exercise significant influence on such decisions, and I would like such decisions to be made.

I am the President of the Skolkovo Foundation; it is an infrastructure project intended to develop international cooperation. And we would like the Chinese component of the project to be more visible. Several agreements have been signed, including an agreement between the China Investment Corporation and our Direct Investment Foundation. The agreement stipulates establishing a Chinese Science Park at the Foundation. Its implementation is not progressing quite as fast as we would like it to. The Skolkovo Science Park and the Beijing Zhongguancun Science Park signed an agreement on opening their respective offices. We've opened the office, our Chinese partners have yet to fulfill it. I hope that the presence of the representatives of the Chinese business community here will give an additional impetus to implementing joint projects.

Although our cooperation in machinery and innovative products requires further development, I am confident that we will succeed in bringing our interaction to a qualitatively new level.

SECURITY IN NORTHEAST AND SOUTH ASIA: WHAT IS TO BE DONE BY CHINA AND RUSSIA?

GABUEV
Alexander

Chair of the Russia
in the Asia Pacific
Programme
at the Carnegie
Moscow Center

The Northeast Asia and South Asia region which could be called the Indo-Pacific Regional System is one of the key global strategic points in the XXI century. This region is becoming the main centre of economic dynamics. The world's largest economy, China, is located there (according to the IMF, in 2015 its GPD calculated in terms of the purchasing power parity ranked first in the world, ahead of the US³); this region also includes other large (Japan, India, Russia, the Republic of Korea) and dynamic (countries of Southeast Asia) economies. The Indo-Pacific is also the focal point for a large part of the global trade flows, given the region's trade with North America (primarily with the US) and with Europe. Northeast Asia and South Asia account for nearly half of the world's population.

Due to the dynamic economy and robust trade within the region and between the region and the rest of the world, Indo-Pacific serves as a point of intersection between the interests of the world's largest powers, both states and non-state actors. China is the dominant and increasingly more powerful state, it strives to become the focal point for the regional trade flows and value-added chains, as well as to build a China-centric regional security system. Russia attempts to actively develop the Asian vector of its foreign policy as it diversifies the markets for its raw materials exports, attracts investments, and strives to ensure favorable external conditions for the development of Siberia and the Far East. Both Japan and India have ambitions to become regional powers. Finally, the world's most powerful state, the US, also has its vital interests in Indo-Pacific.

“India is becoming and – I am confident – it will become a great Eurasian and global power. This factor will influence both Eurasia and Russia–China relations. India will gradually expand the sphere of its interests which even now largely stretch from Central Asia in the north and to various corners of the Indian Ocean in the south and are spreading toward the Middle and Near East and beyond.”

*TRENIN Dmitry, Director of the Carnegie Moscow Center,
Member of RIAC*

The dynamics of the largest actors' interests which cannot always be reconciled overlaps with a large number of challenges to the regional security and possible conflict points. Population growth, social inequality, spread of religious radicalism, climate change and food security, limited natural resources combine with old territorial conflicts. These disputes grow in importance as the countries involved increase their wealth, nationalism grows both among the elites and among the general population, and competition between the region's countries exacerbates.

All these factors make Northeast Asia and South Asia a source of both incredible opportunities and massive threats. As both regional and global powers, Russia and China are interested in maintaining regional stability, developing mechanisms for containing and settling disputes, strengthening security and developing strategies of joint actions which would ensure lasting peace in the region.

³ International Monetary Fund. Report for Selected Countries and Subjects URL: www.goo.gl/RLoMPm

Russia and China's Interests in Northeast Asia and South Asia

The balance of Russia and China's long-term interests in Northeast Asia and South Asia is clearly asymmetrical, due to their radically different geographic location, degree of involvement in local conflicts, and ambitions in global politics. At the same time, many areas of their interests overlap, which allows looking for synergic strategies and models of joint behavior.

Russia's interests in Northeast Asia and South Asia come down to ensuring the actual security of its territory; creating a non-conflict environment in the immediate vicinity of its borders; preventing the regional deployment of systems that would challenge the efficiency of Russia's strategic nuclear forces; fighting international terrorism; creating conditions for long-term economic growth in the region thereby ensuring stable demand for the raw materials supplied by Russia; fitting into the regional value adding chains; developing infrastructure that would ensure connectedness of the region and Siberia and the Far East's closer integration into it; creating trade architecture that would make sure Russia and its EAEU partners fully and completely participate in developing the rules of the game, and that ensure market access.

China partially shares such interests as ensuring the physical security of its territory; creating a non-conflict environment in the region and creating conditions for peaceful continuation of China's economic reforms; preventing the regional deployment of systems that would challenge the efficiency of China's strategic nuclear forces; fighting international terrorism; developing infrastructure that would ensure connectedness of the region and facilitate market access for Chinese goods; creating trade architecture that would allow China to fully and completely participate in developing the rules of the game and market access.

At the same time, China has several specific interests different from those of Russia in Northeast Asia and South Asia. These differences are due to China being the region's largest power immediately involved in many of the region's conflicts and also to its being an actor far more closely integrated into the regional economy and dependent on its access to key maritime routes and on the structure of trade regimes. Beijing is a party to all the key territorial conflicts: the conflict with Japan in the East China Sea (concerning the sovereignty over the Senkaku/Diaoyu Islands); the conflict over the status of Taiwan; the delimitation of borders in the South China Sea and the sovereignty over the Paracel Islands and the Spratly Islands; the dispute over stretches of the China – India border. China wants to settle these territorial disputes on its own terms and to bring Taiwan back under its jurisdiction: "national unification" is one of the key priorities of China's leadership both in its foreign and domestic policies.

For Russia, these territorial disputes and their resolution are not a national priority. Russia's interests lie in maintaining good relations with all parties to the conflicts, as they are Russia's important economic partners. For instance, both China and Japan, two of Russia's crucial trade partners and investors in Asia, are involved in the conflicts over the Senkaku/Diaoyu Islands. Aside from China, such states that are of great interest to Russian exporters as Vietnam (Rosoboronexport, Rosatom, Gazprom, Rosneft, and other companies have projects there), Indonesia, and Malaysia etc. are involved in the South China Sea dispute. The Taiwan strait conflict has the least conflict potential for Russia since the significance of China as an economic partner by far exceeds that of Taiwan. On the other hand, Russia is highly interested in none of the conflicts escalating into open warfare or a full-fledged war with nuclear powers involved. Russia's chances of staying out of the fray are not clear. Besides, a war would put an end to the

economic development of East Asia, and this development should become one of the engines of economic growth in Russia as a whole and in the Russian Far East in particular.

China is worried about the US’s military activities in the region to a far greater degree than Russia, and it is also concerned about the strengthening of US-centric military alliances, including new horizontal ties between the US’s partners in the region, which the US Secretary of Defense Ashton Carter declared to be a US priority in his speech at the 15th Shangri-La Dialogue in Singapore in June 2016⁴. The US military capacities in Northeast Asia pose a threat to China’s physical safety as the focal points of China’s economic activity and the headquarters of its political and military leaders are within range of the US conventional weapons. It makes a conflict possible without it escalating into the nuclear stage (although military modeling in both countries demonstrates that avoiding the escalation of such a conflict is nearly impossible).⁵

“Disputes in the South China Sea and in the East China Sea are regarded as aimed at the naturalization of American superiority in the Western Pacific. The United States’ rebalance in the region is also viewed in China as a menace from the sea. They also see the attempts of the United States and its close ally Japan to surround China by their own friendly nations and contain China at its borders.”

*PANOV Alexander, Ambassador Extraordinary and Plenipotentiary of Russia,
Head of the Department of Diplomacy at MGIMO-University, Chief Research
Fellow of the Institute for the US and Canadian Studies of RAS, Member of RIAC*

On the other hand, China’s long-term goal is transforming into a global power both economically and militarily, which, as many experts believe,⁶ involves creating a China-centric security system in Asia. Finally, as a global trade power whose prosperity largely depends on security and access to maritime communication lines, China intends to enhance its military presence in the Indian Ocean by developing relations with Pakistan (Gwadar port), Sri Lanka, the Maldives, and also with the countries of East Africa.

Key Security Challenges in the Region

The security situation in Northeast Asia and South Asia remains tense and tends to become ever more complicated. The region becomes a source of potentially very explosive conflicts.

The region’s conflict potential has three dimensions: the US–China growing regional rivalry which moves from the areas of trade and economy into the military and political sphere; regional territorial conflicts and disputes between the Northeast Asian and South Asian countries, which overlap with the problems of complicated relations between the regional powers; non-state challenges (piracy, drug trafficking, slave trade, international organized crime, etc.). The main non-state challenge is the radicalization of large groups of population in Muslim countries or of Muslim migrants in such countries as Singapore due to the growing social inequality and successful propaganda campaigns conducted by Islamic groups (Islamic State banned in Russia etc.) or due to ethnic conflicts (in Myanmar, in the Philippines, in Thailand, in China).

⁴ News Transcript. Remarks by Secretary Carter and Q&A at the Shangri-La Dialogue, Singapore // US Department of Defense. 5 June 2016.
URL: <http://www.defense.gov/News/News-Transcripts/Transcript-View/Article/791472/remarks-by-secretary-carter-and-qa-at-the-shangri-la-dialogue-singapore>

⁵ See more on that in: Friedberg A.L. Beyond Air-Sea Battle: The Debate over US Military Strategy in Asia // IISS. 14 April 2014.
URL: <http://www.iiss.org/en/publications/adelphi/by%20year/2014-de9e/beyond-air-sea-battle--the-debate-over-us-military-strategy-in-asia-ea3f>

⁶ Ekman A. At the 2016 Xiangshan Forum, China Outlines a Vision for Regional Security Governance // The Diplomat. 15 October 2016.
URL: <http://thediplomat.com/2016/10/at-the-2016-xiangshan-forum-china-outlines-a-vision-for-regional-security-governance/>

“American AirSea Battle is thwarted... China’s response includes not only the new Silk Road and ground communications that would decrease China’s dependency on sea straits controlled by the US and its allies, but also an unexpected turn that is the construction of artificial islands in the South China Sea. Since the Strait of Malacca is situated nearby, it is evident that they are not constructed for pearls. A major aviation base is being built.”

*ROGOV Sergey, Academic Director of the Institute for the US and Canadian Studies of RAS,
Full Member of RAS, Member of RIAC*

All three levels of conflicts are closely intertwined. For instance, the US takes no part in the territorial disputes in the South China Sea, yet it believes it necessary to conduct operations to defend the freedom of navigation and to defend the right of military vessels to pass within exclusive economic zones. The US also insists that territorial disputes be resolved through international mechanisms stipulated for by the UN Convention on the Law of the Sea.⁷ Thus China’s territorial disputes with the regional actors could suggest a potential global US–China confrontation. At the same time, the Japan–China confrontation with its deep historical roots may force the US to become far more involved in the conflict than the US would like, as it has obligations to Japan as its ally. Finally, states’ actions to combat non-state threats may be interpreted differently by other actors, thus starting a chain reaction of miscalculations, escalations, and counter-escalations.

The US–China contradictions which look more and more like a systemic confrontation rank the first among security threats. Both China and Russia view the essence of the challenge as an attempt by the US to preserve its global dominance through limiting China’s potential and exerting political, military, commercial, and economic pressure on the state.

“Several recent statements of the US leaders... depict Russia and China as two constituent parts of a global threat to the current world order based on the political, military, and economic dominance of the West. Such terms as “the reviving Russia” and “the aggressive China” have already come into the general use. Although only Russia is mentioned as an existential threat to the US, as a country capable of destroying the States, I believe it to be a mistake since China’s nuclear potential remains undisclosed... Therefore, I believe that the figure of 200–300 warheads that for the last 30 years has been moving from a document to a document [is not true].”

BUZHINSKY Evgeny, Chairman of the Executive Board of PIR Centre, Lieutenant General (retired), Member of RIAC

Beijing believes (and Moscow largely concurs) that the increased US activities in Northeast Asia and South Asia are part of the China “containment” strategy, and the essence of the risk is Washington’s desire to impose its rules onto the ascending superpower and to integrate it into the US-centric world order. Possible risk development scenarios involve both random incidents and attempts to draw China into a protracted conflict with its neighbors. Washington believes the security challenge to lie in China’s intention to use force to change the status quo and the established balance of power in Indo-Pacific, thus endangering the US’s interests and the security of its allies. Washington sees main risks in the sharply increased possibility of various incidents and in Beijing’s unpredictable actions should problems in China itself exacerbate.

⁷ Remarks by President Obama at US–ASEAN Press Conference. 16 February 2016 // The White House.
URL: <https://www.whitehouse.gov/the-press-office/2016/02/16/remarks-president-obama-us-asean-press-conference>

The second challenge is regional contradictions between China and Japan and India, two other major actors in Northeast Asia and South Asia. Mutual suspicions and hostility (especially along the China–Japan lines) are exacerbated by territorial disputes (jurisdiction over the Senkaku/Diaoyu Islands and over Aksai Chin and Arunachal Pradesh) which could lead to escalations and border conflicts (as did happen between China and India in 1962, 1967, and 1987).

The third security challenge is the South China Sea conflicts. The difference of the South China Sea situation from China’s territorial disputes with Japan and India is that here the parties’ claims are not clearly defined. All the parties to the conflict (China, Vietnam, the Philippines, Malaysia, Brunei, and Taiwan) lay their claim to various islands in the Spratly and Paracel archipelagoes, and from time to time China also lays claims to the entire South China Sea territory demarcated by the “nine-dash line”. Active construction of artificial islands and military facilities thereon leads to the regional arms race with non-regional actors (primarily the US) being actively involved. After the ruling the Permanent Court of Arbitration in The Hague made in the “Philippines v. China” case the situation became even more complicated. The Court ruled that the “nine-dash line” holds no legal force, and China therefore cannot use it to support its claim. More importantly, it ruled that not a single plot of land whose status the Philippines asked to consider was a natural island. It means that China cannot claim a 200-mile exclusive economic zone around these islands and use its interpretation of the UN Convention on the Law of the Sea to claim that military activity and passage of military vessels in the exclusive economic zone are prohibited without the consent of the country with sovereignty over it.⁸ China’s violent reaction to the ruling gave way to attempts to calm down the emotions and negotiate with the ASEAN countries, especially with the Philippines (in October 2016, the archipelago’s new President Rodrigo Duterte visited China and left with agreements worth \$14 bn). Nonetheless, the Court’s decision is just an intermediary stage, and the risk of the conflict escalating further still exists.⁹

“The settlement of the Korean Peninsula nuclear issue is impossible without inter-Korean normalization. Nuclear settlement and inter-Korean normalization, inter-Korean detente look like two wheels of the same cart, which is to bring the Northeast Asia states to the common destination of the reliable regional security system. But the Korean issue in its complexity is excluded today from the United Nations and other international fora agenda. The global community attention is concentrated just on the nuclear issue, with some important powers viewing its settlement solely as the DPRK full and complete nuclear disarmament.”

IVASHENTSOV Gleb, Ambassador Extraordinary and Plenipotentiary of Russia, Member of RIAC

The fourth challenge is the threat of proliferation of weapons of mass destruction in the region. North Korea’s nuclear programme poses the greatest threat in Northeast Asia. Despite many years of efforts of the international community, including six-party talks (North Korea, South Korea, the US, Japan, China, Russia), Pyongyang succeeded in creating nuclear weapons and delivery systems and it regularly conducts nuclear tests. After another test on 6 January 2016, when, according to Pyongyang’s claims, it tested an H-bomb (international experts doubt that¹⁰), economic sanctions of unprecedented severity were imposed on North Korea.

⁸ See more in: Rapp-Hooper M. Parting the South China Sea. How to Uphold the Rule of Law // Foreign Affairs. 22 July 2016. URL: <https://www.foreignaffairs.com/articles/china/2016-07-22/parting-south-china-sea>

⁹ Gabuev A. After the Judgment Day: Future Development of the South China Sea Conflict // Carnegie Moscow Center. 27 July 2016. URL: <http://www.carnegie.ru/commentary/?fa=64182> (in Russian)

¹⁰ North Korea Nuclear H-bomb Claims Met by Scepticism // BBC. 6 January 2016. URL: <http://www.bbc.com/news/world-asia-35241686>

The US and South Korea also announced their plans for a missile defense area with THADD systems intended to protect the state from the threat of missiles from the North. Washington and Seoul's statements are a cause for concern in Moscow and Beijing. Russia and China believe¹¹ that the US uses the North Korean nuclear threat as a pretext to deploy systems that challenge Russia and China's strategic nuclear forces. Thus, besides the risk of escalating the armed conflict between North Korea and South Korea (with the US military stationed in the South inevitably participating), there is the risk of an arms race due to the deployment of the Asian segment of the US missile defense system.

