

VI Russia-Chinese Summer School of International Relations

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China's economic presence in Russia's Far East and Siberia

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Siberia and Russian Far East





Outline

- Overall context
- Transformation of China socio-economic model
- What are the new opportunities?



Overall context 1 – China in Russia's government strategy

- Russia's turn to Asia: “to catch the Chinese wind in the Russian sail”
- Development of Siberia and Far East: Russia's entrance to Asia, “the national priority for the whole 21 century”



Overall context 2 – recent success in Russia-China relations

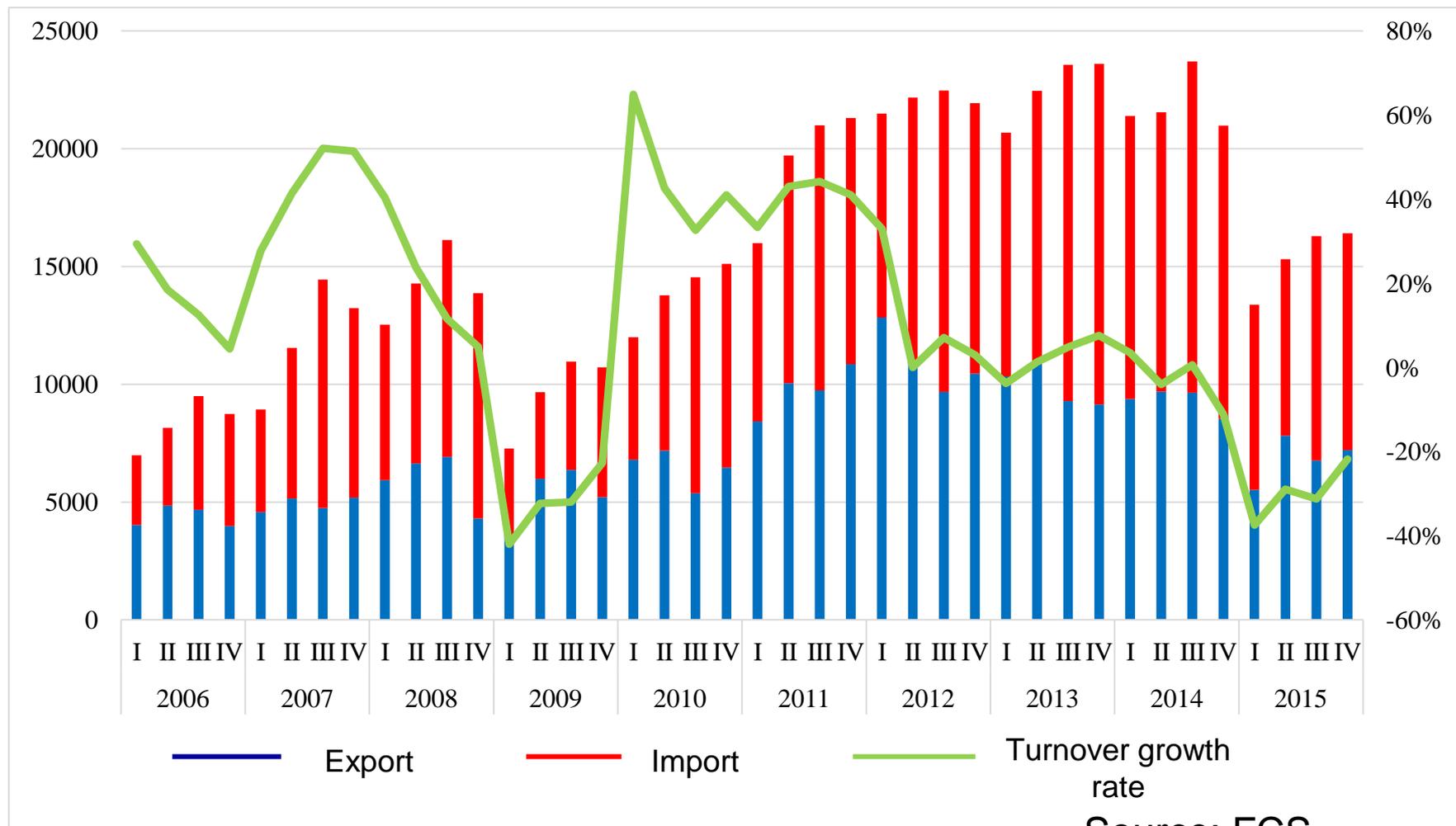
- Russia-China relations now are now better than ever before
- The joint declaration on cooperation in coordination of SREB and EAEU
- The agreement on the trade and economic cooperation is planned

