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Ludmilla V. Popova - Sergei F. Sutyrin

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Bank of Finland
Institute for Economies in Transition (BOFIT)

PO Box 160
FIN-00101 Helsinki
Phone: +358 9 183 2268
Fax: +358 9 183 2294
bofit@bof.fi
www.bof.fi/bofit

Ludmilla V. Popova – Sergei F. Sutyrin[1]

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Abstract

The paper analyzes development of Sino-Russian trade in the period 1985–1995, considering both the general state of relations between the two countries and internal logic of transitional processes taking place in China and Russia.

The authors start with an analysis of trade dynamics and a review of the commodity composition of exports and imports. The following sections deal with regional cooperation and border trade. On the basis of their analysis, the authors conclude that, in spite of problems, Sino-Russian trade for the period of 1985–1995 developed quite rapidly and still possesses the substantial potential for sustainable future growth.

Key words: Russia, China, foreign trade, regional development

[1] Ludmilla V. Popova – Ph.D. Student, Department of World Economy, St. Petersburg State University, 62, Tchaikovskogo str., St. Petersburg 191194, Russia, phone (812) 272 0330;
Sergei F. Sutyrin – Doctor of Economic Sciences, Professor, Acting Head of Department of World Economy, St. Petersburg State University, 62, Tchaikovskogo str., St. Petersburg 191194, Russia, phone (812) 272 0330, fax (812) 275 4966, e-mail SUTYRIN@svs.usr.pu.ru

1 Introduction

Bilateral relations between Soviet Union/Russia and China during the second half of the century went through impressive ups and downs. There was a brief, but ambitious, warming of relations in the early '60s, followed by a protracted period of a rigid confrontation and animosity lasting until the late 1980s. This state of affairs naturally influenced mutual trade which constituted the significant component of interaction of the two countries. By the mid-'80s, it seemed that continuing gradual improvement of Russian-Sino relations combined with the process of social-economic transformation (in particular, development of foreign economic activities) might facilitate their mutual trade even further. Then reality raised its ugly head. Within the framework of the present paper the authors strive not only to present some kind of a general overview of the Sino-Russian trade for a period of the last decade, but also, at least partly, to analyse the reasons behind its successes as well as failures.

Some additional interest to the issue results from an obvious growing weakness of the present Russian federal authorities and the relative isolation of the country's regions. Those located along a border are on the contact boundary with the outside world so that they become directly involved into international economic cooperation with their neighbours. From that perspective analysis of the foreign trade relations between Russian Far East region and China might be helpful for understanding of a similar process with regard to Northwestern Russia and Finland.

2 General overvies of the Sino-Russian trade for the period of 1985–1995

The second half of the 1980s witnessed a remarkable shift in the Russian policy towards the whole Pacific region. At that time the former Soviet leadership began to attach substantially more attention than before to promoting economic cooperation with the countries of the region. China was proclaimed to be among the main priorities in this development. A re-establishment in 1989 of the official links between the USSR and China ultimately removed the basic political barriers, that for many years had impeded economic cooperation between the two countries. More than that, good political will[2] provided an impetus to strengthening of a mutual interdependence of both states in the economic sphere.

China and Russia, the two largest states in Asia, have both undergone significant transformation. The total volume of trade increased substantially in the period in question. Respective statistical data are presented in a Table 1.

At the same time the forms of trade became more diversified in comparison with the Soviet period, when the bulk of Sino-Russian trade had been carried out at the intergovernmental level, while the role of the border transactions (officially resumed in 1982) had been minimal and constituted just about 5 % of overall mutual trade turnover.[3]

The commodity composition of the trade under review has always been a relatively homogeneous and changes little. Machinery and equipment have traditionally constituted the main article of the Soviet exports to China. By the end of the 1980s this commodity group accounted for as much as a third of the total Soviet export to this country. In turn, for almost two decades about 90 % of machinery and equipment had been presented by transport vehicles. Only at the end of the 1980s did the share of the latter fall to 54 % due to the increase in complete plant and equipment deliveries.[4] Other important articles of the Soviet exports to China – steel, mineral fertilizers, timber and aluminium – made up more than half of the total. At the same time, the consumer goods and

[2] Initially the demilitarization of the border areas and withdrawal of Soviet troops from Afghanistan and Mongolia in the late '80s reduced political tensions in the region. In 1991, a border agreement was signed, stipulating transfer of some territories in the eastern section of the border to the Chinese side thus settling 98 % of Chinese territorial claims.