South Asia's greatest security risk is the escalation of the India–Pakistan confrontation. Since both India and Pakistan became nuclear powers, the chances for a full-scale war between them dropped significantly. Nonetheless, the countries continue their dispute over Jammu and Kashmir state, and any security crisis, like the terrorist attacks in Mumbai in 2008, could provoke military escalation.

Finally, the fifth security challenge is the so-called unconventional security threats, namely, the actions of non-state actors endangering the lives of people: terrorist groups, organized crime (including piracy, human trafficking, drug trafficking, and illegal arms trade), cybercrime. The main problem of tackling those challenges lies in the fact that they are of trans-border nature and require collective decisions, yet the mistrust that reigns between the key actors impedes organizing joint actions.

Regional Security Institutions, Their Efficiency, Russia and China's Contributions Therein

Northeast Asia, South Asia, and Asia Pacific as a whole still lack a comprehensive system of regional security which would allow to minimize threats to the region. The region lacks both organizational infrastructure and legislation for solving the most pressing issues: conventional weapons and nuclear weapons control, enhancing confidence-building measures, fighting transnational crime and terrorism.

"If we set aside the Euro-Atlantic space and look at the Eurasian space, that's where the most impressive results in security-building both in the XXI century and throughout the entire history of arms control were achieved. We succeeded in demilitarizing the Russia–China border and China's border with other states of the former USSR. We achieved the kind of regional stability we could only dream about before."

KORTUNOV Andrey, Director General of Russian International Affairs Council (RIAC)

Today, the ASEAN Regional Forum (ARF) and the East Asia Summit (EAS) are the two most influential platforms for discussing regional security.

The ARF was launched in 1994 and brought together 26 countries: Australia, Bangladesh, Brunei, Cambodia, Canada, China, East Timor, India, Indonesia, Japan, Laos, Malaysia, Mongolia, Myanmar, New Zealand, North Korea, Pakistan, Papua New Guinea, the Philippines, Russia, Singapore, South Korea, Sri Lanka, Thailand, the US, and Vietnam. The EU is also a member of the Forum. The ARF is essentially a consultation platform for discussing a wide range of

¹¹ Sands D.R. Russia, China React Angrily as US to Put Anti-Missile THAAD System in South Korea // The Washington Times. 8 July 2016.
URL: <http://www.washingtontimes.com/news/2016/jul/8/russia-china-angered-us-anti-missile-system-skorea/>

security issues. Decisions adopted by the ARF are not binding. The ARF’s concept instruments envision three stages in the organization’s development: enhancing confidence-building measures, developing preventive diplomacy tools, creating stable mechanisms for preventing and settling conflicts. The Forum’s main areas are non-proliferation, fight against terrorism and transborder crime, enhancing maritime security.

The ARF is not particularly efficient due to its lax organizational structure and lack of powers to adopt binding decisions. The supreme decision-making body is the annual conference of Ministers of Foreign Affairs. Presidency is held in turn by the 10 ASEAN members, and ASEAN headquarters (in Jakarta) has a special department for assisting the President in his/her work. Between sessions, the ARF holds meetings of senior officials (deputy Ministers of Foreign Affairs or department directors), and intersession groups meet to discuss specific subjects (fight against terrorism, cybercrime, etc.). The ARF is rather a platform for meetings of agency experts augmented by consultations among Ministers of Foreign Affairs. Thus far, the AFR has failed to come up with a single stable answer to the challenges it tackles, which is a testimony to its low efficiency.

Unlike the ARF, the EAS launched in 2005 has a smaller membership. It includes the ten ASEAN members, and eight dialogue partners. The EAS differs from the ARF in the level of its participants: most countries are represented at the EAS by their heads of state (excluding China, Russia, and Myanmar represented by Aung San Suu Kyi, the unofficial leader of the current government). The EAS’s agenda is broader than the ARF’s and includes, besides security issues, problems of regional economic integration, trade regimes, and energy security. Thus far, the broad agenda and contradictions between some of the EAS parties (primarily between China and the US) keep the forum from becoming an efficient platform for developing the principles of the region’s security architecture. However, most parties consider the EAS to be the most promising platform to be used in the future for developing collective decisions.

“I have consistently argued for the evolution from what is called the East Asia Summit to a broader concept of an Asia Pacific Community. This is not an attempt to replicate the European Union in Asia. That simply doesn’t work. But it is a mechanism which seeks to put the 18 principal security policy players around the one table, which they currently are around in the form of the East Asia Summit, and begin the evolution of low-level confidence and security-building measures, [lead to] greater exercises and military transparency, both of budgeting and of exercises, more common security engagements – not just on natural disasters but natural disasters plus, in dealing with complex questions of territorial disputes over time.”

*RUDD Kevin, Prime Minister of Australia (2007-2010, 2013),
Minister for Foreign Affairs of Australia (2010-2012)*

Northeast Asia and South Asia also have broader and less efficient platforms. First, it is the Conference on Interaction and Confidence-Building Measures in Asia (CICA). The CICA is broad, as it includes some states from East Asia, Southeast Asia, Central Asia, and West Asia: Afghanistan, Azerbaijan, Bahrain, Cambodia, China, Egypt, India, Iran, Iraq, Israel, Kazakhstan, Kyrgyzstan, Mongolia, Pakistan, Palestine, Russia, Tajikistan, Thailand, Turkey, Uzbekistan, and Vietnam. Bangladesh, Belarus, Indonesia, Japan, Lebanon, Malaysia, the Philippines, Ukraine, and the US have observer status. The CICA summits are held every four years (the first summit was held in 2002), and between summits every four years Ministers of Foreign Affairs of mem-

ber states hold their meetings. The CICA Secretariat has its headquarters in Astana and serves as a purely organizational body. Thus, being broad and geographically vague, lacking the full participation of several key Asia Pacific states and due to infrequent summits and expert meetings, the CICA is not a promising platform for constructive discussions of security issues with the possibility of making binding decisions.

Finally, Northeast Asia and South Asia have several groups of countries, which solve security issues through collective efforts, without establishing formal organizations. This is primarily the system of the US's military alliances based on the "attacking one is attacking all" principle. All the American partners are linked to each other via the US only (the "hub and spokes" principle), yet in June 2016, the Secretary of Defense Ashton Carter spoke about Washington's desire to enhance horizontal ties between the allies.¹²

Another organization focused on practical issues and not on developing common approaches is the Shanghai Cooperation Organization (SCO). After the 2015 Ufa Summit, the SCO should include key South Asian countries, India and Pakistan, and become a large regional forum. At the same time, the SCO does not set the goal of developing the legislative grounds for shaping a comprehensive regional architecture which would regulate the behavior of the US and their allies. Instead, the SCO is engaged in accumulating the experience of interaction by participation in Peace Mission joint military exercise, in coordinating the work of the secret services within the Regional Anti-Terrorist Structure (RATS), etc.

Russia and China treat all these platforms differently. Both parties are key actors in the SCO, and they use the SCO to enhance interaction, including in solving security issues in Central Asia.

"Another important format that few people pay attention to, despite its efficiency, is meetings between top administrative officials of the CIS, the CSTO, and the SCO. Exchanging information between the three organizations and comparing positions on the current Eurasian situation allows us both to conduct an in-depth analysis of the emerging challenges and security threats and to take appropriate measures."

ALIMOV Rashid, Secretary General of the Shanghai Cooperation Organization (SCO)

Moscow and Beijing are full members of the CICA and use this platform for programmatic statements on foreign policy (see the CICA Summit in Shanghai in May 2014, where Chairman of China Xi Jinping formulated the need to ensure security in Asia through the efforts of Asian countries themselves¹³). At the same time, due to the lax format, the statements do not translate into practical measures.

Both Russia and China treat the EAS rather ambiguously. China see the pros of the Forum (relevant countries represented at a high level), yet it is concerned that the EAS will turn into another platform for "internationalizing" the South China Sea and Taiwan conflicts or for creating collective behavior rules which will disadvantage China. This is why Beijing is represented at the EAS by Prime Minister Li Keqiang who is officially not in charge of foreign policy; he can ignore all the attacks on China and concentrate instead on economic cooperation and trade. Russia believes that the EAS is a platform for the US–China squabbling, and it does not want to

¹² Remarks by Secretary Carter and Q&A at the Shangri-La Dialogue, Singapore // US Department of Defense. 5 June 2016.

URL: <http://www.defense.gov/News/News-Transcripts/Transcript-View/Article/791472/remarks-by-secretary-carter-and-qa-at-the-shangri-la-dialogue-singapore>

¹³ Xi Proposes to Build Security Governance Model with Asian features // Xinhua. 29 April 2016. URL: http://www.news.xinhuanet.com/english/2016-04/29/c_135321261.htm

be drawn into those conflicts. Due to the lack of constructive ideas which could be of interest for other participants, Moscow reduced its participation level, it has never been represented by anyone above the prime minister.

Therefore, the ARF is the only platform where both Russia and China work actively and successfully. For example, Russia, together with Australia and Brunei, is a member of the cybersecurity intersession group. It was through the ARF that Russia, jointly with China, promoted the principles of indivisible and equal security proposed by Dmitry Medvedev in 2010¹⁴ (so far, the idea has not been sufficiently elaborated and supported).

Despite an abundance of platforms for discussing regional security (these platforms sometimes even have duplicate functions), Asia Pacific still lacks a single platform that would have sufficient legitimacy and be representative enough to develop collective rules. However, the EAS appears to have the greatest chances of evolving into such a platform.

Conclusions and Recommendations

Russia and China's specific actions on regional security will be determined by Moscow and Beijing's assessment of US and its allies' actions, by whether they believe it possible to develop collective rules of the game.

Should Russia and China believe that the US and its allies are deliberately striving to undermine Russia and China's security and increasing their pressure, Russia and China's actions will hardly differ much from what is currently being done. Most likely, they will be able to ignore the EAS as a platform for the regional security architecture and to resolve practical technical issues within the ARF and within the framework of bilateral relations with countries of the region; they will enhance bilateral military and anti-terrorist interaction (joint exercises, information exchange centres, threat monitoring, etc.), and enhance the SCO's defense capacities (transfer from consensus decision making toward considering a decision binding on the countries which approved it; expanding the RATS and the secretariat's mandate; creating collective rapid reaction force with China's military participation in addition to the CSTO's CRRF).

Should Russia and China proceed from the premise that the US and its allies do not attempt to engage in containing Russia and China by force, and their actions are responses to their own perception of threats, that will open up a dialogue space and make attempts to build a joint security architecture in Asia Pacific somewhat more meaningful. Should such an approach be adopted, Moscow and Beijing could concentrate on three areas.

The first one is creating collective structures and mechanisms to respond to challenges stemming from non-state actors. These would be primarily multilateral mechanisms for exchanging information on terrorism, piracy, and organized crime between secret services and law enforcement agencies. The entire positive experience accumulated at the bilateral level and by global structures, such as the Interpol, should be used. Besides progress in resolving these problems per se, these mechanisms and consultations will be important for accumulating a critical mass of trust between the military, secret services, and law enforcement agencies in

¹⁴ Dmitry Medvedev's Speech at the Conference Organized by Russian International Affairs Council, Euro-Atlantic Security Community: Myth or Reality? // President of Russia. Official Website. 23 March 2012. URL: <http://www.en.kremlin.ru/events/president/news/14834>

the region, and such trust is necessary to resolve more complicated issues. Fighting Islamic fundamentalism, monitoring the activities of Islamic State (banned in Russia) and affiliated groups, monitoring citizens returning from Syria, Iraq, and several other countries could become a priority as well.

The second area concerns developing protocols and agreements describing the sequence of military action in case of incidents. The parties should take into account mechanisms and experience accumulated by the USSR and NATO with the aim of preventing land and sea incidents and of managing their possible consequences. Developing Navy – coast guard protocols minimizing the chances of incidents in conflict points such as the South China Sea could become a priority. Such protocols should also describe the steps the military should take when civil vessels having commercial purpose breach territorial waters or exclusive economic zones.

Upon implementing the first two stages, Russia and China could initiate the creation of a multi-party platform to resolve the most pressing security issues (the North Korean nuclear programme, sovereignty over the South China Sea); such a platform would also entail bilateral talks (modeled on the six-party talks). At the moment, the EAS appears to be the most suitable platform for such talks. Both Russia and China should enhance the level of their representation to demonstrate other regional countries their preparedness for a responsible approach to the multi-party dialogue at the top level. Institutionalizing the EAS will allow Moscow and Beijing a good chance to set up a collective dialogue on security issues in Northeast Asia and South Asia with the participation of key countries; it would also open up the prospect of developing the rules of the game for Asia Pacific.

It is important for Russia and China not to make the issue of mutual support in the South China Sea conflicts or other territorial conflicts involving the two countries an indicator of the quality of their bilateral relations. China obviously does not intend to recognize Crimea as part of Russia or to support Moscow's policies toward Ukraine, yet at the same time, Beijing does not condemn Russia's actions publicly and does not impose sanctions on it. It is due to the fact that China does not wish to support the practice of holding referendums on the status of individual territories without consent from central authorities (China assumed the same stance on Kosovo, Abkhazia and South Ossetia) because of Taiwan; it is also due to the fact that China is unwilling to create another point of tension in its relations with the West.

Russia is also not interested in supporting any party in the South China Sea disputes and in the China–India and China–Japan disputes, since all the parties involved are Russia's important economic partners, and establishing the legitimacy of specific claims is fairly complicated. The best strategy for Russia would be to maintain its position above the fray and to support a binding South China Sea Behavior Code for China and the ASEAN countries.

ALIGNING THE EAEU AND THE SREB: REGIONAL PROJECTS AND THEIR COMPLEMENTARITY

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China's economic growth has been slowing down, and there are serious concerns about its dynamics worsening further. Against this background, China has recently been increasing its activities in Eurasia. Internal development tasks including ensuring a more balanced development of China's central and western provinces, diversifying energy sources, expanding markets for China-made goods and exporting the country's excess manufacturing capacities, have largely predetermined China's desire to develop an extended economic neighborhood zone in Eurasia based on state's enormous financial resources. The Silk Road Economic Belt (SREB) initiative serves as basis for intensifying relations with neighboring states; the SREB's declared purpose is to ensure transportation and energy security and to promote economic interaction and co-development in the region.

EAEU Interests in the SREB Implementation

Practically speaking, the SREB concept includes three main tools: political cooperation, trade, and investments. Previously, China was mostly present in the Commonwealth of Independent States region through its foreign trade (in 2015 China ranked first in the trade turnover of Russia and Uzbekistan, second in the trade turnover of Kazakhstan, Armenia, and Kyrgyzstan);¹⁵ recently, China has increased foreign direct investments (FDI) into the Eurasian region, particularly into Kazakhstan.¹⁶ As a result, China has entirely secured the position of both the largest trade partner of the Eurasian countries and the leader of foreign direct investments into the CIS region.

“The [EAEU's] priority task is to create a transparent inclusive economic system on our continent, a system intended to cater to the interests of all its participants, both large and small, strong and weak, to promote socioeconomic development and to improve the quality of life of all the member states without exception.”

MORGULOV Igor, Deputy Minister of Foreign Affairs of Russia, Member of RIAC

Russia and its Eurasian Economic Union (EAEU) partners should clearly understand the SREB's economic capacities. Transportation corridors and transportation and logistical infrastructure for moving goods, services, and labor must become the central ele-

¹⁵ Export-Import of Crucial Goods in January-December 2015 // Russia's Federal Customs Service. URL: http://www.customs.ru/index2.php?option=com_content&view=article&id=22570&Itemid=1981 (in Russian); The Republic of Kazakhstan: Principal Foreign Trade Indicators in January-December 2015 // Ministry of National Economy of the Republic of Kazakhstan, Statistics Committee. URL: <http://stat.gov.kz/getImage?id=ESTAT105724> (in Russian); External Trade of the Kyrgyz Republic by Country in January-December 2015 // Ministry of Economy of the Kyrgyz Republic. URL: http://mineconom.gov.kg/Docs/blanki/vneshetorgovyi_oborot_january-december_2015_.xlsx (in Russian); Review of the State of Economy and Principal Areas of Foreign Economic Activity of the Republic of Uzbekistan // Foreign Economic Activity Portal. Ministry of the Economic Development of the Russian Federation. URL: http://91.206.121.217/TpApi/Upload/7e2a6f39-1d69-4812-85ef-8fcd2956cd68/Economics_Uzbekistan_2015.pdf (in Russian); Armenia (August 2016). Country Profile // Ministry of Economic Development of Russia. URL: <http://economy.gov.ru/wps/wcm/connect/economy/lib4/mer/resources/5651be8a-c6fd-403e-b17e-6cc30df92136/3.xlsx> (in Russian).