Overall context 3 – China from the perspective of ordinary Russian

- China is “everywhere”
- Land acquisitions in Africa – it’s China
- Massive investment to ASEAN, Latin America, Africa – it’s China
- Largest deals in Russian energy sector for the last year (Yamal LNG, Vankor, gas deal and gas pipeline “Power of Siberia”, Altai gas pipeline etc.) – it’s China
- Land loan in Baikal region – it’s China
- “One Belt – One Road” initiative and huge investment in Central Asia – it’s again China
- If there is no explanation a phobia appears instead of it

Economic reality 1

Turnover between Russia and China (\$ US mln) and its growth rates (%)



Source: FCS

Economic reality 2

- Chinese investments in Siberia and Far East are negligible
- In 3 quarters of 2015 share of Chinese investments in total Foreign Investments into Siberian Federal District – 0.8%, into Far Eastern Federal District – 0.1%. In absolute figures rates are higher but not significantly
- Signed memoranda presuppose dozens of billions dollars of investments but they themselves do not mean anything precise

A bit of history

- Investment cooperation between two countries has always been abnormally low given sizes of economies
- China was attracted either by projects in oil&gas or mining sector, or projects suggesting participation of numerous Chinese contractors
- Up until 2013, informal yet strict barriers to both types of projects had been imposed. Starting from 2013, barriers were lifted
- Chinese investments came in “Yamal LNG”, “Ozernoye” mining complex, Vankor oil field etc.