[3] Lian Xiaomei, E yuandong diqu quyu fenli qingxiang de jing ji yinsu fenxi (Analysis of economic conditions of the Russian Far Eastern regionalism) *Dongbei ya yanjiu* 1996. No.2, p.74.

[4] *Kitayskaya Narodnaya Respublika: politica, ekonomika, kultura, 1992.* Moscow, 1994, p.178–179

Table 1 **Sino-Soviet trade, 1985–1990 (USD billion)**

Year	1985	1986	1987	1988	1989	1990
Foreign trade	1.9	2.7	2.5	3.3	3.6	4.3

Source: Chernyshiev A. Rossiysko-kitayskoe torgovo-economicheskoe sotrudnichestvo: istoriya, sovremennost, perspectivy. *Vneshnyaya Torgovlya* 1993, No.4, p.18 .

Table 2 **Sino-Russian trade 1991–1995 (USD billion)**

Years	1991	1992	1993	1994	1995
Foreign trade	3.90	5.86	7.70	5.10	5.46

Sources: James Clay Moltz. From military adversaries to economic partners: Russia and China in the new Asia. *The Journal of East Asian Affairs.* Winter/Spring 1995, vol.IX, No1, p.167; Rogachiev B. Eluosi yu zhongguo de jingmao hezuo: jongjie yu qianjing (Sino-Russian economic and trade cooperation: achievements and perspectives). *Dong'ou zhongya shichang yanjiu.* 1996, No.1, p.6.

foodstuffs constituted the bulk of Chinese exports to the USSR.

The trade growth of the 1980s was interrupted in 1991. In particular, mutual deliveries in accord with intergovernmental agreements equalled only 18 % of the previous year's level.[5] This decline resulted mainly due to the switch to hard currency payments in bilateral trade. Soviet importers at that time were short of foreign exchange, while China began to curtail foreign trade subsidies due to the introduction of a self-financing mechanism in its Foreign Trade Companies. Bilateral trade deteriorated further with the economic crisis in the USSR, and central authorities started to lose control over trade relations with the foreign countries. In its place, barter, border trade and deliveries via the third countries gained importance. In 1991, its volume grew 45 % in comparison with a previous year and accounted for about 60 % of total trade between the Soviet Union and China.[6] Table 2 illustrates this development.

The collapse of the USSR[7] manifested the beginning of a new stage in Sino-Russian economic relations. It was characterized by a further decline in centralized trade and unprecedented growth of direct contacts between individual traders, private companies, state enterprises as well as by increasing economic interdependence between the two states. Nevertheless, considering the measures by the Russian authorities from the second half of 1992 to regain control over international economic activities one should not totally ignore centralized trade. The latter still covers Russian exports of complete plant equipment for construction and modernization of various industrial enterprises, aerospace and other strategic equipment. In addition, export of military technologies and armaments are also under centralized trade.

By 1992–93, China had become the second largest Russian trading partner (after Germany) jumping from the 17th place in 1985 to a leading

[5] Chernyshiev A. Rossiysko-kitayskoe torgovo-economicheskoe sotrudnichestvo: istoriya, sovremennost, perspectivy. *Vneshnyaya Torgovlya* 1993, No.4, p.19.

[6] *Ibid.*

[7] According to existing estimates Russian Federation accounted for 85 % of the total Soviet–Chinese trade turnover. (*Kita'skaya Narodnaya Respublika...* p.178).

position in 1993.[8] For China, this trade turned out to be an important factor of the economic development of its North-Eastern regions, which were relatively underdeveloped ones in comparison with the southern provinces.