¹⁶ Vinokurov E., Lisovlik Y. China Prefers Kazakhstan // Vedomosti. 15 January 2016. URL: <https://www.vedomosti.ru/opinion/articles/2016/01/15/624086-kitai-predpochitaet-kazahstan> (in Russian)

ment of the SREB.¹⁷ This potential, in turn, is fully compliant with the EAEU's interests. Developing trans-border infrastructure would create additional impetuses for promoting multilateral projects and integration in Eurasia, while developing integration and harmonizing economic regulations, trade and investment regimes would ensure the EAEU's greater efficiency in mediating trade and investment flows between the West and the East.

Vectors of Economic Cooperation of Russia and China in Eurasia

China and Russia's economic activity in Eurasia is developing in three main areas:

- the EAEU – China economic cooperation. Thus far, interaction is mostly carried out in the framework of bilateral economic cooperation of the EAEU member states with China. Opportunities for substantial promotion of integration processes in the “China – EAEU” format based on the Free Trade Agreement (FTA) are long-term and require a more clear definition of priorities in trade liberalization (deadlines, exemptions, etc.), as well as in investment cooperation which could somewhat mitigate the problems emerging due to mutual opening of markets;

“A FTA with China and complete removal of tariff is a radical step, we must prepare for it... Moreover, it is quite understandable what China would get... What will the EAEU countries gain? We have interests in the food industry, chemical industry, energy, metallurgy, power plant engineering, and in several other areas, but all of that must be balanced, and that requires preparations. Even if we do not arrive at an agreement on removing the tariffs, we could still negotiate on the issues related to the so-called “non-preferential agreement.”

KADOCHNIKOV Pavel, President of the Centre for Strategic Research Foundation, Member of RIAC

- The SREB – EAEU countries' interaction. Successfully aligning the EAEU and the SREB requires a lot of work within the Union. It is necessary to implement all the integration plans that form the Union's foundations, to resolve all the key problems that inevitably arise while creating conditions for the free movement of goods and services, capital, and labour. The more mature and developed Eurasian integration is, the more successful aligning with the SREB should be;

“The road map for aligning the SREB and the EAEU entails creating ‘a rigid infrastructure’ in the framework of six key transportation corridors within the SREB, and ‘a soft infrastructure’ including developing rules for trade, standards and transmission of technologies, and establishing Free Trade Areas. Developing standards and establishing a FTA could be done in the following stages: developing dialogue between China and the EAEU; a FTA within the SCO (2025–2030); Continental Economic Partnership (2030–2035); Eurasian economic space (2040)”.

LI Xin, Director of the Centre for the Russian and Central Asian Studies at the Shanghai Institutes for International Studies (SIIS)

¹⁷ Vinokurov E., Lisovolik Y. The Silk Road 2.0: Why Russia Needs New Railways // RBC. 29 February 2016.
URL: <http://www.rbc.ru/opinions/economics/29/02/2016/56d4318a9a7947fe1ae7eb0b> (in Russian).

- interacting along the “EAEU – SCO – ASEAN” lines. Regional integration groups are proliferating around the world. This process often entails tensions and contradictions. Against this background, the complementarity of the EAEU and the SREB could serve as an important example of regional integration projects’ capability to interact in increasing the regional economic growth potential. Such complementarity could be enhanced by trade liberalization, by greater coordination of economic policies, and by alliances formation in investment cooperation, border trade and industrial parks establishment. That, in turn, would decrease business expenses in the region, enhance the predictability of economic policy and improve investment climate.

“Russia and China are more interested in trade facilitation than in trade liberalization. That’s why China supports RCEP, and Russia does as well. It’s important to provide for a big platform rather than to be involved in competition. That’s why Russia has put forward the so-called Economic Partnership in Eurasia. The idea is to cover the same range of issues as the TPP does, but to make it easier for each and every member to join in future.”

PETROVSKY Vladimir, Chief Research Fellow at the Institute of Far Eastern Studies of RAS

Positive effects of the complementarity could be seen in the China–Kazakhstan relations. Instead of directly exporting its commodities, China re-orientes its capacities localizing manufacturing in Kazakhstan. This is advantageous for Kazakhstan as it enhances production, employment, and increases state budget revenues and the population’s income. It is also beneficial for China as it allows using additional manufacturing capacities, which is particularly important during a recession. In the framework of the interaction, China’s export of its direct investments acts as a counter-cycle instrument which additionally expands manufacturing capacities and export potential in the partner countries and in Eurasia as a whole.

“[The EAEU and the SREB] should be not supply- but demand-driven initiatives, and not only in words but in actions. Let’s continue to work together along these lines. Demand should be also coming from Central Asia... It should be different consultation formats where all concrete steps to be taken by big countries will be completely welcomed by the recipients.”

OTORBAEV Joomart, Prime Minister of Kyrgyzstan (2014-2015)

Such agreements are a particularly productive response to the challenges posed by the crisis, as opposed to protectionism and competitive devaluation of currencies, which have recently become widespread in the global economy.

Thus far, there has been no significant interaction between the EU and the EAEU. The greater the number of manufacturing ties and alliances formed in Eurasia in the framework of the EAEU, the greater the lost profits from insufficient interaction between the two unions. The SREB, in its turn, will create infrastructure chains linking Europe and Asia, which will contribute to decreasing transaction costs in trade and investment.

Successful implementation of the “EAEU – SREB” tie-in could strengthen the EAEU’s role as a link between the EU and China and enhance the standing of the EAEU member countries in their dialogue with the EU. To achieve these goals, the EAEU countries should develop a consolidated stance on the Silk Road Economic Belt and its further development.

“The Eurasian project undertaken by Russia and other countries cannot and should not be aimed against the western part of the great Eurasian continent; that would be contrary both to common sense and to Russian traditions; after all, we used to “pull” Europe toward Asia, and now we will be “pulling” Asia toward Europe.”

KARAGANOV Sergey, Dean of the Faculty of World Economy and International Affairs at HSE, Honorary Chairman of the Presidium of the Council on Foreign and Defense Policy, Member of RIAC

Besides strengthening economic ties in the West, implementing the SREB project could create additional opportunities for the EAEU in Asia Pacific by means of concluding economic agreements with the ASEAN countries. After the successful talks on establishing the free trade area between the EAEU and Vietnam, the proposition was made to start consultations on establishing FTAs with other ASEAN countries, and during the 2016 Russia–ASEAN Summit in Sochi, Singapore, Indonesia, Cambodia, and Thailand expressed their interest in such an opportunity.¹⁸

During the Sochi Summit, all the ASEAN countries supported expanding economic interaction within the ASEAN–SCO–EAEU triangle.¹⁹ It creates significant capacities for the SREB to tie together integration projects in the triangle by increasing the trade and investment cooperation and by developing infrastructure.

“In 2015 – early 2016, Russia, China, Kazakhstan and Finland’s customs started working on the project for simplifying customs procedures for the transit of Finnish goods into China through the EAEU via railways; simplification is achieved by mutual recognition of customs control results ... Slovakia announced its intention to set up cooperation as part of tying together the EAEU and the Silk Road.”

STRUKOV Andrey, Deputy Head of the Federal Customs Service of the Russian Federation

Aligning the EAEU and the SREB: Elements

Continental integration in the “EAEU–SCO–ASEAN” format has a prospective competitive advantage as compared to trans-oceanic groups of the Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP): it has greater flexibility regarding standards and rules in trade and economy, it expands interregional and subregional economic cooperation, including interaction and integration of the border regions (microregional integration).

Besides, infrastructural exploration of economic space opens up great opportunities for continental integration in developing the inter-state transportation system. Finally, energy cooperation capacities of the Eurasian integration, including by means of the system of pipelines connecting suppliers with key consumers in Eurasia, is its another advantage. Thus, aligning the EAEU and the SREB will largely develop on the basis of the following triad: subregional / regional, transport and energy alignment.

¹⁸ Morgulov: ASEAN Countries are Interested in Establishing a FTA with the EAEU // RIA Novosti. 19 May 2016.
URL: <http://www.ria.ru/economy/20160519/1436520113.html> (in Russian).

¹⁹ Putin: All the ASEAN Member Countries were Unanimous in their Support for Integration with the SCO // RIA Novosti. 20 May 2016.
URL: <http://www.ria.ru/economy/20160520/1437062151.html> (in Russian).

The SREB entails creating six key economic corridors.²⁰ Three transportation routes will play the main role in tying together the SREB and the EAEU: the China – Mongolia – Russia economic corridor, the New Eurasian Continental Bridge (China – Kazakhstan – Russia – Belarus – Europe) and the China – Central Asia – West Asia Economic Corridor.

“Pessimists say that the implementation of the alignment can lead to huge China’s economy absorbing the EAEU’s growth potential. But I am positive this will not happen. Three global tasks are on the agenda in the framework of alignment: construction, development and advance of the transport infrastructure of the Silk Road Economic Belt; gradual reduction and eventually complete removal of trade and investment barriers between the SREB countries; enhancement of multilateral cooperation in financial area. The experts submitted to the leaders a plan for the creation of seven so-called ‘corridors’: transportation, energy, trade, information, science and technology, agriculture, and tourism ones.”

MEZENTSEV Dmitry, Member of the Council of the Federation of the Federal Assembly of the Russian Federation, Secretary General of SCO (2013-2015), Ambassador Extraordinary and Plenipotentiary of the Russian Federation, Member of RIAC

Tying together Mongolia’s Steppe Route with China’s Silk Road Economic Belt initiative and with Russia’s Trans-Eurasian Belt and the Northern Sea Route forms the China – Mongolia – Russia economic corridor. It will contribute not only to the development of Russia’s Far East, Mongolia, and China’s Northeast, but also to the regional economic cooperation throughout the entire Northeast Asia, including Japan and the Republic of Korea. Partnership agreement on the subject was achieved at the 2014 Dushanbe SCO summit,²¹ and in July 2015 in Ufa, the leaders of the three countries adopted the Road Map for Developing Mid-Term Cooperation between Russia, China, and Mongolia.²² On 18 August 2016, Russia, China, and Mongolia inaugurated a new transportation corridor from Asia to Europe (Tianjin (China) – Ulaan Baatar (Mongolia) – Ulan Ude (Russia)).²³ The New Eurasian Continental Bridge will launch railway communication between China and Western European ports, and this transportation route will cross Kazakhstan, Russia, Belarus, and Poland. To develop cargo shipping over that route, China has launched railway communication with simplified customs cargo procedures in Pardubice (the Czech Republic), Hamburg (Germany), Duisburg (Germany), and Lodz (Poland).

“Projects intended to create a network of high-speed railways in Russia and to form the Moscow – Beijing Eurasian high-speed transportation corridor included into the Silk Road development programme open up extensive opportunities for cooperation ... Moscow – Kazan, the first Russian stretch of the road where joint development is being carried out, should be submitted for Russia-China consortium’s assessment in July [2016].”

MISHARIN Alexander, First Vice President of the JSC “Russian Railways”

²⁰ What is Belt and Road Initiative // Belt and Road. Hong Kong Trade Development Council.

URL: <http://www.beltandroad.hktdc.com/en/about-the-belt-and-road-initiative/about-the-belt-and-road-initiative.aspx>

²¹ Meeting with President of China Xi Jinping and President of Mongolia Tsakhiagiin Elbegdorj // President of Russia. Official Website. 9 July 2015.
URL: <http://www.en.kremlin.ru/events/president/news/49899>

²² Road Map for Developing Mid-Term Cooperation between Russia, China, and Mongolia // President of Russia. Official Website.
URL: <http://www.static.kremlin.ru/media/events/files/ru/jF9vhkLz06LI8dUCuntCCJ7n099fAfXk.pdf> (in Russian).

²³ Russia, China, and Mongolia Inaugurated a Transportation Corridor from Asia to Europe // Business Newspaper Vzgljad. 18 August 2016.
URL: <http://www.vz.ru/news/2016/8/18/827488.html> (in Russian).

The China – Central Asia – West Asia economic corridor is intended to connect northwest regions of China with Central Asian countries and give them access to the Mediterranean coast and the Arabian Peninsula. This corridor will cross five Central Asian states as well as Iran and Turkey. To implement this project, China signed bilateral agreements with several Central Asian countries, including Kazakhstan, Kyrgyzstan, and Tajikistan.

The development of a transportation system could have a particular economic effect: railway transportation nearly halves the distance between Europe and Asia compared to the maritime route for cargo transportation. Accordingly, the cargoes are delivered faster: 14 days compared to 30–35 days of maritime shipping. However, overland transportation is far more expensive. New Maersk super container ships operating between Shanghai and Rotterdam have the capacity of up to 19,200 TEU (20-foot containers). A container train transports 100–120 TEU on average. Thus, a new super container ship transports the load of about 170 container trains.²⁴

“Speaking of a new quality of Russia-China relations, we should emphasize the development of the northeast of the Greater Eurasia. I mean both Russia’s Far East and China’s north and northeast, which are going through hard times today. For instance, Heilongjiang province which largely relied on relations with Russia is among the provinces with the slowest economic development pace in China. This is another signal that not all is well in Russia-China relations.”

LARIN Viktor, Director of the Institute of History, Archaeology, and Ethnography of the Peoples of the Far East at the Far Eastern Branch of the Russian Academy of Sciences

Therefore, overland railway transportation will service only some market segments: goods with high unit cost per kilo and goods where high delivery speed is crucial (certain foods; luxury textiles). The weakness of the overland routes is their limited capacity. In particular, the Trans-Siberian Railway and the Baikal-Amur Mainline are important for Russia from the point of view of increasing transportation connectedness of Central Siberian regions, but they require overcoming bottlenecks. Although transcontinental transit should not be discounted, the principal significance the SREB’s transportation corridors will have for Russia lies in developing domestic transportation with shorter hauls and developing industry in regions removed from maritime routes.²⁵ For the EAEU as a regional group, continental transit offers additional opportunities to develop integration processes through implementing joint infrastructure projects and through creating transportation and logistics basis for manufacturing cooperation.

Developing interregional cooperation based on special economic zones and innovative manufacturing clusters is yet another related area in the interaction between the EAEU and China. The existing basis allows to promptly implement several projects and initiatives, such as the Big Altai project developed in the 1990s – early 2000s and bringing together border regions of four countries: Russia, Kazakhstan, China, and Mongolia.²⁶ Scientific and manufacturing clusters in Siberian regions (Novosibirsk, Tomsk, Krasnoyarsk) also require development. The North Kazakhstan – South Siberia agricultural cluster also looks promising, as it would be able to bring together the agricultural regions of Siberia and Kazakhstan’s northern and northeast regions.

²⁴ Vinokurov E., Lisovolik Y. The Silk Road 2.0: Why Russia Needs New Railways.

²⁵ Ibid.

²⁶ Barabanov O. Big Altai: Trans-Border Regional Cooperation Project at the Juncture of Central Asia and Siberia // Central Asia and the Caucasus. 2002, 5 (23). P. 78–85. (in Russian).

Thus, enhancing development in the catching-up development regions, such as Russia’s Far East and China’s western provinces is an important aspect of the interaction between the SREB and the EAEU. It could result in a more balanced regional development achieved by using a broad range of special instruments, including border cooperation and free economic zones. Besides, Russia and China’s developed regions often lack channels for mutually profitable trade, and that impedes regional synergy. This problem could be overcome by implementing large-scale transportation and logistical and economic projects that would “sew” the macroregion together by ensuring connections between resources, production, and sales markets.

To implement these cooperation patterns, special role in Eurasia should be assigned to investment collaboration which will contribute to promoting economic growth in individual countries and in the region as a whole. Both bilateral and regional trade and investment alliances, strategic alliances between the largest enterprises, investment and trade cooperation between individual regions of the two countries should serve as basis for enhancing such cooperation in Eurasia. In this regard we should note the increase of China’s role as the main exporter of FDI into the EAEU countries.

“We should institutionalize the ‘connection’... We should organize some meetings or discussions at the level of foreign ministers and ministers of economic sectors. Moreover, we should establish a commission within the framework of the Prime Ministers’ regular annual meetings mechanism and further discuss the possibility of cooperation in industry, investment and so on. On the multilateral level, I think that it is better to establish a summit of China and EAEU leaders to promote the participation of the EAEU member states as a group in the “connection.”

YANG Cheng, Deputy Director of the Centre for Russian Studies at the East China Normal University

The growth of investments into the EAEU countries reflects the importance the region has for China as a large-capacity sales market, accessible source of fuel and energy and a space for creating its own integration project. There is every reason to believe that the growth of China’s FDI into the EAEU countries will continue. Chinese corporations, primarily state-owned ones, will continue their expansion in a broad range of areas, and it will contribute to sectoral diversification of China’s FDI into Eurasia.