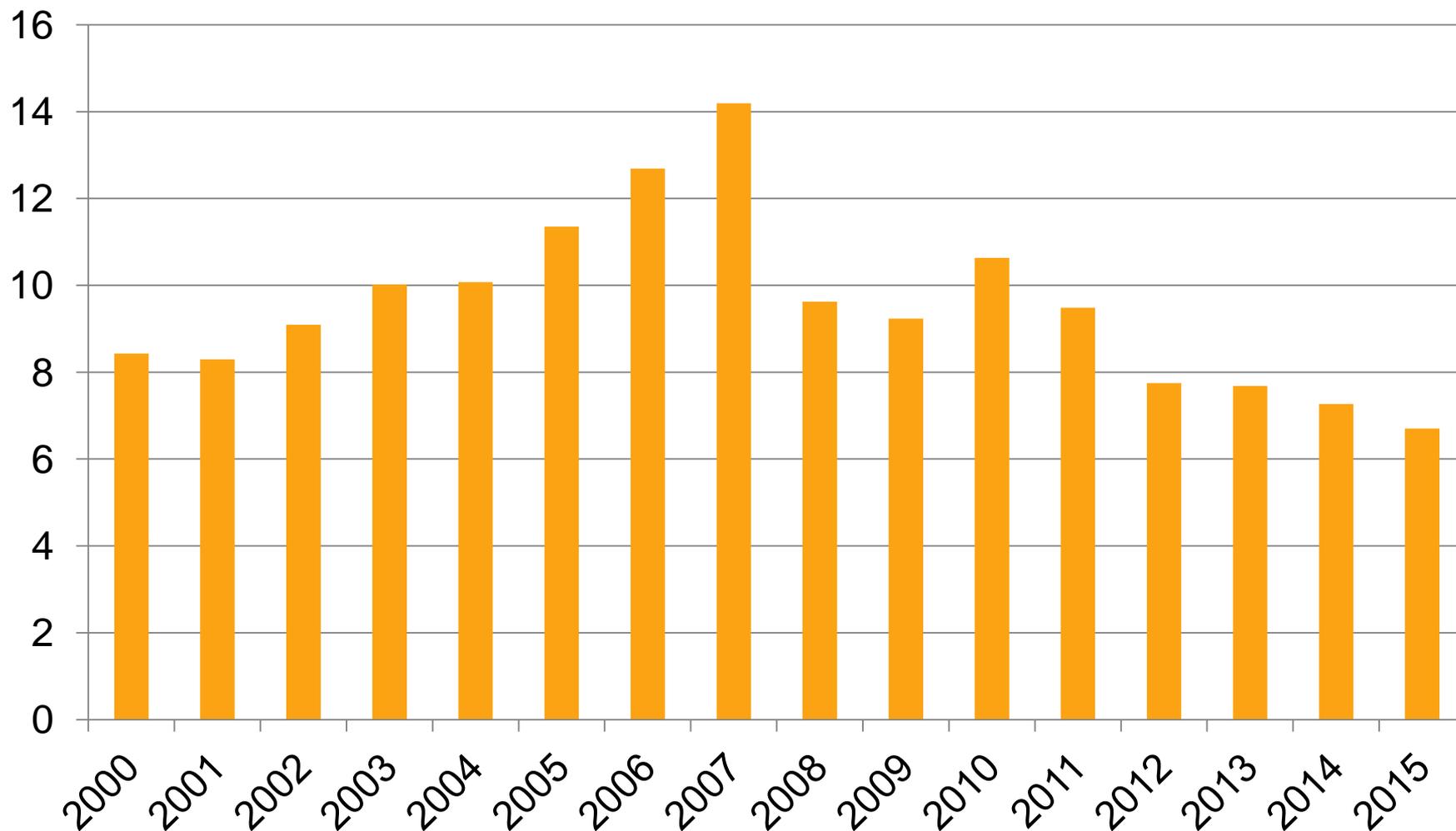
China willingness to invest in Russia

- Remains low
- Is determined not by political motivation but rather commercial interests
- At present, only politically driven projects are carried out. They are financed by state banks or funds, such as Silk Road Fund or Exim China
- Anti-corruption campaign and debts of regional governments play their role too

“Last Asia” vs “New Asia”

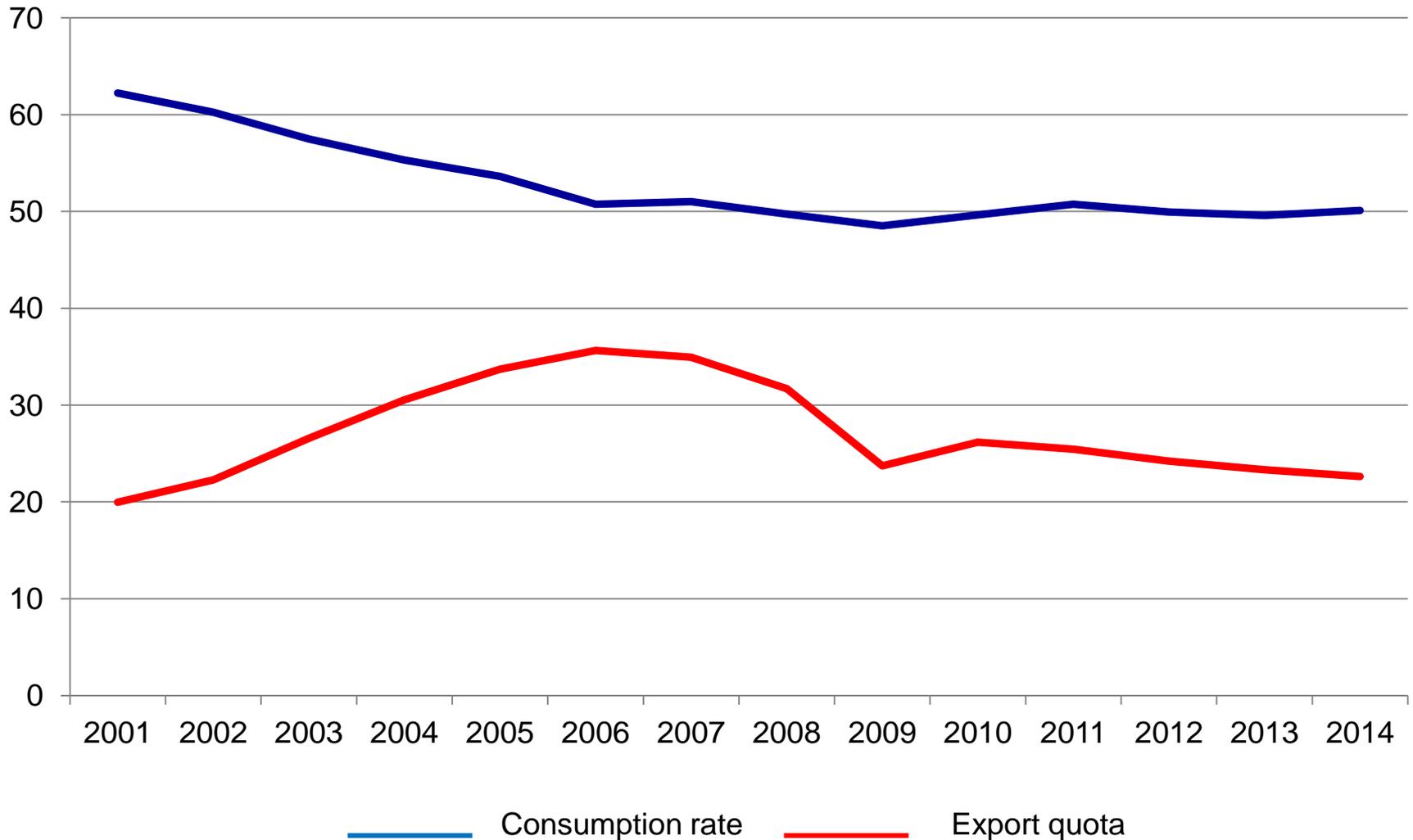
- Structural changes in Asia: the key question is what ‘new’ Asia wants from Russia
- Russia still tries to turn ‘last Asia’: poor countries with cheap labor force aiming to attract foreign investors and to produce simple goods of low quality for the needs of the Western consumers
- This Asia is gone