Sino-Russian trade in 1993 surging to USD 7.7 billion, thus substantially exceeded the predicted amount of USD 6.0 billion. Under the circumstances, both sides were rather enthusiastic about their bilateral cooperation. They assumed the same pace of growth for the next few years and accordingly calculated at least USD 8.0 billion foreign trade turnover for 1995. Meanwhile, this forecast proved to be overly optimistic.

With regard to the general behaviour of Russian foreign trade with distant countries, Sino-Russian one appears to be a very special one. Figures 1 and 2 (page 6) clearly illustrate the situation.

In order to understand properly Sino-Russian trade recession of 1994–1995 one first of all should take under consideration the fact that up to 1994 a very large part of all bilateral transactions (as much as 60 %) was executed on a barter basis.[9] Such a high share of one of the most primitive and unsophisticated forms of trade was abnormal. Barter contracts under review mostly stipulated deliveries of Russian raw materials in exchange for Chinese consumer goods (quite often low quality ones). No serious long-term prospects for that type of transactions existed.

Under the circumstances starting from 1994 both countries began to apply various measures aimed to limit barter. In particular, Russia in 1994 imposed export restrictions with regard to 14 commodities including those that had been the main articles of its barter deliveries to China.[10] The same year the latter in turn abolished a tax free import provision for the enterprises engaged in barter deals with Russia and adopted the system of key raw materials licensing and import quotas.[11] Appointed measures resulted in a certain contraction of the barter trade. Its share in total mutual trade turnover dropped from 60 % in 1993 to 50 % in 1994 (when the half of all transactions between the two countries were carried out on the basis of hard currency payments[12]), and to 28 % in 1995.[13]

Contraction of barter contributed in part to an overall 33.8 % trade decline in 1994. Other factors included:

1. Almost permanent alterations in legislation on foreign trade activities in both countries. For instance, in Russia, import tax rates during the '90s have changed several times and the range of taxable commodities has significantly enlarged. Duties imposed on export of key raw materials also complicated export operations with China.[14] In China, in turn, a preferential treatment for companies and enterprises trading with Russia was abolished in the end of 1995 and export quotas as well as licensing of some imports were introduced.

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[8] *James Clay Moltz. Op.cit.* p.157.

[9] Liu Dongsheng. Promising prospects for Sino-Russian trade *China trade and investment* 1995 vol.10, No.9/10, p.31. In the local trade a share of barter during 1992-93 was even higher – somewhat 80 % of the total volume. See Liu Baorong. Zhong'e jingmao hezuo jinru tiaozheng shiti (Sino-Russian economic and trade cooperation enters an adjusting period). *Waimao diaoyan* 1994, No.31, p.2.

[10] Guo Wenrong. Lun zhong'e bianmao de fazhan yu qi qianjing (On current situation and perspectives of Sino-Russian border trade). *Zhengzhou daxue xuebao* 1995, No.2, p.102.

[11] A.Kachanov. Jinyibu fazhan he wanshan ezhongjingmao guanxi de tujing (Further promoting and improving Sino-Russian economic and trade relations) *Dong'ou zhongya yanjiu* 1995, No.5, p.93.

[12] Ke Ti. Eluosi chengbao laowu shichang de tedian ji duice (Peculiarity and potential of the Russian market of contract manpower) *Guoji jingji hezuo* 1996, No.2, p.24.

[13] *Rogachiev B. Op.cit.* p.6.

[14] According to a decree No. 479, 1 April 1996, export duties were abolished.

Figure 1 **Russian foreign trade turnover (USD billion)**

Figure 2 **Sino-Russian trade turnover (USD billion)**

2. Growth of prices and transport tariffs in both countries, especially in Russia, led to the diminishing efficiency of some trade operations between the countries.

3. Poor quality, low competitiveness of a bulk of Chinese commodities and low prestige of Chinese products as a whole.

4. Gradual saturation of Russian market with consumer goods imports from countries others than China.

5. Adoption of a new visa regulations by Russia in 1994 requiring an invitation letter and a visa for all Chinese holders of regular passports.

6. Actual revaluation of a ruble in 1995 which made Russian deliveries less attractive to their Chinese counterparts.

7. Overall political instability, economic crisis and growing separatism in Russian regions.

8. Unification of a Chinese yuan/US dollar rate and tax reform in China in 1994. Under the new conditions, the cost of imports for Chinese side doubled. That naturally cancelled out the incentives initially given to border enterprises dealing with Russia.