Promoting regional cooperation in trade and investments in the framework of the SREB initiative will require strengthening interaction of development institutions in Eurasia, including the Eurasian Development Bank (EDB), the Asian Development Bank (ADB), New Development Bank BRICS (NDB), and the Asian Infrastructure Investment Bank (AIIB). Here we should also note significant progress in developing cooperation between the EDB and the ADB: according to the agreements, the overall level of project co-financing in both banks’ member states should exceed \$3 bn. The EDB is also expected to interact with the NDB and with the AIIB which could become the key partners in the process of Eurasia’s economic integration.

Discovering regional and sectoral investment potential, expanding co-financing capacities in Eurasia, contributing to achieving balanced economy and enhancing economic growth in the region will become the banks’ priorities in promoting the SREB initiative. Implementing projects conducive to economic integration in Eurasia will become the banks’ most important contribution to China’s Silk Road Economic Belt initiative.

In particular, projects currently at different stages of implementation and consideration by the EDB include those oriented toward improving the level of development and efficiency of using member states' infrastructure and ensuring its integration into the greater infrastructure network of the region and the continent. Thus, in 2014, an agreement was signed on the Bishkek-Osh Road Rehabilitation Project in the Kyrgyz Republic (CAREC-3 corridor) with the participation of the Eurasian Fund for Stabilization and Development (EFSD). The EFSD's \$60 m financing will be used to rehabilitate the Madaniyat – Jalal-Abad stretch of the road (67 km in length), Kyrgyzstan will provide \$12 m in co-financing. The project is financed jointly with the ADB, and the overall cost of works under phase IV of the programme is \$203.8 m, of which the ADB will provide \$131.8 m with Kyrgyzstan's co-financing.²⁷

Conclusions and Recommendations

The key landmark in China–Russia economic interaction is creating a competitive, transparent, flexible, and inclusive economic system in Eurasia. Approaches linked to liberalizing trade (including through FTA) are insufficient for building a balanced economic interaction between the two countries. To tap into the cooperation potential to the greatest possible degree, the countries must use the entire spectrum of economic instruments, primarily in investment interaction. Russia and China need to use the competitive advantages of continental integration, which imply active development of transportation and logistical connections and expanding interaction between the parties at the subregional level (microregionalism, border region cooperation).

The SREB is becoming the basis for Eurasian investment interaction in transportation, and it is within its framework that the ties between the EAEU, China, and other key actors will develop. To more actively involve the EAEU countries into these processes, it is necessary to develop mutual economic integration which will enhance the efficiency of this regional group in integration processes and in large investment projects with China's participation.

²⁷ The Bishkek-Osh Road Rehabilitation Project in Kyrgyz Republic // Eurasian Development Bank. URL: <http://efsd.eabr.org/r/projects/Bishkek-Osh> (in Russian).

ECONOMIC BASIS OF THE RUSSIAN-CHINESE PARTNERSHIP

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Russia and China have a significant cooperation potential in trade and economy. The last few years have seen new incentives emerge for their enhanced interaction, which were not in place before the West imposed its sanctions on Russia and China was launching seemingly successful implementation of its domestic demand-driven growth strategy. Yet, despite the numerous natural reasons for cooperation, the two countries have yet to achieve substantial progress in their commercial and economic collaboration. What are the main factors impeding development of bilateral relations and how can we foster trade and economic ties between Russia and China?

The Case for Cooperation

Among the incentives for developing trade and economic relations between the two countries, we could mention the following:

First, Russia has vast natural resources of various kinds, from energy to agricultural ones, while China is one of the world's major commodity importers.

“The Eastern Siberia – Pacific Ocean oil pipeline is rightly considered one of Transneft's most ambitious projects. The length of the pipeline is about 4,730 km... The Eastern Siberia – Pacific Ocean oil pipeline project is truly unique both in its scale and construction timeframe, and also in its significance for building long-term and mutually advantageous relations with our partners.”

MARGELOV Mikhail, Vice President of Transneft, Vice President of RIAC

Second, China is the biggest industrial producer in the world, while Russia imports a wide range of consumer and capital goods.

Third, Russia is the only country sharing land borders with both China and a number of EU states, making it a promising transit state between the two regions. In 2015, the China-EU trade turnover reached €520.9 bn.²⁸

The given economic features of the two states call for close cooperation between them, first and foremost in trade, which has been reflected in the mutual goods flows over the last few years. In 2009–2014, the Russian-Chinese trade turnover grew consistently, approaching the \$100 bn target. In 2015, however, it plunged mostly due to the decline in global oil prices and rouble devaluation (see Table 1).

At the same time, the growth of Russian transit was not exactly impressive (see Table 2).

In 2015 physical transit of goods across Russia dropped by over 13% (to 217 thousand TEU), which came as a considerable surprise. Even so, in 2015, the total transit

²⁸ European Union, Trade in Goods with China // European Commission. URL: http://www.trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113366.pdf

freight traffic from China via Russia along the Transsiberian grew 79% to 98.24 thousand TEU.²⁹ All in all, Russia and China have not unlocked the full potential of their territorial proximity in their trade relations: Chinese goods have mostly been imported to Russia by sea, through Russia's European ports or via other European states.

Table 1. Russian-Chinese Trade Turnover in 2007–2015 (\$ m)

Indicators	2007	2008	2009	2010	2011	2012	2013	2014	2015
Turnover	48,165.37	56,830.54	38,796.72	55,448.79	79,249.3	88,158.03	89,206.06	95,284.98	68,065.15
change, %	44.27	17.99	-31.73	42.92	42.92	11.24	1.19	6.81	-28.57
Exports	19,676.89	23,825.11	21,282.95	25,836.26	40,345.47	44,100.51	39,599.72	41,607.41	33,263.76
change, %	12.09	21.08	-10.67	21.39	56.16	9.31	-10.21	5.07	-20.05
Imports	28,488.48	33,005.43	17,513.77	29,612.52	38,903.83	44,057.53	49,606.32	53,677.57	34,801.39
change, %	80	16	-47	69	31	13	13	8	-35
Balance	-8,811.59	-9,180.32	3,769.18	-3,776.26	1,441.64	42.98	-10,006.6	-11,932.4	-1,537.63

Source: Review of China's Economic Activity // Portal of External Economic Information. Ministry of Economic Development of Russia. URL: http://www.ved.gov.ru/expertcountries/en/about_cn/ved_cn

Table 2. Rail Container Transportation (thousand TEU)

Indicator	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	2,121.3	2,452.5	1,921.5	2,306.0	2,666.8	2,943.3	3,097.2	3,215.0	2,959.2
Domestic	1,060	1,127	1,015	1,117	1,260	1,349	1,374	1,499	1,498
International	1,061	1,326	906	1,189	1,407	1,594	1,723	1,716	1,461
Incl.:									
Export	465	596	469	572	694	749	804	848	741
Import	445	576	319	465	546	617	685	617	503
Transit	152	154	119	153	167	228	235	251	217

Source: TransContainer data. URL: <http://www.trcont.ru/ru>

“Over the last two years, we have made a tremendous breakthrough in informing each other of the opportunities offered by the [Russian and Chinese] financial markets. But the breakthrough has not taken on any flesh yet. Our latest effort in this area resulted in signing a double taxation avoidance agreement between Russia and Hong Kong; the agreement is coming into force in early [2017].”

SHULAKOV Denis, First Vice President of Gazprombank

Starting in 2014, in addition to the preconditions for bilateral trade in goods, new incentives sprung up for exchange of services and cooperation in the capital and investment area, which had previously lacked traction.

²⁹ The Trans-Siberian Has no Rivals for Chinese Goods Transit // Izvestiya. 28 April 2016. URL: <http://www.izvestia.ru/news/611838#ixzz4CTq0iWKO> (in Russian)

The declining global oil prices and the sanctions (which had a major short-term impact on the financial markets) left Russia with a shortage of debt capital and equity. As for the domestic capital market, since 2014 its interest rates have been so high to that they reduce opportunities for growth. In contrast, China has sizeable and cheap financial resources, which it actively exports. In fact, in 2015, China’s capital outflows of over \$1 trn were the biggest in the world.³⁰ Year-on-year, the outflows of the first three quarters in 2016 were similar to those in 2015, however, there are concerns that Chinese statistics are incomplete as they do not include yuan transactions.³¹

“When it comes to economy, specifically trade [in terms of value], we haven’t yet reached the planned levels. However, our achievements are still significant, the China–Russia cooperation is expanding in both scope and depth, there is a tendency for a more comprehensive and systemic economic rapprochement.”

ZHAO Huasheng, Director of the Centre for Russia and Central Asia Studies at Fudan University

As its relationship with the West deteriorated, Russia turned to the East for cooperation. Over the last few years, the government has been launching priority development programmes for its eastern regions, which contribute to the “Pivot to the East”. Meanwhile, China has been facing the problem of lagging domestic demand and considerable excess capacities in many consumer and capital goods manufacturing sectors. This has compelled the country to focus on exports, diversify and geographically expand its economic ties, and enhance its partnerships with foreign states.

Russian-Chinese political relations have been showing notable progress of late. According to both countries’ experts, Russian-Chinese political cooperation is now at its peak since the 1950s. The political progress between the two states has facilitated their enhanced security relations, alignment of policy stances at international fora, better coordination of their foreign policies, joint R&D projects and promotion of educational initiatives.

At the current stages in Russia and China’s economic development, we are seeing increased significance of the pre-existing incentives for active cooperation between them, such as their global economic profiles, geographical factors and enhanced political ties. Even so, their cooperation until recently only gained traction in the area of trade.

“Unfortunately, the two-storey structure of Russia-China relations (“warm in politics, cold in economy”) persists. But we are trying to change it, we are trying to bring the “storeys” closer together. As paradoxical as it might sound, economic sanctions have their positive effect for Russia: grain export into China doubled, the agroindustrial sector is becoming more active.”

LUZYANIN Sergey, Acting Director of the Institute of Far Eastern Studies of RAS, Member of RIAC*

Obstacles to the Economic Cooperation

Despite the numerous high-level meetings, intergovernmental commissions, big statements and multitude of bilateral documents signed, the two countries are yet to make no-

³⁰ Kuznetsov A. China’s Capital Outflows Reached \$1 trn // RBC. 26 January 2016.
URL: <http://www.rbc.ru/economics/25/01/2016/56a60c0f9a79470f4921f793> (in Russian).

³¹ Goldman Warns China’s Outflows May Be Worse than They Look // Bloomberg. 10 October 2016.
URL: <http://www.bloomberg.com/news/articles/2016-10-10/goldman-warns-china-capital-outflows-may-be-worse-than-they-look>

* The position was valid at the time of the speech.

table progress in their trade and economic cooperation. Moreover, the recent drop in oil prices and the resulting slump in domestic demand in Russia caused the bilateral trade volumes to plummet (in 2015 by 28.6% YOY), to \$68 bn. And most Russian companies' attempts to attract Chinese investments, independently or with the government's assistance, have been unsuccessful.

As a result, Russia, which in 2014 was the 8th most attractive destination for Chinese investment,³² with a cumulative volume of \$8.38 bn,³³ in 2015 was not even among first 20 destinations.³⁴ While aggregate Chinese investment in Russia by year-end apparently topped \$9 bn, the inflow was reduced by half YOY: from \$1,217 m to \$645 m.³⁵

"No fewer than 2/3 of projects in the Zabaikalsky Kray are connected with mining mineral resources. No processing, no added value, no socioeconomic results as regards diversifying the economy... There are still no real impetuses for making advanced processing more attractive than supplying barely processed timber in Baikal Region."

KRYUKOV Valery, Deputy Director for Science of the Institute of Economics and Industrial Engineering of RAS (Siberian Branch), Corresponding Member of RAS

The first impediment to development of Russian-Chinese cooperation lies in the underpopulation of Russia's eastern territories and weak economic activity of those regions. Russia's population is mostly concentrated in the European part of the country, which is also the most economically active. The Far Eastern Federal District has a population of 6.19 m, and the Siberian Federal District is populated by 19.32 m.³⁶ In 2014, the two districts' GRPs were RUB 3,223 bn and RUB 6,107 bn, respectively. Meanwhile, the GRPs of Moscow and St. Petersburg alone were RUB 12,809 bn and RUB 2,652 bn, respectively, with populations of 12.33 m and 5.23 m.³⁷ With numbers like these, one can hardly expect even quick progress in the East, given the drop in activity in the West, to be notable on a national scale.

The two countries' cooperation is further hindered by the highly centralized decision-making of Russian and, to a smaller extent, Chinese, government agencies and companies. It should be noted that both Russian and Chinese policymakers and businesses prefer to communicate in person, distrusting depersonified remote communications. Whenever important issues are at stake, they are almost certain to mobilize their central resources from Beijing/Moscow, which sharply inflates the costs of communication and travel and accommodation expenses, as well as the time required.

Another impediment to the partners' cooperation is the language barrier, accompanied by the differences in business cultures. Both Chinese and Russian are difficult languages to learn and mutual proficiency in the counterparty's language is insufficient, just like proficiency in

³² The China Going Global Investment Index 2014 // The Economist Intelligence Unit. URL: http://www.eiu.com/public/topical_report.aspx?campaignid=ChinaODI2014

³³ In the First Six Months of 2015 the Cumulative Chinese FDI in Russia Topped \$8 bn // Ministry for Economic Development of the Russian Federation. URL: <http://www.economy.gov.ru/minrec/press/news/2015020910> (in Russian)

³⁴ The China Going Global Investment Index 2014 // The Economist Intelligence Unit. URL: http://www.eiu.com/Handlers/WhitepaperHandler.ashx?fi=ChinaODI_2015_English_Final.pdf&mode=wp&campaignid=ChinaODI2015

³⁵ FDI in Russia in 2007–2015 and Q1 2016, by Partner Country (equity, reinvestment and debt instruments). URL: http://www.cbr.ru/statistics/credit_statistics/inv_in-country.xlsx (in Russian)

³⁶ Russian Population by Region in 2016. List of Russia's Large Regions and Federal Districts by Population // StatData. URL: http://www.statdata.ru/largest_regions_russia (in Russian)

³⁷ Russian Constituent Entities' GRPs in 1998–2014 (last updated 16 May 2016) // Russian State Statistics Committee. URL: http://www.gks.ru/free_doc/new_site/vvp/vrp98-14.xlsx (in Russian)

other foreign languages (e.g., English). Naturally, this increases the costs and complexity of communications owing to translation/interpretation fees. In addition, it is often hard to find an interpreter with sufficient knowledge of the necessary terminology.

“It is important to change our cooperation model. We need to transition from state dominance or planning to market models, from the dominance of large state-owned corporations such as, for instance, Gazprom or Rosneft, etc., to initiatives suggested by small and medium businesses, we need the market finally to work.”

*LI Fenglin, Director of the Institute for Social Development in Europe and Asia
of the Development Research Centre of the State Council of China,
Ambassador Extraordinary and Plenipotentiary of China to the Russian Federation (1995-1998)*

Moreover, unlike Western business culture, Asian business emphasises informal communications. For instance, in China, one does not bluntly say no to a request or proposal. One result of this is that the two countries’ governments and corporations have written many letters of intent and signed many unbinding documents, without either party attempting to act on them. There are also significant differences in the approaches of the countries’ business communities to a written agreement as a key element regulating the parties’ economic relations. In Russia, which is one of the global leaders in contract performance and was ranked 12th out of 190 in the 2016 World Bank’s Doing Business,³⁸ cooperation hardly starts without a detailed agreement. In contrast, in China, even major deals are often executed and performed informally, without any official documents being signed.

It should be noted that Russian policy has only developed its Eastern vector over the last few years, owing to the deterioration in the country’s relationship with the West, and this vector is mostly political. By pivoting to the East, Russia was looking for an alternative to the West, first and foremost in the political and ideological senses. Yet Russian business and society are still largely West-orientated: for over twenty years, their culture, politics and economy were dominated by Western approaches. Social processes, consumption standards and business approaches were based on principles drastically different from the Eastern ones. Trade in goods and services, as well as capital operations, were largely targeting European markets and infrastructure.

“How do we combine our advantages so that they produce a new effect? What should a product be like to become a market success in China and in the countries of Northeast and Southeast Asia? Thus far, as regards the added value, Russia’s timber export is not enough, we need to export finished products that are in high demand in China.”