China GDP growth rates, %



Source: World Bank

Consumption rate and export quota in China, %



Source: World Bank

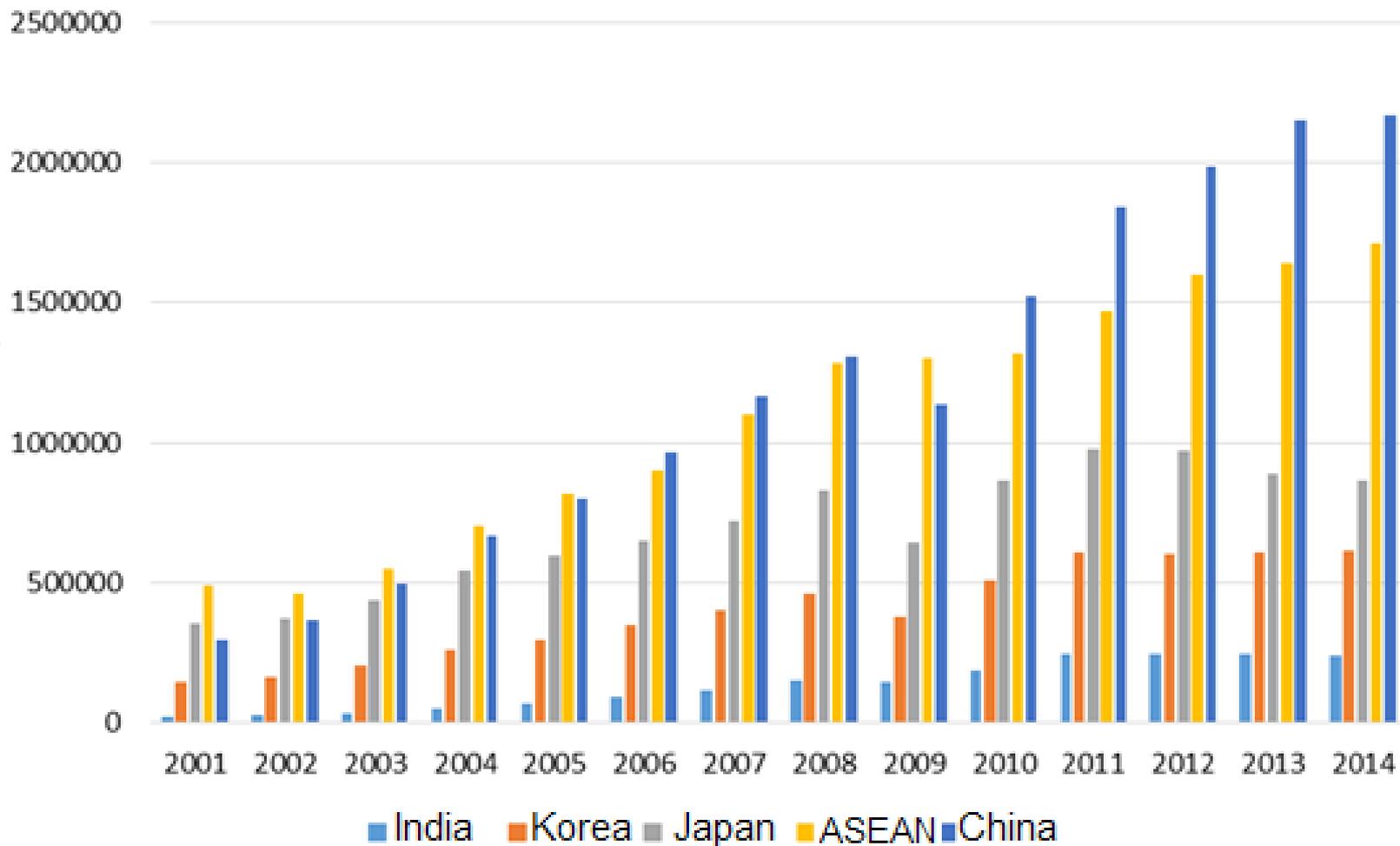
Preconditions for moving industries outside of China