As for commodity composition of Sino-Russian trade in 1993 in comparison with respective data for an overall Russian foreign trade with distant countries, it is given in Tables 3 and 4.

In case of Russian export to China, the highest share of machinery and equipment (46 % of the total) was registered in 1992. It resulted from the rise of a share of transport vehicles, which accounted for 75 % of the total value of this commodity group. Since then share of machinery and equipment diminished substantially and fell as low as 12 % in 1995. Russian import from China in spite of all above mentioned circumstances still consists predominantly of two commodity groups, namely foodstuffs and consumer goods.[15]

[15] *Kita'skaya Narodnaya Respublika...* p.179; Rogachiev B. Op.cit. p.7.

3 Regional cooperation

Regional trade gained a particular significance in the 1990s and became crucial for social stability and economic development of the Russian Far East and Northeastern China. For many years border regions of the two states were economically isolated from each other, and a substantial part of the Russian Far East region was included in "closed zones" where the military might of the country was. As a result, economic development of the Far Eastern territories had been under control of Moscow and depended heavily on centralized donations.

The same is true for the foreign trade of the region. Before the 1990s, it had been performed primarily on a centralized basis, i.e. on the basis of inter-governmental agreements that covered more than 40 % of region's total export.[16] After 1992, the situation began to change: the state's share in total trade of the Russian Far East dropped from 94.4 % to 19.3 %, while the share of direct contacts expanded.[17]

If during the Soviet era foreign trade of the Far East region was just another source of hard currency inflows into the central budget, at the moment it becomes essential for the region's survival in the process of transition to a new economic order. The collapse of the USSR and following crises of Russian federalism broke the traditional economic links between enterprises in the Far East and their partners in the European part of the country. Under the conditions when the region was cut from the federal subsidies the only way for the Russian Far East to support its economy was an expansion of foreign trade.

In the 1990s export orientation of the Russian Far East has shifted towards the Pacific rim. While a overall share of the Russian Far East in the total Russia's foreign trade turnover has only been 3-4 %, it has been substantially higher in case of trade with China, Japan and South Korea. Table 5 clearly illustrate the situation with regard to Sino-Russian cooperation.

[16] Admidin A., Devaeva E. "Rossiyski' Dal'ni' Vostok: vneshnyaya torgovlya I instrannyie investitsii. *Problemy Dal'nego Vostoka.* 1995, No.5, p.22.

[17] *Lian Xiaomei Op.cit.*, p.74.

Table 3 **Commodity composition of Russian exports (1993, %)**

Basic commodity groups	Export to China	Total export
Machinery, equipment, transport vehicles	25.4	6.5
Mineral products	0.9	46.7
incl.: oil products	0.4	---
Metals and metal goods	47.8	23.2
Chemical products	8.2	6.0
Timber, paper	1.2	4.2
Foodstuffs	1.5	3.8
Other	15.0	9.0
Total	100.0	100.0

Source: *Rossi'ski' statisticheski' ezhegodnik* 1994. Moscow, 1994, p.495; Dal'ni' Vostok – vozmozhnosti sotrudnichestva v ATR. *Ekonomist.* 1996, No.6, p.48.

Table 4 **Commodity composition of Russian imports (1993, %)**

Basic commodity groups	Import from China	Total import
Machinery, equipment, transport vehicles	12.2	33.8
Consumer goods	42.7	----
incl.: textiles	9.0	13.9
shoes	18.8	----
Foodstuffs	20.5	22.2
Other	24.6	13.3
Total	100.0	100.0

Source: *Rossi'ski' statisticheski' ezhegodnik* 1994. Moscow, 1994, p.495; Dal'ni' Vostok – vozmozhnosti sotrudnichestva v ATR. *Ekonomist.* 1996, No.6, p.48.