LUO Yan, President of the Board of China CAMC Engineering Co., Ltd, Member of the Chinese-Russian Business Council

As for China, for a long time it built its development strategies around exporting goods to the world’s largest markets – the US and the EU. The crisis in 2008 dismantled this growth model as the basis for a long-term sustainable development strategy, forcing the country to accelerate its focus on domestic demand. Over the last few years, China’s relations with a number of developed economies, such as the US, have been continually deteriorating,

³⁸ Doing Business 2017: Country Tables.
URL: <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Chapters/DB17-Country-Tables.pdf>

prompting Beijing to seek support in counteracting these growing pressures. Yet even the biggest developing economies, such as the BRICS states, are insufficient platforms for Chinese export's long-term development, being limited in capacity, vulnerable to external shocks and protecting their own businesses against too fierce competition with Chinese counterparts.

“On several occasions, Chairman Xi Jinping stated that the current state of Russia-China ties growing ever closer is not a situational development prompted by the blows the US delivers against us, when we are forced to temporarily unite against the Americans. No, it is a long-term strategic prospect. People in China say that a close neighbour is better than a distant relation, and we are close neighbours.”

WU Yin, Former Vice President of Chinese Academy of Social Sciences (CASS), Deputy Chairman of the Theory Research Association at the Chinese People's Political Consultative Conference (CPPCC), Chairman of the Expert Council of the Chinese-Russian Committee of Friendship, Peace and Development

Thus, external factors have facilitated political cooperation between Russia and China, while failing to provide a reliable foundation for equally fast development of economic ties or take them beyond the scope of bilateral trade. Moreover, the very agenda of the two states' political cooperation impedes their collaboration in other areas. The Russian-Chinese political alliance is largely based on their leaders' similar outlooks and policies, and aimed at containing the third, very powerful, force – the United States. To a large extent, this cooperation focuses on maintaining social stability in the region. Even so, the political agenda offers few notable natural incentives for taking bilateral relations beyond security interests.

The political areas of both Russia and China have seen certain changes due to the surge in nationalism lately afflicting many developed and emerging countries, accompanied by growing popular discontent. Russia has reviewed its immigration policies, crystallized its national interests and juxtaposed them with those of many of its economic partners. In China, tension is visibly rising on the borders with a number of neighbouring states. The ongoing promotion of exceptionalism ideologies in both countries clearly discourages any mutual concessions in business.

“As regards the financial sphere, we propose to form as soon as possible a system of mutually recognized financial ratings, criteria for project financing or project-tied financing, a system of lending control. We also want to develop the market of rouble and yuan derivatives and to actively use the hedging instruments against risks tied to interest rates, exchange rates, and inflation. Thus we could improve and advance our financial cooperation. Finally, we need to establish a bilateral mechanism for exchanging financial information, to jointly collect, process, summarize, and study relevant information and strengthen our risk-management regime.”

LI Wencong, President of ICBC Bank

On top of that, attracting Chinese capital to the Russian market is complicated by Beijing's drive to facilitate expansion of its goods and services exports. In fact, the majority of Russian companies negotiating investment from China have been faced with a requirement to use the funds received to purchase Chinese goods, i.e., what Chinese partners often offer is essentially a form of market lending. Russian borrowers trying to raise Chinese funds for particular projects have also seen Chinese investors push for full control over their implementation. The high interest rates offered by Chinese investors to those Russian companies that have maintained

access to foreign capital markets, coupled with restrictive conditions of the loans, made investments unattractive for Russian counterparties.³⁹

Meanwhile, Chinese businesses have been applying the same principles to their cooperation with many other foreign partners. Traditionally, the Chinese have a special interest in investment and joint projects (and in controlling them) in the commodity sector and construction industry. But Russian businesses and authorities did not prove ready either to embrace those principles or to offer another constructive approach, even though working with China in some areas where it has significant expertise (e.g., in the hi-tech sector) could be worth the effort.

"The range of Chinese companies entering the Russian market is rather limited, maybe due to the fact that Chinese organizations do not have an in-depth knowledge of the Russian market... The first [proposal by those companies] is low financing, that is, a low interest rate, upon condition of a prime contract... Some Chinese companies work in Peru, some work in Libya, in Syria, in Iraq. But we are not Libya, Syria, Iraq, or Peru. We are Russia, we have our high technical and technological potential, we have our know-how. We have breakthrough know-hows that were communicated to China 30–40–50 years ago."

KILZIE Fares, Chairman of the Board of Directors of CREON Energy

It should also be noted that Russian-Chinese political cooperation has been boosted at a difficult stage of economic and social development for both countries. Both China and Russia have been plagued by sluggish (in Russia's case negative) growth rates. The growth models that worked before 2008 have been failing for years now and both countries' experts talk about a crisis in their economies. Under these conditions, prioritizing pressing domestic economic tasks seems quite reasonable, even though it might reflect negatively on bilateral economic cooperation.

"Our [electrical power] export into China is minimal, only about 3.5 bn kW/h annually. Currently, we have three tie-lanes with China for such flows. Yet if we consider Siberia and the Far East, even without flows from Central Russia, we could offer over 5 GW of electrical power to our Chinese, Mongolian, and Korean neighbours interested in the Far Eastern energy integration projects."

SOFYIN Vladimir, Director of the Department for Technological Development and Innovations at JSC "Rosseti"

Moreover, some approaches that, for a while, had been favourable for bilateral trade, suddenly turned negative for the countries' cooperation. Historically, Russia's exports to China were dominated by commodities produced by big companies, while China's exports to Russia mostly consisted of consumer goods provided by small and medium businesses. And the bilateral trade had been developing successfully in these two formats: big companies tackled communication barriers to sign a handful of large-scale contracts, while small and medium businesses often resorted to e-commerce (and, previously, "shuttle trade"), with standardized goods and conditions and a well-established payment and delivery infrastructure. Over the last few years, China's major tech companies have stepped up their foreign trade and exports of capital goods have risen, but the nature of trade has not changed.

³⁹ Starinskaya G., Serov M. "Chinese Loans Are the Most Expensive in the World": Vagit Alekperov on LUKOIL's Priorities, Sanction Repercussions, Production, Oil Prices, and Dispute with Rosneft // Vedomosti. 6 September 2015.
URL: <http://www.vedomosti.ru/business/characters/2015/09/07/607751-kitaiskie-kredit-samie-dorogie-v-mire> (in Russian).

This model has, however, proven inadequate for the new needs of the two countries working to boost and expand their bilateral relations by introducing new types of merchandise, expanding financial cooperation and promoting joint research. Businesses with vast experience on the other country's market usually have few common interests and cooperation incentives owing to the differences in their scale and areas of work. Meanwhile, the companies of both states that do have common interests often lack the information required to get in touch with their foreign counterparts and are unwilling or unable to be flexible and change their approaches.

“Apart from the system of bonds and investments, we need to set up a proper payment system and develop it to the same level that we have with Kazakhstan and Belarus, where we have transitioned from dollar payments to national currency payments on many transactions. These are hedging mechanisms, payment mechanisms. These measures are important for both the big businesses and large projects and for small and medium businesses.”

*KLEPACH Andrey, Deputy Chairman (Chief Economist) –
Member of the Board of Vnesheconombank, Member of RIAC*

Another impeding factor is Russia's ambition to secure exclusive conditions for cooperation in priority segments (often based on informal agreements between authorities and businesses). In particular, this approach is practiced in the energy sector. Russian counterparts often offer their Chinese partners binding contracts with prices and volumes, as in the case of the proposed gas supply along the Power of Siberia pipeline, while the Chinese seek to mitigate any possible economic dependence on foreign players and are unwilling to offer their partners cooperation on exclusive terms. As a result, reaching particular agreements is never easy, as is well illustrated by the negotiations over the Power of Siberia project.⁴⁰

Hence, despite the political efforts on both sides, in January-August 2016, the countries' bilateral trade showed no growth, while direct investment dropped in early 2016. One should not expect any notable improvements in Russian-Chinese cooperation (in trade and mutual investment alike), at least not for the next few years – the countries' economic relations have clearly run into some barriers that need lifting. The trade will likely develop according to the pre-2014 growth scenario, Russia exporting commodities and China supplying consumer goods (largely electronics) and a number of capital ones. Moreover, since the commodities will probably stay inexpensive mid-term, it is highly likely that the long-standing mutual trade target of \$100 bn, almost reached in 2014, will not be achieved before 2020.

Potential Competition Areas for Russia and China

However close the current cooperation between Russia and China might be, it may well turn into competition in a number of sectors prioritized by both states, as their development aims and targets are similar. In the recent years, China has shown robust growth in the hi-tech sector and related services segments. Russia's industrial policy is also aimed at supporting innovative sectors. So far, China has made more progress in this area, but Russia, which also has certain capacities, is striving to develop similar economic activities. Both countries' national strategies envision them as technologically developed, leading and independent global powers.

⁴⁰ Kalyukov E., Ratnikov A., Dzyadko T. Gazprom, CNPC Sign Contract on Gas Supply to China // RBC. 21 May 2014.
URL: <http://www.rbc.ru/economics/21/05/2014/57041d169a794761c0ce9fa5> (in Russian)

Given the current level of competition in this sector of the global economy, innovative achievements of Russian companies will make it harder for Chinese hi-tech companies to operate on the Russian (which has already materialized in the last few years) and foreign markets. This is sure to impact on Russian-Chinese hi-tech cooperation, since neither of the parties would be willing to make meaningful concessions.

A certain threat to the prospects of the countries' cooperation comes from Russia and China's active regional economic integration policies. The current Chinese Silk Road Economic Belt initiative does not interfere with development of Russia's east or the Eurasian Economic Union's integration programmes. Nor has the rouble and yuan's growing role as regional currencies undermined the partners' bilateral cooperation, since it only impacts the euro and the dollar. Longer-term, creation of a new transport infrastructure between Europe and Asia and Chinese investors' considerable activity both in some EAEU countries and in their neighbouring states may cause a significant shift of economic activity in the region. In the foreseeable future, on the markets of some economic partners of Russia and China, the rouble and the yuan may become rivals, which could undermine mutual understanding between the two states.

“I do not doubt that alignment will involve problems and competition, there can be no other way. The more projects we have, the more problems we have, the greater the competition... But problems and competition are better than trouble-free stagnation.”

LI Yongquan, Director of the Institute of Russian, East European and Central Asian Studies at CASS

The EAEU being so far only nascent, the vast majority of the Union's economic and political players have not yet embraced its common space, so the member states' policymakers still choose to negotiate with third countries in a bilateral format, even when multilateral negotiations would be more feasible.⁴¹ Moreover, EAEU members often disregard their EAEU partners' interests in adopting measures impacting on their neighbours.⁴² Their businesses act similarly, also not thinking beyond their national borders, primarily in their view of the markets. In this context, China's high economic activity in a number of EAEU states shifts economic interests from inside the Union outwards. For instance, the Silk Road Economic Belt project envisions a number of competing routes, some running across a number of EAEU states. The same applies to investment and energy commodity contracts. All of this undermines the EAEU states' mutual gravity, sometimes making them rivals competing for a market. Clearly, it will not be long before it becomes a material impediment to the EAEU's further integration, removal of which will require significant efforts by all the member states, including Russia. In fact, the rouble's success as an international settlement currency is best seen in the EAEU, but it has failed to become a common monetary union currency.

Conclusions and Recommendations

Despite the wide range of issues plaguing Russian-Chinese bilateral cooperation possible solutions are hardly discussed by the countries' experts.

⁴¹ Russia, China Agree on Alignment of EAEU and Silk Road Projects // TASS. 8 May 2015. URL: <http://www.tass.ru/ekonomika/1956881> (in Russian).

⁴² Zykova T. Euroduty: Customs Officers Talk about New Duties Imposed on International Shipments // Rossiyskaya Gazeta. 26 November 2015. URL: <https://www.rg.ru/2015/11/27/posilki.html> (in Russian).

Some of the problems will, in time, be resolved: the political cooperation vector is already set; the two countries' companies are interested in each other's markets; so the number of joint projects will gradually increase, the partners' mutual understanding will become better and capital flows will intensify. As a result, the collaboration between the partners will improve. To expedite this process, the following steps must be taken.

To lower communication barriers, the parties should develop cooperation in education, science and culture. They have already been making considerable efforts to develop their ties in education but, in science and culture, these efforts have clearly been insufficient.

Improvement of the transport infrastructure in eastern Russia and creation of good living conditions to facilitate internal migration could stimulate development of these areas. Moreover, it would boost the region's economic activity to a level where Chinese partners could easily find local counterparties without any mediation from Moscow. Russia should also modify its strategies for regional infrastructure development in order to speed up its improvement. Out of all the possible Silk Road routes, Russia could offer the shortest, fastest and most reliable one. And since the future route already has part of the necessary infrastructure in place, it would be misguided not to use this advantage. Unfortunately, so far, Russia has only aimed to modify the Far Eastern infrastructure in order to increase its commodity exports to Asia, dismissing its other economic interests. The long-term positive effect of this approach to infrastructure modernization is questionable. The situation can be changed through an increased role of non-commodity private players, especially private logistics operators. Non-commodity eastern logistics is a promising segment, where effective partnership could be created at the intersection of the interests of both states and Russian and Chinese businesses.

Russia and China should take their business contacts beyond the scope of large-scale international economic policies. Their field of cooperation will widen if big Chinese businesses are guided in matters of financing by considerations of returns and economic feasibility rather than the general task of maximising exports. There will be more opportunities for bringing Chinese capital to Russia and building profitable partnerships if Russian businesses do not have to get all joint projects approved at all government levels, if the proposed projects are diversified and if cooperation is taken beyond the energy sector.

COOPERATION IN SCIENCE AND EDUCATION TO PROMOTE AN INNOVATIVE APPROACH TO RUSSIA–CHINA RELATIONS

SMIRNOVA
Larisa

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Possessing knowledge as such, ability to learn and contribute to the process of knowledge development is what differentiates developed societies from developing ones. As humanity watches global progress in robotics and artificial intelligence, the start of the Fourth Industrial Revolution was announced at Davos 2016.⁴³ Innovation was also the focus of the 2016 Boao Forum for Asia.⁴⁴ Seeking to keep pace with their peers internationally, Russia and China also prioritize science, education, technology and innovation.

The Strategy for Innovative Development of the Russian Federation for the period until 2020, as well as China’s official document entitled “Vision and Actions on Jointly Building Silk Road Economic Belt and XXI Century Maritime Silk Road” list efforts to expand international scientific cooperation and build up innovation capacity as top-priority objectives.⁴⁵ Amid the apparent restrictions of extensive development models in both Russia and China, bilateral cooperation in science and education appears to be an increasingly ambitious objective aiming to build up the national innovative capacity of the two countries.

“Chinese People’s Association for Friendship with Foreign Countries and other relevant bodies are active in promoting people-to-people diplomacy projects. In 2006, the first children’s delegation arrived from Moscow to Beijing, setting in motion an intense exchange of such delegations and participation in various festivals. Every year, various international events and festivals are held. In March 2016, a delegation of Chinese actors took part in the Youth Arts Festival in Moscow.”

LIN Yi, Vice President of the Chinese People’s Association for Friendship with Foreign Countries, Representative of the Chairman of the Sage Council at the Chinese–Russian Committee of Friendship, Peace and Development

The promotion of academic cooperation between Russia and China is in line with the strategic goals of the two countries and fits in the agenda for multi-track diplomacy in bilateral relations. History shows that the high mobility of scientists contributes enormously to strengthening mutual understanding and trust, and thus solidifies the basis for interstate relations. It is through the development of cooperation in science and education that a qualitative shift in the situation can be achieved for Russia and China, whose “relations are warm between the governments, but cold between the peoples.”⁴⁶

⁴³ Schwab K. The Fourth Industrial Revolution: What It Means and How to Respond? // Foreign Affairs. 12 January 2015. URL: <https://www.foreignaffairs.com/articles/2015-12-12/fourth-industrial-revolution>

⁴⁴ Boao Forum Opens Tuesday, Focusing on Innovation // China.org.cn. 23 March 2016. URL: http://www.china.org.cn/video/2016-03/23/content_38094079.htm

⁴⁵ Strategy for Innovative Development of the Russian Federation for the Period until 2020 // Official website of the Ministry of Economic Development of the Russia. URL: http://www.economy.gov.ru/minec/activity/sections/innovations/doc20120210_04 (in Russian); Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road // Official website of the Embassy of China in Russia. 23 April 2015. URL: <http://www.ru.china-embassy.org/rus/ggl/t1257296.htm> (in Russian)

⁴⁶ Feng Yujun. Commentary on “Russia–China: 20 Proposals for Economic, Scientific and Humanitarian Partnership”. 20 May 2014. URL: http://www.russiancouncil.ru/inner/?id_4=3720#top-content (in Russian).

