

# China's Development of the Russian Far East Can Improve EU-Moscow Relations

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*Russia's Far East Investment and Export Support Agency investment manager Vasily Libo revealed on November 1 that China's foreign investment in the Far East advanced development zone accounted for about 59.1% of foreign investments in the region. This massive investment into the Far East is a strategic move by China as it aims to fully exploit the riches and benefits that this region of Russia can bring.*

As the Russian Far East has a huge investment potential, especially with materials, natural resources, fisheries, and tourism, China aims to take advantage of the mostly underdeveloped region. The region is not only resource rich, but is strategically located as it borders China Mongolia and North Korea, and has a maritime border with Japan.

This is undoubtedly Russia's gateway to Asia.

Many commentators and experts have claimed the 21st Century is the "Asian Century" as China, India, Japan, Indonesia and Russia will be some of the world's biggest economies by 2030. It is precisely for this reason that Russian President Vladimir Putin has prioritized the rapid development of the Russian Far East and has encouraged foreign investments into the region. Putin in May 2016 offered free land handouts in the Far East to Russians and naturalized citizens, demonstrating that Russia wishes to gain from Asia's rapid economic development in the 21st century. This can be achieved from the port city of Vladivostok, close to the Chinese and North Korean borders.

The official website of the Far East and the Arctic Development Department explained that China is one of the major investment partners in the Far East and that Chinese investors have participated in 49 projects in advanced development zones and the Vladivostok. Another 40 investment projects with a total value of more than \$23 billion US dollars are in the preparatory stage.

The largest projects using Chinese capital include the gold mining project involving China Gold Group, the coal project participated by China Energy, the Nakhodka Mineral Fertilizer Plant, and also the Zhongding United Animal Husbandry Co., Ltd., who are involved in milk production. According to data from the Russian Far East and Arctic Development Department, trade between the Far East and China grew by 26% in 2018, reaching \$9.7 billion. In the first half of 2019 it increased by 21% to \$4.9 billion. These initiatives are aimed at not only developing the sparsely populated region that has only 7 million people, in which tens of thousands are Chinese citizens who have now migrated to the region in search of opportunities and establish themselves as merchants and entrepreneurs.

For China, the region is just another economic opportunity, while for Russia it plays a critical

role in economically engaging with Asia. It is for this reason that the port city of Vladivostok, located conveniently close to China and North Korea, has hosted the Eastern Economic Forum annually ever since its establishment 2015. This is in part to attract and diversify the type of foreign investment in the Far East. However, with China contributing nearly 60% of foreign investment into the region, it would suggest that it has failed in this goal so far.

Although Indian Prime Minister Modi on the eve of Vladivostok's 5th Eastern Economic Forum this year proposed a trilateral engagement between Moscow, New Delhi and Tokyo by collectively developing the Far East, it appears that China's economic influence in the region will not be significantly challenged in the near future.

Japan's investments in the Far East's economy exceeds \$15 billion after many years and will continue to develop, but this is still insignificant compared to the Chinese investment. Rather, the insignificant amount of foreign investment from sources other than China demonstrates that if Moscow wishes to economically engage with Asia through the Far East, it may only be able to do so through the nexus of the Chinese Belt and Road Initiative (BRI).

Because China controls a host of ports throughout Asia, including in Thailand, Cambodia, Malaysia, Indonesia, Myanmar, Sri Lanka and even Australia, Russia's growing engagement with Asia through Vladivostok has to be done through the BRI network. This port network however can create a corridor that stretches from Vladivostok to Darwin, and all the emerging markets in between like the Philippines, Vietnam, Malaysia, Thailand and Indonesia. This has also caught the attention of Western Europe.

French President Emmanuel Macron made a Facebook post in August where he said "progress on many political and economic issues is evident, for we're trying to develop Franco-Russian relations. I'm convinced that, in this multilateral restructuring, we must develop a security and trust architecture between the European Union and Russia." This is a curious choice of words since France has maintained hostile relations with Moscow over Russia's reunification with Crimea, blaming Russia for the MH17 airline tragedy, and for Russia militarily defending Syria and economically supporting Venezuela.

However, Macron has proven to be a pragmatist and identifies that if the European Union wants to remain relevant in the 21st Century, it must grow its economic relations with Asia. It is for this reason that Macron also expanded on General de Gaulle's famous phrase that Europe stretches "from Lisbon to the Urals" by saying Europe's territory stretches to Vladivostok, the port city that is closer to Beijing, Tokyo, and even Darwin, then it is to Moscow, let alone Paris.

Coupled with the Trans-Siberian railway, products from Asia can reach Europe much faster than shipping to Europe, making the development of Vladivostok an interest for Western Europe too. Europe will probably not be enticed enough to develop the Far East, knowing full well that Asian powerhouses like China, India and Japan are already involved in the region. However, it is likely that Europe will be enticed enough to enjoy the benefits of having an open Eurasian corridor that must transvers Russia in its entirety from Vladivostok or other eastern cities to the European side of Russia.

Therefore, China's development of the Russia's Far East could push Europe to improving its relations with Russia. The European Union maintains a sanctions regime against Russia, mostly because of pressure from Washington. However, in recent months, there has been continued questions against the necessity to maintain sanctions against Russia from

European Union officials and Members of European Parliament. It is likely that as we continue to venture into the “Asian Century,” the Russian Far East will become a thriving area. It remains to be seen whether the inevitability of the “Asian Century” will be recognized by the entirety of the European Union in the near future, but it would be in their own economic interests to recognize this reality quickly. And to recognize this would mean an eventual normalization of relations between the European Union and Russia.

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