Minimum wages in APR countries in 2015

Country	Minimum wages, \$\$ per month
China	137-639
Thailand	381
Malaysia	254
Vietnam	101-142
Philippines	110-220
Laos	110
India	40-130
Sri Lanka	49-72
Bangladesh	68

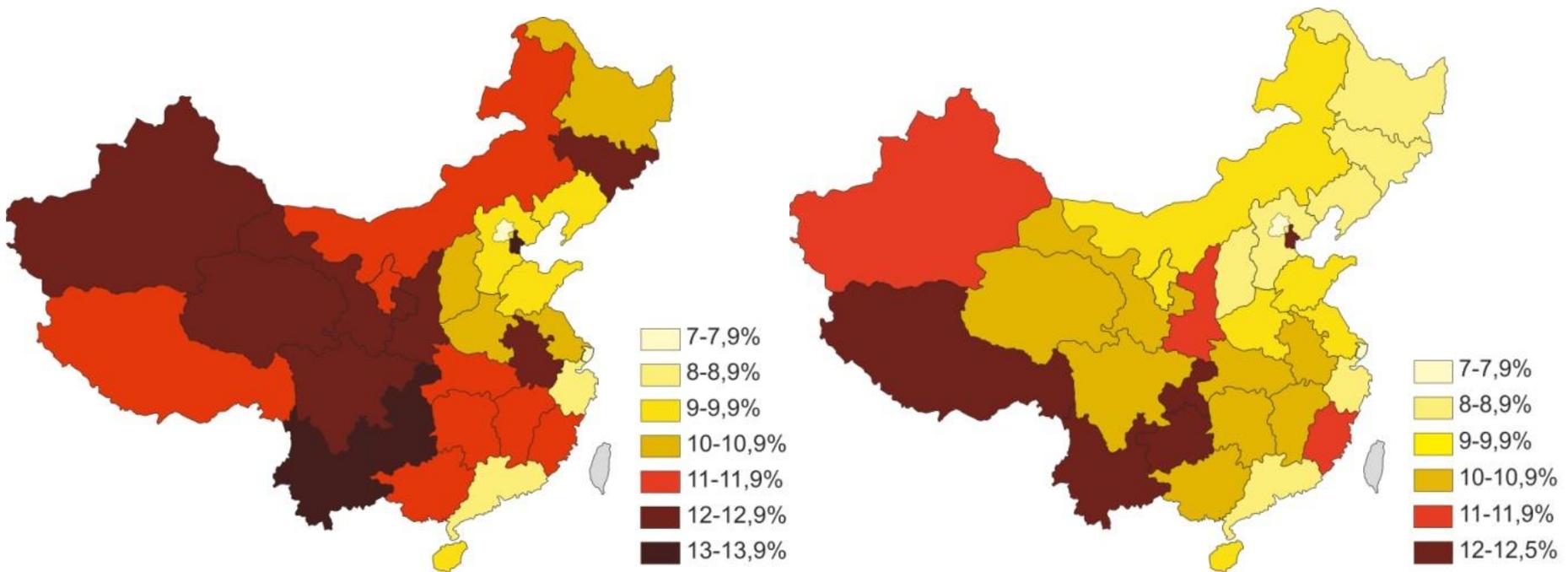
Source: Knowler, 2015

Intraregional trade turnover of APR countries, mln USD



Changes in geographic patterns of economic growth in China

Growth rates of GRP of the Chinese provinces in 2012 and 2013



Source: National Statistical Bureau of China

- Signing of Trans-Pacific Partnership, increase in US military presence in Asia, difficulties in creating new value chains in South-Eastern Asia