"At the time of our tremendous friendship in the 1950s, many Chinese students studied in [the USSR], but it did not prevent the breach in relations between our countries. After China started moving toward an open reform, Japan spent large amounts of money on training Chinese students, but it did nothing to prevent the deterioration of our relations today... Relations between states are not determined by mutual understanding between their peoples, they are determined by their leaders' reasonable approaches, by the specific geopolitical and economic interests. We will develop educational cooperation, but we should not pin too many [expectations] on our interaction in this area."

GUAN Guihai, Vice President of the Institute of International and Strategic Studies at Peking University

As of today, Russia and China have agreed to establish the joint Shenzhen MSU–BIT University and the first Russian–Chinese Joint Institute of Arts in Weinan, as well as to launch joint research centres.⁴⁷ The number of grant programmes available to students and researchers is increasing, and their quality has improved.⁴⁸ New international institutions – BRICS, the Silk Road Fund, the Asian Infrastructure Investment Bank, etc. – have been carrying out new competitions for multilateral projects and research grants. Intensified activities of Russian and Chinese diplomatic offices in this area also evidence the increasing importance of scientific and educational cooperation.⁴⁹

While this work looks to the future and draws on new positive trends, the track record of cooperation between Russia and China should be analysed as well.

"Taking into account our national traits, Chinese patience and Russian all-or-nothing attitude, will contribute to advancing Russia-China cooperation... If we succeed in harmoniously combining the national characters of our two peoples, it will be a significant contribution to advancing our cooperation."

WANG Xiaowei, Vice President of Agricultural Engineering and Trade Division at China National Complete Engineering Corporation, Political Science Postdoctoral Fellow of the Central Party School of the Communist Party of China, Professor of Lomonosov Moscow State University

In Russia, people often get the impression that academic cooperation with China is a completely new area of interaction between the two countries. However, China still remembers the ups and downs of its collaboration with the Soviet Union in science and education in the 1950s and 1960s. Back then, Soviet experts offered technical assistance to the People's Republic of China, and Russian was the priority foreign language studied throughout the country, even in the distant southern provinces. The older generation often recalls their Russian classes and can even say a few words in the language. The split between the two nations in the late 1960s

⁴⁷ Joint MSU–BIT University Elects Rector // RIA Novosti. 11 March 2016. URL: <http://www.m.ria.ru/world/20160311/1388436672.html> (in Russian); First Russia–China Joint Institute of Arts to Open This Year // Russkiy Mir. 9 April 2016. URL: <http://www.russkiymir.ru/news/205215> (in Russian); St. Petersburg State University, Renmin University of China Establish Russian Research Centre in Beijing. 2 September 2015. URL: <http://www.spbu.ru/news-spsu/24263-spbgu-i-kitajskij-narodnyj-universitet-sozdali-v-pekine-tsentr-rossijskikh-issledovanij.html> (in Russian)

⁴⁸ Rossotrudnichestvo. Official Website for Foreign Nationals Enrolment for Study in the Russian Federation. URL: <http://www.russia.study>; Academic Olympiad "Time to Study in Russia!" URL: <http://www.rs.gov.ru/project/2739> (in Russian); Study in China // China's University and College Admission System. URL: <http://www.cucas.edu.cn>; Scholarship // The China Scholarship Council. URL: <http://www.csc.edu.cn/laihua/scholarshipen.aspx>; RFBF Contests. URL: http://www.rfbr.ru/rffi/ru/contests_rffi (in Russian); Engaging Leading Scientists in Russian Educational and Research Organizations // Official website of the Ministry of Education and Science of the Russian Federation. URL: минобрнауки.рф/проекты/привлечение-ведущих-ученых; International Activities // National Natural Science Foundation of China. URL: <http://www.nsf.gov.cn/publish/portal1/tab159>; National Social Science Foundation of China. URL: <http://www.nsf.gov.cn/publish/portal1>

⁴⁹ See, for example, Visit of Russian Ambassador to China A. Denisov to Xiamen University (朱崇实会见俄罗斯驻华大使杰尼索夫) // Portal of Xiamen University. 5 December 2015. URL: <http://www.news.xmu.edu.cn/s/13/t/542/a0/bd/info/172221.htm>; Visit of Chinese Ambassador to Russia Li Hui to the State University of Management (驻俄罗斯大使李辉访问俄罗斯国立管理大学) // Official website of the Ministry of Foreign Affairs of the People's Republic of China. 27 February 2016. URL: http://www.fmprc.gov.cn/web/zwbdt_673032/nbhd_673044/t1343780.shtml (in Chinese).

encouraged China to turn to English, and Russian-language teachers had to learn English on their own within a very short period of time. Chinese specialists who remained true to Russian for various reasons had no hope of promotion for many years – first because of the sour relations between China and the USSR, and then due to the lengthy transition period in Russia following the dissolution of the Soviet Union.

In order to promote the change to a new phase of cooperation between Russia and China, it is necessary to analyze the objective advantages of each side, identify their unique niches and conduct an expert review to specify and adjust the agenda for bilateral academic cooperation.⁵⁰ This work will help avoid situations where projects declared at the top level remain unimplemented, which has become quite characteristic of the current stage of the Russia–China engagement. In the course of the implementation of joint projects both countries frequently come across technical obstacles, such as insufficient understanding and sensitivity to the cultural norms of their partners, systemic bureaucratic restraints, and lack of flexibility in decision-making.

Attracting Students

The path towards scientific, technological and innovative cooperation traditionally goes through student exchanges and the mutual study of languages and cultures. Russia and China have made steps in this direction. For instance, in 2009–2010, cross-years of the Russian and Chinese languages were organized. In 2012–2013, cross-years of tourism were held. And in 2014–2015, cross-years of youth exchanges were held. In 2016–2017 Russia and China are holding cross-years of media exchanges.

“We [in Rossiyskya Gazeta] work on international projects with thirty countries, but we have never created a two-way street with any country. When it is not only us creating information flows intended for foreign readers, but our partner media outlet in another country also sets up its work on informing Russian readers about what China is like, about the specifics of the Chinese national character, about business opportunities, tourism, culture, history.”

*ABOV Evgeny, Deputy Director General of Rossiyskaya Gazeta,
Head of the International Multimedia Project Russia Beyond the Headlines,
Member of RIAC*

According to recent studies, Russia and China have reached approximate parity in terms of the number of students involved in exchange programmes – around 20,000 students each annually, or a total of 40,000 students during the 2014/2015 academic year.⁵¹ The trend towards an increase in the number of students involved in exchange programmes still remains: in the 2014/2015 academic year, there were 20,710 Chinese students in Russia.⁵² In 2014, China became the world’s third largest recipient of foreign students.⁵³

⁵⁰ What is meant here is the application of the situational analysis methodology proposed by Y.M. Primakov. Three basic areas of academic cooperation are identified as the three variables: attraction of foreign students, attraction of foreign lecturers and researchers, and establishment of joint universities and centres. A conclusion about the priorities for academic cooperation and objectives in each area (a “hierarchy” of variables) is drawn based upon a comprehensive analysis of the requisite resources and possible effects of each area. For the methodology of situational analysis see Y.M. Primakov. Meetings at Crossroads. Moscow: Tsentrpoligraf, 2016, p. 54 (in Russian).

⁵¹ Smirnova L. Status and Development Objectives of the Eurasian Higher Education Area // International Affairs. 2016. No. 2.
URL: <https://www.interaffairs.ru/author/material/1439> (in Russian).

⁵² The author is grateful to A.L. Arefyev for information about the number of Chinese students in Russia in 2014–2015.

⁵³ In 2014, China had 380,000 foreign students. China became the third-largest recipient of foreign students in the world (2014年来华留学生近38万人 中国成第三大留学生输入国) // Guangming Daily. 07 April 2015. URL: http://www.news.gmw.cn/2015-04/07/content_15297613.htm (in Chinese)

About a third of all Chinese students in Russia have studied Russian. Similarly, the majority of Russian students in China have studied Chinese.⁵⁴

The choice of majors can be connected both with the interests of students themselves, and with the availability of places for foreign students at universities. Russian universities are generally more willing to involve foreign students in non-language courses, whereas Chinese universities opened their non-language departments to foreign students relatively recently.

“China holds a special place in the work [of the “Russkiy Mir”]. We opened seven Russian centres in China and we would have opened more if we had more financing, because demand exceeds supply in our case... Teaching the language to the new generation is the foundation on which we can and should base Russia’s educational and cultural policy in our relations with China. It is through learning the language that people gain access to literature, become interested in the Russian culture and in life in Russia. Otherwise it turns out that the new generation in China receives information about Russia from Chinese newspapers that give it in doses or from Western newspapers [that have their own point of view].”

*TOLORAYA Georgy, Director of Department of Regional Programmes
at the “Russkiy Mir” Foundation*

If 40,000 interpreters and country specialists graduate from Russian and Chinese universities annually, soon it will be difficult for them to find employment. Empirical study suggests that students from Russia and other Eurasian countries who have completed educational courses in China face “less promising career prospects than they anticipated”.⁵⁵ Academic exchanges will only be effective when they focus not only on studying the language and culture of the respective country, but also on the long-term improvement of career prospects of graduates.⁵⁶ It is common knowledge that the main reason the Western system of education is so popular now is that degrees from universities in the United States and Europe open excellent employment opportunities.

Both Russian and Chinese students are increasingly interested in the areas that are not connected with the study of foreign languages – the humanities, the natural sciences, and technical and engineering disciplines. These courses can be taught not only in Russian or Chinese, but also in English.⁵⁷ This pattern does not contradict the need to learn national languages, but can be regarded as a step forward compared with the simple study of a foreign language. Furthermore, studying a non-language discipline has far greater potential for making progress in research and innovation projects.

In order to develop student exchanges it is necessary, first, to focus on involving students in majors that are not connected with the study of a foreign language, including the natural

⁵⁴ Arefyev A. Training Chinese Citizens in Russia // Presentation at the Embassy of the People’s Republic of China in the Russian Federation. 26. January 2016 (in Russian); Smirnova L. Eurasian Students in China: A New Angle in Understanding China’s Public Diplomacy? // Pamment J. (ed.) Intersections between Public Diplomacy & International Development: Case Studies in Converging Fields. University of Southern California, Center on Public Diplomacy, CPD Perspectives Series, February 2016. URL: http://www.uscpublicdiplomacy.org/sites/uscpublicdiplomacy.org/files/useruploads/u35361/Intersections%20Between%20PD%20International%20Development_final.pdf

⁵⁵ Smirnova L. Op. cit.

⁵⁶ Yun S.-H. Does Student Exchange Bring Symmetrical Benefits to Both Countries? An Exploration Case for China and Korea // International Journal of Communication. 2015. No. 9, pp. 710–731; Scott-Smith G. Exchange Programs and Public Diplomacy // N. Snow, P.M. Taylor. Routledge Handbook of Public Diplomacy. New York, London: Routledge, 2008, pp. 50–56.

⁵⁷ Yun S.-H. Does Student Exchange Bring Symmetrical Benefits to Both Countries? An Exploration Case for China and Korea // International Journal of Communication. 2015. No. 9, pp. 710–731; Scott-Smith G. Exchange Programs and Public Diplomacy // N. Snow, P.M. Taylor. Routledge Handbook of Public Diplomacy. New York, London: Routledge, 2008, pp. 50–56.

sciences and technical and engineering disciplines. Students can be trained in Russian or Chinese, English, or a combination of these three languages. This practice has been in use for many years at Moscow State Institute of International Relations (MGIMO) under the Ministry of Foreign Affairs of Russia. A Russian–French Master’s programme in political science has been in action at the university for more than a decade now for students from Russia, France and third countries. Some disciplines are taught in Russian, and some in French. To maximize the enrolment of foreign students it is possible to combine long and short-term programmes (the organization of summer schools in English appears to be less burdensome than the establishment of a full-scale educational programme).

“We have reached agreements with our Chinese friend partners on making joint TV series. We want to touch the hearts of the millions of citizens of both our countries so that they could better see, hear, and understand each other. Film studios and distributors signed several such agreements; among the parties are Russia’s Central Partnership and VGTRK and China’s State Television and Radio and [China Film Group]. This institutional cooperation will allow us to bolster and structure our cooperation. This cooperation involves essentially every media company, ITAR-TASS is also active in this area, as is Rossiyskaya Gazeta... We conduct talks on expanding television and radio broadcasts by Russian companies in China, and also on expanding Chinese companies’ [broadcasting] in Russia.”

GRIGORIEV Vladimir, Deputy Director of the Federal Agency for Press and Mass Media, Member of RIAC

Second, it is necessary to pay more attention to improving and expanding the career prospects of graduates. This will be facilitated, first of all, by the gradual shift in focus from the number to the quality of enrolled students and programmes offered and, secondly, by the elimination of bureaucratic barriers to their employment. The employment of Chinese graduates in Russia appears to be preferable. Empirical studies show that countries benefit the most from investing in international education when foreign graduates stay in the country where they have taken their training courses, rather than returning home.⁵⁸ The university policy of openness to foreign students should therefore be complemented by a policy of labour market openness to graduates.

Attracting Lecturers and Researchers

Attracting foreign lecturers and researchers is a more complicated process than attracting foreign students due to a series of objective and subjective factors: openness of universities to foreign employees; access of foreigners to the labour market; political and geographic priorities of academic cooperation that affect criteria for employment in an educational institution; possible competition between national and international academic staff; and higher cost of grant programmes (compared to grants for students).

In China, foreign lecturers and researchers belong to the category of foreign specialists who need to have a work permit. According to the State Administration of Foreign Experts Affairs, some 50,000–60,000 foreign specialists are issued permits annually. As of March 2016, there were 961 Russians registered in China as foreign specialists, of which 810 were involved in projects associated with the humanities and education (mostly Russian language teachers) and 151 were engaged in economics and technical projects.

⁵⁸ Bergerhoff J., Borghans L., Seegers P.K., van Veen T. International Education and Economic Growth // IZA Journal of European Labor Studies. 2013. Vol. 2.

The mechanisms for the competitive recruitment of teaching staff at leading Chinese universities give equal status to Chinese citizens and foreign specialists in terms of full-time faculty. 39 universities from Project 985 that the Chinese government plans to bring to world-class level are among the leading universities.⁵⁹ International recruitment criteria are also applied at joint universities that are established as partnerships between Chinese and foreign universities. Despite the high level of openness, few Russians work at Chinese universities due to both the political and geographic orientation of Chinese universities towards the standards of recognized world leaders in research and higher education, and the relative isolation of Russia from the global academic community.

“The irony is that we often talk about the friendship [of Russia and China], about strategic partnership, and still most citizens of our countries travel on single-entry visas. Let’s consider the China–US relations, they are very complicated, but recently, China and the US have switched to multiple-entry visas issued for ten years... We need multiple-entry visas or a simplified visa regime for scientists, scholars, journalists, and cultural figures.”

PETROVSKY Vladimir, Chief Research Fellow of the Institute of Far Eastern Studies of RAS

Another problem is the recognition of the Russian Candidate of Sciences degree as an equivalent of the Western Ph.D. or Chinese boshi degree. Recognition depends on whether the degree gives access to all titles and positions in the academic hierarchy. In Russia, the Candidate of Sciences degree (unlike a Ph.D. or boshi) means that the holder cannot be promoted beyond the title of assistant professor. Therefore, Chinese citizens who obtain a Candidate of Sciences degree from Russian universities often encounter difficulties when seeking promotion in their academic hierarchy, which affects the overall appeal of the Russian education system. It is more practical for Chinese specialists to obtain a Ph.D., which does not envisage any limitations on career development.

Degrees and titles are not the only criteria for employment at Chinese universities. Educational institutions can also rely on other factors and requirements, such as publications in certain journals. The leading Chinese universities automatically recognize publications in scientific journals indexed in the Web of Science, the Chinese Science Citation Database (CSCD) and the Chinese Social Sciences Citation Index (CSSCI). However, there are major difficulties with recognizing publications in Russian journals, even those on the list of the Higher Attestation Commission.

“Cultural exchanges are an important addition to our strategic partner relations. They say relations between states are based on the affinity between their peoples. This is why harmonious relations based on mutual understanding and respect form the foundation of our strategic relations. In 2014–2015, we conducted a research dedicated to our youth and summarized it in the ‘Hello, China’ multimedia publication where we demonstrated that mutual exchanges transitioned to a new level... In 2014, we published a collection of Vladimir Putin’s works, it was very interesting to see the language he uses in his speeches, his political proposals and opinions. Our latest publication is titled “The Arctic Region: International Cooperation Issues.”⁶⁰

MA Fengchun, Director General of Publishing House Shijie Zhishi Chubanshe

⁵⁹ For Project 985 and Project 211 see: Internationalization of Russian Universities: The Chinese Vector / [Borevskaya N.Y. et al.]; [chief editor Ivanov I.S.]; RIAC. Moscow: Spetskniga, 2013. URL: http://www.russiancouncil.ru/en/inner/?id_4=3455#top-content

⁶⁰ In 2016 the Publishing House “Shijie Zhishi Chubanshe” translated into Chinese and published RIAC Anthology “The Arctic Region: International Cooperation Issues”.