Table 5 **Share of Russian Far East in Russia's trade with China (%)**

	1992	1993	1994
Exports	15.4	20.0	6.3
Imports	37.5	26.1	10.0
Turnover	23.8	22.6	7.1

Source: Ma Weixian. Eluosi yuandong diqu duiwai jingmao guanxi (External economic and trade relations of the Russian Far East) *Dong'ou zhongya shichang yanjiu.* 1996, No2, p.12.

Liberalization of the countries' foreign trade systems which took place in 1992 in China and Russia, allowing interested regions to trade directly with their foreign counterparts. Initially, this resulted in a rapid growth in exports/import transactions of the Russian Far East with China. The latter accounted for 17 % of region's total trade in 1990, 27.3 % in 1992 and 33.6 % in 1993. In 1994, due to a decline in barter transactions, the figure contracted to just 9.7 %.[18]

One of the peculiar features of Russia's Far East's foreign trade is a large share of re-export transactions. For instance, up to 85 % of the Amur oblast machinery and equipment in exports to China in 1992-93 was represented by production manufactured in the other regions of the country.[19]

It is remarkable that the central authorities of China and Russia had entirely different attitudes towards the developing regional trade. In China, economic cooperation of its Northeastern provinces with neighbouring Russian territories was supported by the centre and was perceived as one of the major factors facilitating economic growth in this region. In 1992, a new concept of North-Eastern China's economic development began to be implemented, whereby a number of incentives were given to the border regions to broaden economic ties with Russia. Chinese enterprises trading with Russia enjoyed preferential duties and tax exemption. On the Russian side, regional cooperation has, since the very beginning of a transformation process, been carried out in the absence of an adequate legislative basis for inter-regional cooperation and barter trade. There has been (and still is) neither any clear concept of economic development of the Russian Far East nor a consistent strategy for integration of its territories into the world economy.

The 1994–1995 recession in Sino-Russian trade obviously had its regional dimensions. The differences in attitudes of the central authorities to these dimensions varied substantially.

In China, despite the recession, the "Russian factor" had secured some significance in the economy of northern China, especially in Heilonjiang province, which has the longest common border with Russia. In general, the foreign trade of Northeastern China is profoundly oriented towards the Russian market and accounts at the moment for one-third of the region's total trade. With regard to Heilongjiang province it constitutes about 40 % of province's total export and 70 % of import.[20]

The Russian Far East has suffered most from the recession. If an overall contraction of a Sino-Russian trade equalled 33.8 % in 1994, the

[18] *Ma Weixian Op.cit.*, p.13.

[19] Moskalenko Yu. Vneshneekonomicheskoe sotrudnichestvo Amurskoi oblasti so stranami Severo-Vostochnoi Azii. *Problemy Dal'nego Vostoka.* 1996, No1, p.47.

[20] *Zhongguo duiwai jingji maoyi nianjian 1995/96.* (Statistical yearbook of China's foreign economic and trade). Beijing, 1996, p.253.

respective figure for Far East region was 74 % .[21] Several factors are relevant for the proper assessment of this situation.

First of all, the scale and scope of an economic crisis in the region mostly resulted from the peculiarities of the structure of its economy. For decades, mining, metal extraction and metal processing have been the region's main industries. Under the conditions of the current Russian social and economic transformation, the Far East is thus in a more complicated position than many other regions of the country. For example, in 1993-95 it had the highest Russian consumer price inflation and unemployment rates. Mutual indebtedness of its enterprises appeared to be the most severe in the country and constituted in 1994, 30 % of the region's GNP.[22] The same year a share of unprofitable enterprises was also the highest in Russia and made up 28.5 % in comparison with 21 % for the rest of the country.[23] An economic situation in the region is aggravated by tense relations of its authorities with the federal centre. Problems emerged at least as early as 1991 when the central government had signed a border agreement with China without, as a local official had claimed, proper consultations. Later demands from several governors of the region for granting their provinces more economic freedom did not find any support in Moscow. All that generated a certain separatist mood.

Second, rising prices and transport tariffs separated manufacturing enterprises in a western part of Russia from the Chinese market. The region lost a significant share of "intermediary" foreign trade revenues from re-export transactions with China.