China's Turn to the West

- Silk Road Economic Belt (as a part of a more general project “One belt – one road”) – is not only a transit project (“goods from China to Europe”)
- This is a plan of transport system reconstruction of the whole Eurasia and co-development project of the regions neighboring China from the West
- The purpose is the provision of stable regional value chains, fostering economic growth, and solution of internal social and economic problems



Opportunities for Siberia

1. Transport:

- transit
- transport routes “North-South”
- airline hubs

Silk Road Economic Belt



Meridional infrastructure projects



Largest airline hubs in Eurasia

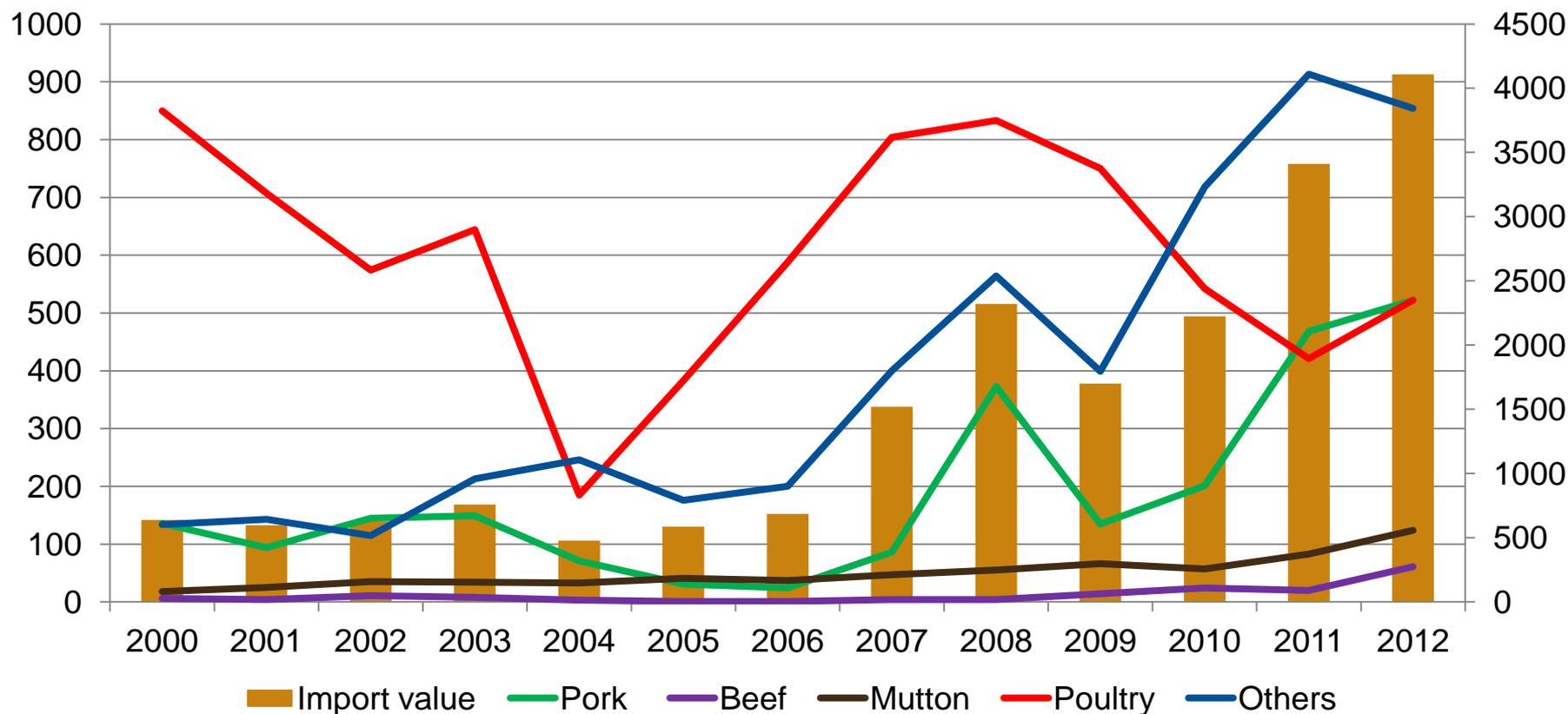




2. Export of particular “niche” goods:

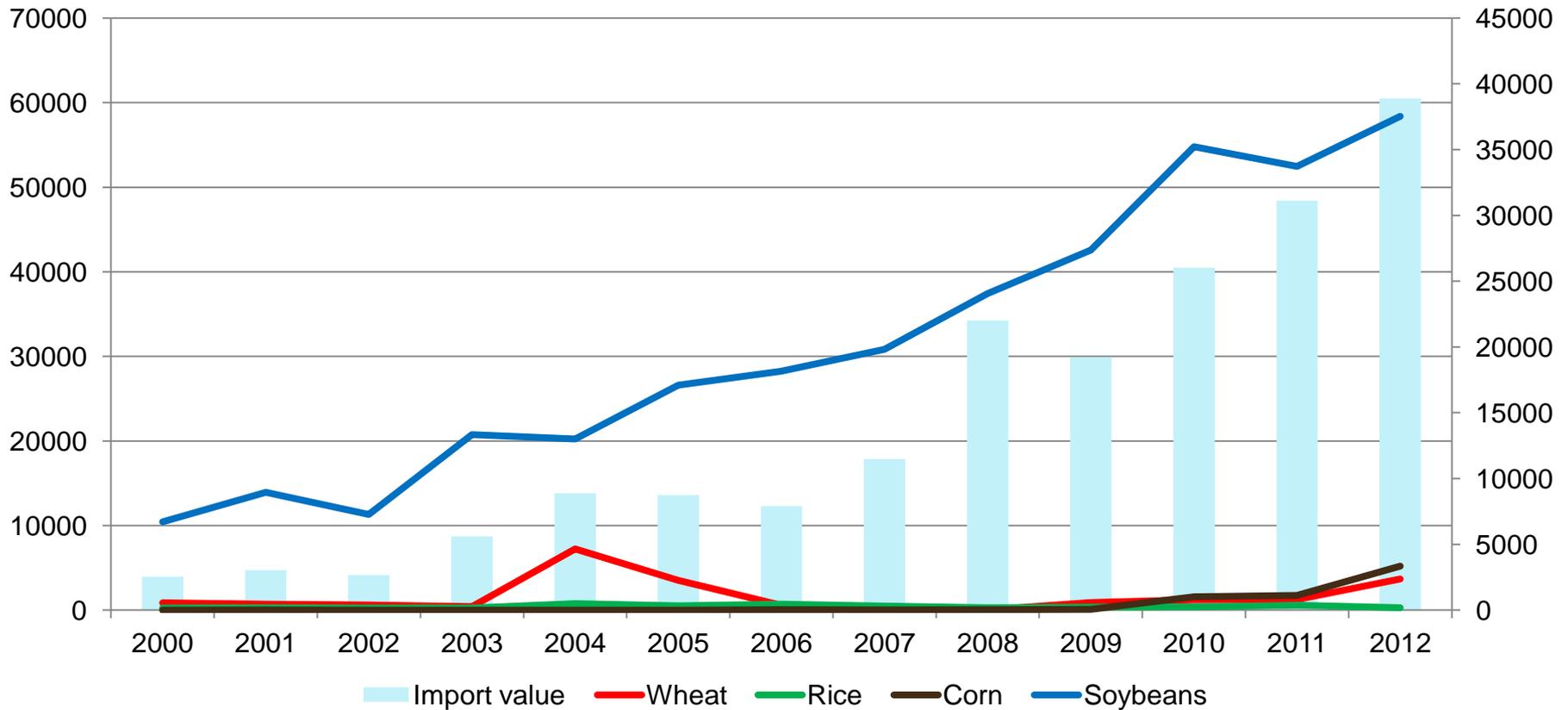
- any sort of energy intensive goods/services, including data centers
- natural gas
- food (mostly grain and feeds, other food industry products)
- jewelry

Import of meat in China, thousand tons (left axis), million dollars (right axis)



Source: FAOStat

Import of grain in China, thousand tons (left axis), million dollars (right axis)



Source: FAOStat



3. Use of Chinese excess capacity:

- infrastructure construction
- real estate
- renewables

4. Installment of Chinese “dirty” (?) production units:

- aluminum
- pulp and paper (?)

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5. Transboundary interregional cooperation (“Greater Altai”, cooperation in Irtysh river basin)
 6. Development of cultural and students exchange programs
 7. Large-scale multilateral collaboration in Greater Eurasia in which Siberia can play the role of a leading region from Russia’s side; multifaceted approach towards development of Siberia and Far East



Thank you for attention!