In order to develop academic staff exchanges it is necessary to provide for niches for Russian and Chinese specialists at research and educational institutions of Russia and China through extended possibilities for permanent and temporary employment (on a reciprocal basis, where necessary). These include not only long-term employment opportunities, but also long- and short-term academic internships and positions of visiting professor, resident, and non-resident fellow, etc. These training possibilities can be designed for interns to get to know the research and education systems and procedures of a partner country and establish new working contacts.

It is also necessary to establish grant-based support for programmes designed for professors and research fellows, while ensuring the necessary institutional flexibility. An academic trip can only be made possible if a researcher is eligible for academic leave domestically, and is advisable only if it can improve career prospects.

Joint Universities and Research Centres

Establishing foreign campuses of leading global universities, as well as joint universities and research centres, has become a new trend in the internationalization of higher education. In Russia, Lomonosov Moscow State University leads the way, with branches in Armenia, Azerbaijan, Kazakhstan, Tajikistan and Uzbekistan.⁶¹ Moscow State University became the first Russian university to bring its project to China.

The first foreign university to open a joint university in China was the University of Nottingham Ningbo China, and the first Chinese university with a foreign branch was Xiamen University (Xiamen University Malaysia).⁶²

Work is currently nearing completion on the establishment of the joint Russian–Chinese University in Shenzhen in the framework of partnership between Moscow State University and Beijing Institute of Technology, which has high-level political support. According to its founders, the first students will be admitted very soon.⁶³ Other joint university projects include the Russian–Chinese Joint Institute of Arts in Weinan and the Sino–Russian Institute established jointly by Heilongjiang University and Novosibirsk State University in 2011.⁶⁴ The latter provides training in biology, mathematics, physics, chemistry, economics and law.⁶⁵ In 2015, it was announced that St. Petersburg State University and Renmin University of China had established the Russian Research Center in Beijing.⁶⁶ There are also plans to open the V.I. Surikov Art Institute at Harbin Normal University (in partnership with V.I. Surikov Moscow State Academic Art Institute), the Russian–Chinese Test Centre, and Russian–Chinese Higher Translation Institute in the framework of partnership between St. Petersburg State University and Heilongjiang University, as well as the Russian–Chinese Joint Centre of Biomedical Studies in the framework of partnership between St. Petersburg State University and Harbin Medical University.⁶⁷

⁶¹ Addresses of Moscow State University Branches. URL: <http://www.msu.ru/address>

⁶² The University of Nottingham Ningbo China. URL: <http://www.nottingham.edu.cn>; Xiamen University Malaysia. URL: <http://www.xmu.edu.my>

⁶³ Sergey Shakhrai: We are Breaking into a Market that is Developing Faster than the Oil and Gas Sector. Moscow State University Pro-Rector Tells Interfax about the Most Ambitious Russian Educational Project in China // Interfax. 11 August 2014. URL: <http://www.interfax.ru/interview/390406> (in Russian).

⁶⁴ First Russian–Chinese Institute of Arts to Start its Work this Year // Russkiy Mir. 9 April 2016. URL: <http://www.ruskiymir.ru/en/news/206228>

⁶⁵ Russian–Chinese Joint Institute. URL: <http://www.nsu.ru/xmlui/handle/nsu/567> (in Russian).

⁶⁶ SPbU and Renmin University of China Establish Russian Research Center in Beijing // St. Petersburg State University Portal. 23 May 2014. URL: http://www.en.orient.spbu.ru/news/news_668.html

⁶⁷ The Russian–Chinese Translation Institute and Other University Projects to Open in Harbin This Year // Baikal Media Consulting. 24 February 2016. URL: <http://www.baikal-media.ru/news/silkway/317462> (in Russian).

There is a fundamental difference between joint universities and research centres and traditional exchange programmes for students and teaching staff. The former provide graduates with dual degrees and envisage joint research possibilities in the long run. That being said, joint universities and research centres have the potential to become niches for deepening student exchanges and promoting exchanges among researchers and academic staff. However, ambitious projects can run into serious technical difficulties that stem from the peculiarities of the Chinese education system.

First, China's policy with regard to higher education does not provide for the establishment of branches of foreign universities in China, and only joint projects with Chinese institutional partners are allowed. Branches are distinct from joint universities, not only because they have a different name and legal status, but also because they have different curricula. It is highly likely that China will insist on developing specialized curricula for joint university projects.

“Currently, Russia and China recognize higher education degrees conferred by universities included in a special list. Could we move away from this principle and replace the list of universities with a list of majors? This is the principle that guides the EAEU cooperation: we automatically recognize degrees in all majors with several exceptions (medicine, pedagogy, etc.)”

FILIPPOVA Liudmila, Programme Manager for the Arctic and Asia Pacific at Russian International Affairs Council

Second, Russian education is less attractive than both Western education and the leading national universities of China. In China, university admission scores for joint universities, even those established with leading Western universities, are as a rule lower than those applied at major Chinese universities.

Third, joint education projects are challenged by the issue of the language of teaching and communication. Because of the objective difficulty of both Russian and Chinese, it is extremely hard for the majority of people to learn these languages for professional purposes. Since today most scientific information is available in English, students that wish to receive professional training, rather than just knowledge of a foreign language and culture, will ask themselves at some point: is it worth investing the time and effort in studying Russian or Chinese?

Financing is another critical issue when it comes to establishing joint research centres. The most successful research centres established by Western and Chinese institutions include the Carnegie–Tsinghua Center for Global Policy (a result of collaboration between the Carnegie Endowment for International Peace and Tsinghua University), the Brookings–Tsinghua Center for Public Policy (a result of collaboration between the Brookings Institution and Tsinghua University) and the Sino–French Centre at Tsinghua University (a project between the Institut Français des Relations Internationales – IFRI – and Tsinghua University).⁶⁸ We should also mention the French Centre for Research on Contemporary China in Hong Kong, where it is less complicated to open such centres in terms of the legal and organizational aspects.⁶⁹ Although the financing details of these centres are not disclosed, it is important to keep in mind that the Chinese side will expect at least partial stable co-financing by foreign institutional partners.

⁶⁸ Carnegie–Tsinghua Center for Global Policy. URL: <http://carnegietsinghua.org>; Brookings–Tsinghua Center for Public Policy. URL: <http://www.brookings.edu/about/centers/brookings-tsinghua>; Le Centre Franco-Chinois en Sciences Sociales de l'Université Tsinghua. URL: <http://www.beijing-cfc.org> (in French).

⁶⁹ French Centre for Research on Contemporary China. URL: <http://www.cefc.com.hk>

Chinese institutional partners should be selected based upon the following criteria, given limited financing of joint universities and research centres in Russia (listed in order of importance).

The first criterion is the prestige of the partner. Currently, there are numerous players in China, and finding a single prestigious partner appears to be more effective than spending scarce resources on building relationships with several secondary partners. Prestigious Chinese universities include the Chinese Academy of Sciences, the Chinese Academy of Social Sciences, Peking University, Tsinghua University, Fudan University, Sun Yat-sen University, as well as 39 universities included in Project 985 and about one hundred Project 211 universities.⁷⁰

The second criterion is the interest of the Chinese partner. For instance, the Dalian University of Foreign Languages, where Russian philology experts are traditionally appointed rectors, appears to be quite interested in collaborating with Russia.

The third criterion is the geography of partnership. The Russian–Chinese Shenzhen MSU-BIT University project shows that the geography of cooperation should not be limited to the northeastern part of China, which has the closest ties with Russia, but is considered to be less economically advanced. A large Russian community has emerged in the developed southern provinces, which will eventually facilitate the recruitment of students and academic professionals in joint educational institutions.

The fact that Russian is not a very popular language for study means that a flexible approach to the language of teaching and communication is necessary. A combination of academic communication in Russian, Chinese and English seems to be the most promising option. Since teaching and academic communication in English has evolved as a global trend, it is important to encourage Russian researchers with relevant experience. It is also advisable to engage English-speaking representatives of the Russian academic community abroad in programmes aimed at internationalizing Russian universities.⁷¹

Conclusions and Recommendations

Amid the apparent limitations of extensive development models in both Russia and China, bilateral cooperation in science and education appears to be an increasingly significant objective in order to build up national innovative capacities. Furthermore, the promotion of academic cooperation between Russia and China is in line with the agenda for multi-track diplomacy between the two countries.⁷²

In order to boost the status of academic cooperation as a priority sector for collaboration between Russia and China, it would be advisable to declare the next series of cross-years to be “years of science, education and innovation”.

⁷⁰ Chinese Academy of Sciences (CAS). URL: <http://www.english.cas.cn>; Chinese Academy of Social Sciences (CASS). URL: <http://www.casseng.cssn.cn>; Peking University. URL: <http://www.english.pku.edu.cn>; Tsinghua University. URL: <http://www.tsinghua.edu.cn/publish/newthuen/index.html>; Fudan University. URL: <http://www.fudan.edu.cn/en>; Sun Yat-sen University. URL: <http://www.sysu.edu.cn/2012/en/index.htm>; For Project 985 and Project 211 see: Internationalization of Russian Universities: The Chinese Vector / [Borevskaya N.E. et al.]; [chief editor Ivanov I.S.]; RIAC. Moscow: Spetskniga, 2013. URL: http://www.russiancouncil.ru/en/inner/?id_4=3455#top-content

⁷¹ Promoting Cooperation with the Russian-Language Academic Community: Experience, Challenges and Prospects. Report No. 23/2015 / [Dezhina I.G., Kuznetsov Y.N., Korobkov A.V., Vasiliev N.V.]; [editor-in-chief Ivanov I.S.]; RIAC. M.: Spetskniga, 2015. URL: http://www.russiancouncil.ru/inner/?id_4=7090#top-content

⁷² Smirnova L.N. Status and Development Objectives of the Eurasian Higher Education Area // *Mezhdunarodnaya Zhizn*. 2016, no. 2. URL: <https://www.interaffairs.ru/jauthor/material/1439> (in Russian); L.N. Smirnova. On the Concept of the Eurasian Higher Education Area // *Gosudarstvennaya Sluzhba*. 2015, no. 6. URL: <http://www.anspa.ru/linkpics/News/gazeta-084-086.pdf> (in Russian); Smirnova L. (苏梦夏). 欧亚高等教育一体化构想 (On the Concept of the Eurasian Higher Education Area) // *欧亚经济* (“Eurasian Economy”, Journal of the Institute of Russia, Eastern Europe and Central Asia of the Chinese Academy of Social Sciences). 2016, no. 1. URL: <http://www.ojij-oys.org/Magazine/?Year=2016&Issue=1> (in Chinese)

In order to attract Chinese students to Russian universities and vice-versa, it would be advisable to:

- shift the emphasis from the number of students and courses to the quality of students and courses;
- focus on engaging students in non-language (natural science, technical, engineering, etc.) courses;
- show flexibility in terms of the languages of teaching – Russian, Chinese and English, or a combination of these;
- combine long- and short-term educational programmes, including those in English;
- pay more attention to expanding career opportunities for graduates, gradually opening the labour market to them.

In order to attract academic professionals and researchers from China to Russia and vice versa, it would be advisable to:

- encourage scientists from the two countries to establish working contacts with a view to conducting joint R&D;
- expand the possibilities for permanent and temporary employment for Russian and Chinese specialists at scientific and educational institutions of the two countries;
- organize grant support for programmes for lecturers and researchers;
- ensure the institutional flexibility required to effectively arrange academic trips (including academic sabbaticals provided domestically) and motivate specialists (trips are advisable only if they can improve career prospects).

To develop joint universities and research centres, it is necessary to:

- support existing projects on a priority basis;
- identify a single prestigious partner in China instead of spending limited resources on building relations with several secondary players;
- focus on the status of prospective Chinese partners as the top priority, their proven interest, motivation, and then on the geography factor and the economic situation in the region of cooperation;
- encourage the use of English in teaching and communication, engage English-speaking Russian and Chinese scientists and representatives of the Russian academic community abroad;
- show flexibility in terms of curricula and standards given the cultural differences between Russia and China.

CONCLUSIONS AND RECOMMENDATIONS

Global Governance and Regional Security Challenges

1. In order to form a new and balanced world order, it is necessary to contain the negative effects of the increasing competition among the global powers, thus eliminating the possibility of direct conflicts breaking out between them.
2. It is necessary to maintain the commitment to the principles of transparency, openness and inclusivity in global governance institutions. Regional integration associations should not replace, but rather complement the World Trade Organization (WTO) multilateral trading system, and those that have been, or are in the process of being set up should not be in opposition to one another.
3. BRICS could act as a platform for forming relations of the new world order between the member countries. It would be advisable for the BRICS states, including Russia and China, to use this platform to develop common or similar positions on the most important issues of global governance.
4. The task of strengthening the new security architecture in the Asia Pacific region remains relevant. Russia and China’s specific actions on regional security will be determined by Moscow and Beijing’s assessment of the US and its allies’ actions, by whether they believe it possible to develop collective rules of the game.
5. Should Russia and China believe that the US and its allies are deliberately striving to undermine Russia and China’s security and increasing their pressure, most likely Russia and China:
 - will resolve practical technical issues within the ASEAN Regional Forum (ARF) and within the framework of bilateral relations with countries of the region;
 - will enhance bilateral military and anti-terrorist interaction (joint exercises, information exchange centres, threat monitoring, etc.),
 - and enhance the defense capacities of the Shanghai Cooperation Organization (SCO). Enhancing SCO’s defence capacities involves, first, transferring from consensus decision making toward considering a decision binding on the countries which approved it; second, expanding the Regional Anti-Terrorist Structure and the Secretariat’s mandate; third, creating collective rapid reaction force with China’s military participation in addition to the Collective Security Treaty Organization’s Collective Rapid Reaction Force. The Conference participants also put forward the proposal to build and expand military cooperation within the framework of the SCO beyond the counter-terrorism and create a mechanism under the auspices of the Secretariat for resolving conflicts among member states.
6. Should Russia and China proceed from the premise that the US and its allies do not attempt to engage in containing Russia and China by force, and their actions are responses to their own perception of threats, that will open up a dialogue space and make attempts to build a joint security architecture in Asia Pacific somewhat more meaningful. Should such an approach be adopted, Moscow and Beijing could concentrate on three areas:
 - creating collective structures and mechanisms to respond to challenges stemming from non-state actors. These would be primarily multilateral mechanisms for exchanging information on terrorism, piracy, and organized crime between secret services and

law enforcement agencies. The entire positive experience accumulated at the bilateral level and by global structures, such as the Interpol, should be used. Besides progress in resolving these problems per se, these mechanisms and consultations will be important for accumulating a critical mass of trust between the military, secret services, and law enforcement agencies in the region, and such trust is necessary to resolve more complicated issues. Fighting Islamic fundamentalism, monitoring the activities of Islamic State (banned in Russia) and affiliated groups, monitoring citizens returning from Syria, Iraq, and several other countries could become a priority as well.

- developing protocols and agreements describing the sequence of military action in case of incidents. The parties should take into account mechanisms and experience accumulated by the USSR and NATO with the aim of preventing land and sea incidents and of managing their possible consequences. Developing Navy – coast guard protocols minimizing the chances of incidents in conflict points such as the South China Sea could become a priority. Such protocols should also describe the steps the military should take when civil vessels having commercial purpose breach territorial waters or exclusive economic zones.
 - Upon implementing the first two stages, Russia and China could initiate the creation of a multi-party platform to resolve the most pressing security issues (the North Korean nuclear program, sovereignty over the South China Sea); such a platform would entail also bilateral talks (modelled on the six-party talks). At the moment, the East Asia Summit (EAS) appears to be the most suitable platform for such talks. Both Russia and China should enhance the level of their representation to demonstrate other regional countries their preparedness for a responsible approach to the multi-party dialogue at the top level. Institutionalizing the EAS will allow Moscow and Beijing a good chance to set up a collective dialogue on security issues in Northeast Asia and South Asia with the participation of key countries; it would also open up the prospect of developing the rules of the game for Asia Pacific.
7. One proposal from the Conference participants was to start developing confidence-building measures in the form of “minimultilateral dialogues” (for example, between Russia, China and the Republic of Korea) as a temporary measure, until a full-fledged regional security institution is formed.
 8. It is important for Russia and China not to make the issue of mutual support in the South China Sea conflicts or other territorial conflicts involving the two countries an indicator of the quality of their bilateral relations. China obviously does not intend to recognize Crimea as part of Russia or to support Moscow’s policies toward Ukraine, yet at the same time, Beijing does not condemn Russia’s actions publicly and does not impose sanctions on it. Russia is also not interested in supporting any single party in the South China Sea disputes and in China–India and China–Japan disputes. The best strategy for Russia would be to maintain its position above the fray and to support a binding South China Sea Behaviour Code for China and the ASEAN countries.
 9. In order to create reliable security architecture in the Asia Pacific region it is necessary to resolve the nuclear issue in the Korean peninsula and normalize inter-Korean relations. The Korean issue as a complex problem should be included into the UN and other international fora’s agenda and should not be limited by the requirement of the full and complete denuclearization of the Democratic People’s Republic of Korea (DPRK). These issues can only be resolved by holding negotiations with the aim of establishing a peace regime instead of an armistice involving all the interested parties and by providing external security guarantees to all regional players, first and foremost the DPRK.