Third, rising import taxes in Russia made import operations too expensive for the Far East firms. Under the circumstances, import via Moscow importers, which have better opportunities to negotiate with the central authorities tax and custom privileges, largely substituted respective activity of the region.

Finally, there was an appreciable growth of anti-Chinese sentiment in some districts of the Russian Far East. Local populations were seriously disturbed by the uncontrolled migration of Chinese citizens to neighbouring Russian territories. The number of illegal Chinese immigrants averaged between 500,000 to 1 million already in 1992-93.[24] The people in the Far East were afraid of growing presence of the Chinese on the sparse territories of the region. In certain cases fears of a land take-over were cultivated. Adoption of a new visa regulations in 1994 helped to cool these sentiments.

4 Border trade

For many years the Sino-Russian border was heavily militarized and almost totally closed. Expansion of the border ties in the beginning of the 1990s was accompanied by the opening of several border crossing-points (today about 23). This stimulated the development of communications and other modern business infrastructure. Special cross-border zones were set up in a number of the areas allowing free passage of citizens holding local residence permits.[25]

Trade with the Russian counterparts was treated in China as a good opportunity to facilitate the economic growth of its border areas and thus to bring them closer to the rest of the country. In order to achieve this goal, the government granted tax privileges and additional rights to execute export/import contracts to the companies engaged in the border trade. After 1992, these firms were allowed to export as much as USD 1 million annually.[26] The State Council granted more economic freedom to four cities bordering Russia.

[21] Yin Jianping. Eluosi yuandong duihua jingmao hezuo xiahua de yuanyin ji duice (Reasons and countermeasures of a decline in economic cooperation and trade between the Russian Far East and China) *Longjiang shehui kexue*. 1995, No.6, p.35.

[22] *Ibid.*, p.36.

[23] Andrianov V. Resursny' potentsial I struktura ekonomiki Dal'nego Vostoka Rossii. *Problemy Dal'nego Vostoka*.1995, No.6, p.21.

[24] *James Clay Moltz. Op. cit.*, p.177.

[25] James Clay Moltz. Regional tensions in the Russo-Chinese rapprochement. *Asian survey*. 1995 vol.XXXV No 6, p.520.

[26] *Ibid.*

Preferences given to them were similar to those granted earlier to special economic zones in the south of China. The idea was to create processing zones, financial and trade centres on the territory of these cities and hence to promote industries oriented to the Russian market. Within the framework of their new status, Chinese regional officials established "limited zones" in a number of towns along the border where national currencies were accepted.[27]

Progress in the border deals might be regarded as a certain indicator of the degree to which the local regions are involved in the transformation process. In general, during the first half of 1990s these transactions comprised a large portion in a bilateral Sino-Russian trade. They reached 46 % of the total in 1992, then in 1993 reduced to 31 % .[28] However both the decline of a border activity and bankruptcy of some 30 % of border-trade companies was perceived by many Chinese authors as an inevitable outcome of the transition from a primitive stage when border trade was performed in a rather chaotic way without necessary regulations to a more sophisticated level of cooperation.[29] It is interesting to note that the commodity composition of the border trade corresponded with the general pattern of trade with the only difference, that the share of machinery and equipment in Russian exports to China was lower than in the case of centralized trade.

These figures are not entirely accurate, of course. Neither Russia, nor China (until recently) applied the notion of border trade and, hence all transactions performed in the border area were registered as border operations. China, in particular, has had different border trade regulating standards for various provinces of the country. Too many companies striving to take advantage of the favourable state policies pretended to be the border-trade firms. This damaged the interests of the enterprises really engaged in border transactions. Moreover, border trade was often confused with the barter.

At the moment, China is seeking WTO member status, so it must reconsider its border trade regulations and adopt new rules to bring it into compliance with international practice. Only border markets or small-scale trade by registered border-trade enterprises within 20 km of a border will be considered as actual border trade.[30]

5 Conclusion

Despite the present difficulties, Sino-Russian trade has been developing quite rapidly in the 1990s and still possesses a substantial potential for the future growth. During President Yeltsin's visit to China in April 1996 it was stated, that by the end of the century, the two countries would increase their bilateral annual trade to USD 20 billion.[31] This is not unrealistic. Already in 1995 the volume of trade accounted for 5 % of the total turnover with distant countries and China. Russia as a trading partner is not far behind Taiwan, South Korea or Singapore, though Sino-Russian trade turnover is still almost six times less than Sino-US trade.[32]

It is important to note that for throughout the 1990s, Russia steadily ran a surplus in trade with China. Table 6 illustrates this.

