

# Russia and China Build Up a New Economic Geography

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*On November 8 Russia's large mining group Norilsk Nickel announced it had begun operations at a new state-of-the-art Bystrinsky mining and processing plant outside of Chita in Russia's Zabaykalsky Krai. Notable about the project is the participation of China, as well as the fact that four years ago the huge copper, gold and magnetite reserves of Bystrinsky were inaccessible to any market and completely undeveloped. It's one example of the transformation of the entire economic geography of Eurasia that's growing as a result of the close cooperation of Russia with China and especially with China's Belt Road Initiative, earlier known as the New Economic Silk Road.*

The Bystrinsky mining and processing complex is a \$1.5 billion project with total ore reserves estimated at 343 million tons. The huge project is jointly owned by Norilsk Nickel, the world's largest producer of nickel and palladium and one of the largest producers of platinum and copper, along with CIS Natural Resources Fund, a Russian natural resources fund established by Vladimir Potanin, and by China's Highland Fund. The new mine complex is some 400 kilometers by rail from the China border in Russia's Siberian [Far East](#).

Chinese participation is not surprising. China is the world's largest importer of copper and much of the new mine production will be headed to China. China's Belt, Road Initiative (BRI) that is seeing the construction of thousands of kilometers of new high-speed rail lines across Eurasia is creating a huge increase in demand for copper as well as steel and [iron ore](#). The new Russian mining project includes construction of entirely new infrastructure of roads, rail spurs and enormous infrastructure in what was previously untouched wilderness. The mine, the largest private project in Russia's Far East, will reach full capacity in 2019.

## Bridging the Amur River

Another example of the transformation of the economic geography taking place between Russia and China is construction of the bridge over the Amur River or the Heilongjiang River as the Chinese call it. The new bridge will connect China with Russia in the far northeast of China in the region of Harbin. To have an idea of the vast distances across the largest country in the world, the Russian Federation, the Amur River Bridge is some 1000 kilometers east of the new China-Russia copper mining complex near Chita.

The new bridge, due to open in 2019, will be a major infrastructure link facilitating trade between Russia's Jewish Autonomous Oblast and China's Heilongjiang Province with a rail and road bridge link spanning more than 2 km. A main immediate benefit of the new bridge will be economical transport of iron ore from the Kimkan open-pit mine in the Jewish Autonomous Oblast that is owned by IRC Limited of Hong Kong. The rail section will have both a standard gauge (1435 mm) track and a Russian gauge (1520 mm) track and a two-

lane roadway for cars and truck transport.

In 2016, after several years of negotiations and overcoming of long-standing mistrust between the Chinese and Russian partners, construction began on the bridge. The Bridge will tie into the China mammoth Belt-Road Initiative by enabling transportation integration into the China-Mongolia-Russia Economic Corridor (CMREC) of the New Economic Silk Road. The Amur bridge will connect Heihe and the Russian Far Eastern city of Blagoveshchensk, the administrative center of Russia's Amur Oblast where the Amur and Zeya Rivers meet. The Bridge will then make a connection to the Russian Trans-Siberian Railway and on to Vladivostok, the major Russian commercial port on the [Pacific Ocean](#).

The Heilongjiang-Blagoveshchensk bridge is operated by one company, a Russia-China joint venture called Heilongjiang Bridge Company established in March 2016 in China and its affiliate in Russia was set up six months later.

#### China-Mongolia-Russia Economic Corridor

In 2014 at a meeting in Dushanbe, Tajikistan China's President Xi Jinping, Russian President Vladimir Putin and the President of Mongolia Tsakhiagiin Elbegdorj, agreed to create a China-Mongolia-Russia Economic Corridor (CMREC) which has become one of the six priority corridors of China's Belt-Road Initiative, the first multilateral cooperation plan to form part of the Belt and Road Initiative. The CMREC will connect China's Belt and Road Initiative with Russia's proposal for a Eurasian Union and Mongolia's Steppe Road program, promoting regional economic integration. The CMREC has two key traffic arteries: One extends from China's Beijing-Tianjin-Hebei region to Hohhot and on to Mongolia and Russia; the other extends from China's Dalian, Shenyang, Changchun, Harbin and Manzhouli to Russia's Chita, site of the major new Russia-China copper [project](#).

#### Sino-Russian Investment Dollar Free

In September in Vladivostok the heads of the three countries of the CMREC agreed to closer cooperation in energy and mineral resources, high tech, manufacturing, agriculture and forestry, to widen services trade, and cooperation in education, science and technology, culture, tourism, medical care and intellectual property. This promises a major transformation to the three country region that during the tensions of the Cold War was severely underdeveloped and mutually [isolated](#).

At the same September 7 meeting of the Third Eastern Economic Forum in Vladivostok, China announced it was creating a \$15 billion fund to finance further regional economic cooperation projects with Russia. China's Vice Premier Wang Yang said that the investments would target manufacturing, resources exploitation, infrastructure, [agriculture and tourism](#).

This follows a July, 2017 visit of Xi Jinping to Moscow where the two countries signed a series of economic cooperation agreements including creation of a new US\$10 billion China-Russia RMB Investment Cooperation Fund, which will give access to RMB financing for Russian projects, including under both the One Belt, One Road and Eurasian Economic Union initiatives. One project in China's Hainan calls for a \$500 million (RMB equivalent) investment to develop industrial and innovation parks, high-tech healthcare services, tourism, social infrastructure, culture and art initiatives as priority areas. Hainan is a main portal of the [China Maritime Silk Road infrastructure](#).

Additionally the Russia-China development fund is developing a huge project at the former Tushino airfield northwest of Moscow to include the Rostec City business park, apartments for 15,000 residents, plus schools and a clinic in a total investment of \$1.5 billion ruble equivalent. The development involves Russian state-owned corporation Rostec Corporation as one of the key tenants, and Russian investment company Vi Holding as a developer.

Further agreement was made between the Russian and Chinese investment funds, together with Russian Export and FRC International, to establish a project trade named Dakaitaowa – meaning “to open a Matryoshka (Russian nesting) doll” in Chinese. The aim of the project is to promote further growth and export of GMO-free and ecologically clean Russian agriculture products to the [Chinese market](#).

Moreover China has gained permission from Russia to offer settlement services in RMB in Moscow through the China ICBC bank. Thereby China and Russia have effectively bypassed dollar risk in their mutual economic [investments](#).

All of this development, building up a new economic geography across the countries of Eurasia is a stark contrast to what Washington has done since September 2001. According to a new study by the Watson Institute of International and Public Affairs at Brown University, Washington has spent a staggering \$5.6 trillion on wars in Afghanistan, Iraq, Syria and Pakistan since 2001, more than three times what the Pentagon has claimed in official [estimates](#).

Imagine the United States instead had spent \$5.6 trillion on rebuilding America’s rotted \$8 trillion infrastructure deficit in roads, rails, water, electric grids– what a boost for the American people and for the world it would be. They might even imagine peaceful cooperation in the emerging Russian-Chinese Eurasian development, a true win-win for the world.

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