It is also advisable that parallel negotiations take place to determine a timetable for the denuclearization of the DPRK, including the destruction of existing stocks of nuclear weapons. One proposal by the Conference participants is not to restrict the negotiations to the six-party format and to involve the UN in them, in particular all the permanent members of the UN Security Council.

10. An important role in addressing regional security issues could be played by Russia – India – China strategic triangle. It would be appropriate to develop the following as the main areas for trilateral cooperation: global governance issues, in particular the new world order, cybersecurity, climate change etc., countering international terrorism and drug trafficking, strengthening security and stability in Central Asia, and joint transport and logistics projects, primarily overland initiatives. Significant potential remains for cooperation between the three countries on the SCO and BRICS platforms.
11. In order to strengthen strategic cooperation in Russia – India – China format it would be appropriate for Russia to take a lead in the trilateral relationship, to actively help strengthen trust and to eliminate suspicion in the relationship between India and China.

Institutionalising the “triangle” and expanding the formats for summit meetings (at the level of heads of state and heads of foreign ministries) would strengthen the three-party interaction.

Cooperation in Eurasia

12. The key landmark in Russia–China economic interaction is creating a competitive, transparent, flexible, and inclusive economic system in Eurasia. Approaches linked to liberalizing trade (including through FTA) are insufficient for building a balanced economic interaction between the two countries. To tap into the cooperation potential to the greatest possible degree, the countries must use the entire spectrum of economic instruments, primarily in investment interaction. It is important to attract financial resources in the most efficient ways, including through multilateral institutions: the Eurasian Development Bank, the Asian Infrastructure Investment Bank, New Development Bank BRICS, the Silk Road Fund.
13. Russia and China need to use the competitive advantages of continental integration, which imply active development of transportation and logistical connections and expanding interaction at the subregional level (microregionalism, border cooperation). Ties between the Eurasian Economic Union (EAEU), China and other key players in the transportation area in Eurasia will develop in the framework of the Silk Road Economic Belt (SREB) which is becoming the basis for investment cooperation.
14. It is advisable to institutionalize the EAEU – SREB alignment. It is proposed to hold conferences and negotiations at the level of ministers of foreign affairs and ministers of economy in a 5+1 format, to set up a summit meeting between the leaders of China and the EAEU countries in order to ensure their participation in alignment as a single group, and to create a specialized commission within the framework of the annual meetings between the heads of the Russian and Chinese governments.
15. The EAEU and China should together move towards a comprehensive and multidimensional agreement on economic partnership which initially enshrines a possibility

of a free trade agreement. At the same time, it is necessary to take a careful approach towards creating a free trade area between the EAEU and China and completely removing tariffs. This issue needs to be addressed carefully, with the possible commercial and political benefits for each of the parties being determined.

16. Before a free trade agreement is discussed, it is advisable to begin negotiations with China on a non-preferential agreement according to WTO rules. Such an agreement could include setting up information exchange systems and additional notification procedures on anti-dumping measures, joint action against infringing goods, and cooperation on mutual recognition of technical, sanitary and phytosanitary regulations. It is also necessary to start negotiations on issues requiring international governance: localization and storage of personal data, limiting Internet traffic, genetically modified organisms, investment disputes resolution procedures, sustainable development and environment, and electronic trade. The discussion of rules should involve not only the EAEU and China but also a wider range of partners – the SCO, ASEAN. There are also suggestions to boost economic cooperation and create a free trade area in the SCO framework in the longer term.
17. The main objective for the Russian Federation's customs authorities in terms of aligning the EAEU and the SREB at this stage is to speed up customs operations while maintaining the necessary customs control with regard to transit goods moving from China to European countries and back via Russia. These measures may be implemented by ensuring mutual recognition of the results of customs control by means of organising information exchanges between customs services, unifying the information provided and devising unified requirements for documentation for goods and vehicles.

At the same time this work goes beyond bilateral Russian–Chinese cooperation, is complex in nature and requires the involvement of the customs services of the EAEU countries (first and foremost Belarus and Kazakhstan) as well as those of Mongolia and a number of EU countries.

18. Russia should also modify its strategies for regional infrastructure development in Siberia and the Far East and to speed up its improvement. Out of all the possible Silk Road routes, Russia could offer the shortest, fastest and most reliable one. And since the future route already has part of the necessary infrastructure in place, it would be misguided not to use this advantage. Unfortunately, so far, Russia has only aimed to modify the Far Eastern infrastructure in order to increase its commodity exports to Asia, dismissing its other economic interests. The long-term positive effect of this approach to infrastructure modernization is questionable. The situation can be changed through an increased role of non-commodity private players, especially private logistics operators. Non-commodity eastern logistics is a promising segment, where effective partnership could be created at the intersection of the interests of both states and Russian and Chinese businesses.
19. It is necessary to increase the EAEU's potential in mediating trade and investment flows between the East and the West. This would, first and foremost, require the development of the mutual economic integration in the EAEU in order to increase the efficiency and the significance of this regional grouping. Successful implementation of the EAEU–SREB connection could enhance EAEU's role as a link between the European Union and China and strengthen the position of the EAEU member countries in their dialogue with the EU.

20. It is important to promote the initiative to start consultations between the member countries of the EAEU, the SCO and ASEAN on creating a great Eurasian Partnership taking account of all regional states' interests on the basis of equality and allowing to avoid counterproductive competition between integration initiatives in Eurasia. Besides, most integration initiatives in the region are aimed at Central Asian states, but they are based on the existing resources (the supply) of the great powers and regional groupings, however, they should first and foremost take into account the needs (the demand) of the Central Asian states.
21. Within the framework of the EAEU and the SREB alignment and bilateral Russian–Chinese cooperation it is advisable to create joint information resources supplying the global community with correct information on the subject.

Economic Basis of Strategic Partnership

22. Despite numerous natural incentives to cooperate, significant progress has not yet been achieved in the trade and economic cooperation between the two countries. Some problems will be solved in time: the political vector of cooperation is set, companies in the two countries are showing interest in their partner country's market, the number of joint projects will gradually grow, understanding between the partners will deepen, and the movement of capital will become more intensive. However, Russia–China ties require more thorough strategic planning and development of strategic planning coordination mechanisms, primarily, in border cooperation.
23. There is still a disbalance of the Russia–China trade structure. Correcting it will require a significant change of the model of economic cooperation between the two states. Under the new model it would be necessary to move away from the domination of major state-owned enterprises and to rely on small and medium-sized business, to reduce the role of raw material projects and to reorientate towards the services sector and information technologies, and to create closer production chains and investment links.
24. It is necessary to tap into the potential of inter-regional cooperation and of the complementarity of the Russian and Chinese economic systems in order to develop Siberia and the Far East and the northern and north-eastern regions of China. In particular, the pace of economic development of the Heilongjiang Province which largely relies on the ties with Russia is one of the slowest in China. It negatively affects the perception of efficiency of Russia–China cooperation.
25. Improvement of the transport infrastructure in eastern Russia and creation of good living conditions to facilitate internal migration could stimulate development of these areas. Moreover, it would boost the region's economic activity to a level where Chinese partners could easily find local counterparties without any mediation from Moscow.
26. Russia and China should take their business contacts beyond the scope of large-scale international economic policies. Their field of cooperation will widen if big Chinese businesses are guided in matters of financing by considerations of returns and economic feasibility rather than the general task of maximizing exports. There will be more opportunities for bringing Chinese capital to Russia and building profitable partnerships if Russian businesses do not have to get all joint projects approved at all government levels, if the proposed projects are diversified and if cooperation is taken beyond the energy sector.

- 27.** In the mineral, raw material and energy sectors it would be appropriate for Russia and China to develop joint projects, creating shared production chains (including prospecting, extraction and processing of resources, scientific and engineering project support, technology sharing, marketing of products) and devising procedures for the division of costs between the partners. At the same time, in order for high-tech projects to penetrate markets it is necessary to depart from the standard approaches of the industrial model.
- 28.** Russia and China need to strengthen their integration in the area of electrical energy. The development of inter-system energy links will make it possible to reduce technological reserves, to achieve more reliable operation for energy systems, and to increase the efficiency of machine utilization. Intellectual and technological integration should also be promoted. The objectives of energy integration should include developing unified technological and technical standards, technology transfer and technological globalization, developing green energy systems, and creating a new energy balance. Joint projects with Chinese companies to expand energy capacities are an important area of cooperation.
- 29.** One important objective is to deepen Russian–China cooperation in the area of agriculture and forestry and to develop new forms of cooperation in this sector. In particular, demand for finished products in China should be taken into account. It is necessary to export goods with a higher degree of processing and value added.
- 30.** In order to develop financial cooperation between Russia and China it is necessary to create as soon as possible a system of mutually recognised financial ratings and a credit control system, as well as criteria for project financing, to actively use the hedging instruments to manage risks associated with interest rates, exchange rates and inflation, and to develop the rouble and yuan derivatives market. It is necessary to start issuing debt securities in the currency of the partner country (first by state, then by banks and companies after that). It would allow to make the borrowing costs in yuan and rouble more foreseeable and to determine the exchange rate directly (not through a third currency) and would boost payments in national currencies.
- 31.** In order to develop economic cooperation between Russia and China in terms of large-scale projects, getting to know the partner’s technical regulation systems (construction rules and regulations, technical regulations etc.) and accounting systems is necessary.
- 32.** To bridge the gap between business cultures and lower communication barriers, the parties should develop cooperation in education, science and culture. Not only governments, but also businesses of the two countries should support and contribute to this process.

Environmental Challenges

- 33.** Despite the crucial importance of environmental issues, discussion of this area in the Russia-China dialogue is marginal. Bilateral cooperation should strictly comply with the interests of both countries and with the Sustainable Development Goals adopted at the UN Sustainable Development Summit 2015. The current legal foundations of the bilateral relations cannot fully ensure the implementation of the task.
- 34.** In order to fully comply with the Sustainable Development Goals and to ensure harmonious economic development while preserving the key ecosystems and the opportunities they afford, the following mechanisms should be used:

- conducting strategic environmental assessment of the programmes for the socio-economic development of those regions which could accommodate large projects, including infrastructure projects, and transboundary development programmes. The Convention on Environmental Impact Assessment in a Transboundary Context (the Espoo Convention) and the Protocol on Strategic Environmental Assessment to the Espoo Convention could be used as the appropriate mechanisms;
- complying with the requirements of the UN Economic Commission for Europe’s Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters (the Aarhus Convention);
- implementing the conventions on biological diversity to which Russia and China are parties;
- complying with the Convention on the Protection and Use of Transboundary Watercourses and International Lakes, given the importance of preserving fresh water reserves and of sustainable management of international catchment areas, including those at the Russia-China border and in East Asia;
- fully taking into account the transboundary effects of manufacturing and of air, soil, and water pollution when implementing joint projects of Russia and China;
- promptly drafting minimal requirements and standards for social and environmental responsibility that would apply to any (international) investment projects in the regions of joint activities, given the large variety of financial institutions, including newly-founded development banks and specialized foundations intended to invest across Eurasia under various integration initiatives. Such standards should take into account the best global practices and they will stimulate the development of “green” economy, primarily in energy efficiency, efficient use of resources, “clean” modes of transportation, and “green” energy.
- Investors and financial institutions, including national and international institutions and development banks, should strictly comply with the principles of the above-mentioned international mechanisms. Rating agencies should take into account compliance with such principles when awarding credit ratings.

Strengthening Cooperation in Science, Culture and Education

35. Amid the apparent limitations of extensive development models in both Russia and China, bilateral cooperation in science and education appears to be an increasingly significant objective in order to build up national innovative capacities. Furthermore, the promotion of academic cooperation between Russia and China is in line with the agenda for multi-track diplomacy between the two countries.
36. In order to boost the status of academic cooperation as a priority sector for collaboration between Russia and China, it would be advisable to declare the next series of cross-years to be “years of science, education and innovation”.
37. Given the growing interest in Chinese at the school level in Russia, it is necessary to adopt a single national standard on the Chinese language for the whole state, and develop a textbook which would ensure uninterrupted education and study of the Chinese language in middle schools. This particularly concerns the study of Chinese as a second language. In addition, Russia and China should develop school exchanges, boost opportunities for students to stay with families in partner country, and increase involvement in joint conferences, forums and recreational events.

- 38.** In order to attract Chinese students to Russian universities and vice-versa, it would be advisable to:
- shift the emphasis from the number of students and courses to the quality of students and courses;
 - focus on engaging students in non-language (natural science, technical, engineering, etc.) courses;
 - show flexibility in terms of the languages of teaching – Russian, Chinese and English, or a combination of these;
 - combine long- and short-term educational programmes, including those in English;
 - pay more attention to expanding career opportunities for graduates, gradually opening the labour market to them.
- 39.** In order to attract academic professionals and researchers from China to Russia and vice versa, it would be advisable to:
- encourage scientists from the two countries to establish working contacts with a view to conducting joint R&D;
 - expand the possibilities for permanent and temporary employment for Russian and Chinese specialists at scientific and educational institutions of the two countries;
 - organize grant support for programmes for lecturers and researchers;
 - ensure the institutional flexibility required to effectively arrange academic trips (including academic sabbaticals provided domestically) and motivate specialists (trips are advisable only if they can improve career prospects).
- 40.** The issue of mutual recognition of degrees in Russia and China requires close attention. It would seem appropriate to switch from the system of mutual recognition on the basis of a list of universities to the list of majors – such a principle already operates in the EAEU.
- 41.** Joint megaprojects in fundamental science are a promising area of interaction between Russian and Chinese scholars.
- 42.** To develop joint universities and research centres, it is necessary to:
- support existing projects on a priority basis;
 - identify a single prestigious partner in China instead of spending limited resources on building relations with several secondary players;
 - focus on the status of prospective Chinese partners as the top priority, their proven interest, motivation, and then on the geography factor and the economic situation in the region of cooperation;
 - encourage the use of English in teaching and communication, engage English-speaking Russian and Chinese scientists and representatives of the Russian academic community abroad;
 - show flexibility in terms of curricula and standards given the cultural differences between Russia and China.
- 43.** Russia's and China's peoples' familiarity with partner country's literature helps to strengthen mutual understanding and create a climate of mutual trust. Therefore it is necessary to boost book publishing, starting from the translation and publication of individual works to integrated translation and book publishing cooperation in various fields.

44. The development of tourism is a promising area of Russian–Chinese cooperation. For the purposes of increasing mutual tourist flows it would be appropriate not only to simplify the visa regime but also to expand transport corridors and solve specific problems, for example in the area of international roaming.
45. Only within the framework of joint projects is it possible to give an appropriate response to the demands of the Russian and Chinese audiences, to have their requirement for information fully met. The Russian and Chinese media need to set up joint news websites, radio stations, press publications, and mobile apps, and in the longer term proceed to create joint Russian–Chinese media. Joint trips by journalists, joint reports that take into account the character of the audiences, and joint press events for Russian and Chinese journalists are of especial interest.
46. Developing cooperation between Russian and Chinese media requires state support. It should include support for inter-media forums and facilitation of access to sources of information.
47. Smooth development of cooperation between workers of science, culture and education in Russia and China requires visa regime simplification. It is important to draft an appropriate road map with the ultimate aim of establishing a visa-free regime for short-term tourist trips. The model currently in use between Russia and the Republic of Korea could serve as basis of the Russia–China visa regime. It would also be appropriate to adapt the practice of the Schengen visa regime that allows people working in science and culture be granted either free single-entry visas or multiple-entry visas. Simplified visa requirements could be also applied to an agreed list of particular journalists and representatives of media outlets most actively involved in cooperation.