Some experts argue that the Chinese deficit results from the fact that higher-priced Russian machinery goes to China for lower-priced consumer goods and food products. Further, Russian military technologies and armaments exports are very profitable. In order to alleviate this deficit, the Chinese side must improve its export structure by including more machinery,

[27] All these measures were in line with an overall approach of Chinese authorities with regard to the development of the border territories. Official state policy stipulated favourable treatment of trade with neighbouring countries.

[28] *James Clay Moltz*. From military adversaries to economic partners...p. 30 % level was supposed to be more or less normal with regard to the countries and conditions under review.

[29] Liu Baorong. Zhong'e jingmao hezuo jinru tiaozheng shiti. *Waimao diaoyan*. 1994, No 31, p.3.

[30] Sun Hong. Border commerce unified. *China business weekly*. 25 Feb.– 2 March, 1996.

[31] Beijing, Moscow have a big hug. *Beijing review*. 1996, May 13–19, p.4.

[32] *Ekonomika vneshnikh svyaze' Rossii*. Moscow, 1995, p.613.

Table 6 **Russian trade with China in 1991–1995 (USD billion)**

Year	Export	Import	Balance
1991	2.10	1.80	0.30
1992	3.52	2.34	1.18
1993	5.00	2.70	2.30
1994	3.50	1.60	1.90
1995	3.78	1.68	2.10

Source: James Clay Moltz. From military adversaries to economic partners: Russia and China in the new Asia. *The Journal of East Asian Affairs.* Winter/Spring 1995, vol.IX, No1, p.167; Rogachiev B. Eluosi yu zhongguo de jingmao hezuo: jongjie yu qianjing (Sino-Russian economic and trade cooperation: achievements and perspectives). *Dong'ou zhongya shichang yanjiu.* 1996, No.1, p.6; *Kitayskaya Narodnaya Respublika: politica, ekonomika, kultura, 1992.* Moscow, 1994, p.178–179; Authors' calculations.

electronics and high- tech products.[33] In turn, some Russian sources claim that (at least in regard to barter trade) Russian exports are generally under-valued and imports are over-valued. The resulting losses for Russia amount to about USD 350–500 million annually.[34]

Diversification with regard to the forms of Sino-Russian trade is another peculiar feature of the 1990s. The role of regional and border trade increased considerably during the first years of the period. Growth stopped, however, because trade was executed by both sides mainly for short-term profit without adequate state strategy or an appropriate legislative basis. The stock of commodities in the Russian Far East which could be traded with China soon became exhausted, while the "digesting capacity" of the market with the population totalling 8 million people appeared rather small by Chinese standards.

The share of border trade in the total foreign trade turnover has been steadily declining since 1993, and even when it is brought into compliance with WTO requirements, it will not quickly recover to earlier levels. One reason is the lack of large manufacturers in the border areas of China and Russia. Prospects for inter-regional trade are brighter, though. When the Russian economy in general (and Russia's Far East in particular) recovers from economic recession, the potential of trade between Chinese and Russian regions will be great indeed.

The anticipated growth of trade on a regional level is often connected with the creation of a special international free economic zone on the border of the three states – Russia, North Korea and China in the delta of Tumen river. The advocates of the project claim that a new "triangle of growth" would facilitate trade and economic cooperation among the countries of the region. Under the circumstances, multilateral cooperation within Northeastern Asia might provide strong additional impetus to inter-regional Sino-Russian trade.

[33] See, for example: *James Clay Moltz* Regional tensions... p.522; Xiao Sun Sino-Russian trade expands. *China business weekly.* 1996, Feb. 25 – March 2.

[34] *Ekonomika vneshnikh svyaze' Rossii...* p.616.

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