

RUSSIAN FEDERATION AND CHINA: COOPERATION UNDER THE BELT AND ROAD INITIATIVE

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This Issue Brief looks at six Sino-Russian projects that have been placed under the rubric of the Belt and Road Initiative (BRI). Since, at the political level, China is rather flexible in defining what counts as a BRI project and both Russian and Chinese media follow such flexibility, there is a need for analysts to have a clearer picture of what projects are exactly being counted under the BRI. This backgrounder shows that three of them—Yamal LNG, Asinovski Timber Industry Park, and the Belkomur—actually date back to before the birth of the BRI and were rebranded as BRI projects. The other three projects, namely the MGP Power of Siberia-1, Nizhneleninskoe-Tongjiang Railway Bridge, and the Moscow-Kazan Expressway, were created after the BRI came into being in 2013.

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The New Silk Road, a transportation system aimed at simplifying and accelerating the movement of transport goods and passengers by land from the People's Republic of China (PRC) to European countries in cooperation with Russia and other countries of the world, has been actively promoted and discussed since 2013. At the center of this project is the idea of a largescale transformation of the economic model of a vast part of the world. China presents the New Silk Road as a system of transportation corridors and infrastructure passing through Central and East Asia, Australia, Indonesia, the Middle East, Europe, Africa, Latin America, and the United States. At the political level and

in the media in Russia, the success of countries' cooperation in the Belt and Road Initiative (BRI) is often announced and noted.

In January 2021, the Chinese ambassador to Russia, Zhang Hanhui, in his article in the *Trud* newspaper, highlighted the success in cooperation with Russia in the implementation of the BRI and the parallel development of the so-called Greater Eurasian Partnership.¹ According to him, despite the pandemic, Russian agricultural exports, China's direct investments in the non-financial sector of Russia, and trade turnover between the countries showed an upward trend, by 15.8 percent, 7.4

percent, and 4.3 percent, respectively. At the same time, Zhang Hanhui mentioned successful projects such as the gas pipeline from Russia to China, Yamal LNG, and the Chinese-European Express, which partly runs through the territory of the Russian Federation. Between them, the two countries are developing a larger number of both successful and unsuccessful projects.

Going deeper into the cooperation between China and Russia on the BRI, the question arises as to how the usual economic cooperation with China can be separated from the BRI cooperation. The delimitation will make it possible to understand how the initiative of the New Silk Road itself is effective and has the right to be developed further. The very distinction is complicated by a fairly free interpretation of the concept both in the political arena and in the media. For example, some of the projects in Russia and China, often interpreted by the media as part of the BRI, had their origins before Xi Jinping even announced the ambitious goals of China's foreign policy in 2013. The absence of a clear understanding of what is BRI and what is not leads to a false image of China's influences in various parts of the world and its actual relations with potential partners in various BRI-host countries.

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The Yamal LNG project² and the Asinovsky Timber Park³ are examples of this, as the agreements on their founding were signed in 2005 and 2007, respectively, eight and six years before the creation of the BRI. Asinovsky Timber Park, being a project of the Tomsk region of the Russian Federation and China, relies exclusively on investments from the Chinese side. It is managed through a subsidiary of AO Ruskitinvest, founded by a coalition of the United Investment Corporation Hubei, AVIC International, and AVIC Forestry, which are all Chinese-owned companies. The project cannot be considered successful at the moment due to poor production results. Additionally, the project is not part of a more complex economic cooperation strategy or a component of transportation corridors. In this regard, the Asinovsky Timber Industrial Park should be attributed to economic cooperation between the Tomsk region and Chinese investors rather than a part of the BRI.

Yamal LNG, though founded six years before the BRI, is often attributed to the achievement of the New Silk Road. The now-thriving LNG plant was built due to cooperation among Russia (Novatek), France (Total), and China (China National Petroleum Corporation and China Silk Road Fund).⁴ Being an investment project aimed at economic, political, and technological cooperation between China and Russia, it should be considered as an international cooperation project and not as a BRI initiative. However, it is worth mentioning that the Sabbeta port, modernized for the use of the Yamal LNG plant, may become part of the Northern Sea Route and an intermediate in the transportation of natural resources in years to come. However, starting December 2021, China will lose the possibility of independent transportation of Russian LNG, as amendments to the Merchant Shipping Code have come into force in Russia. According to the code, ships flying the Russian flag have the exclusive right to carry out sea transportation of hydrocarbons produced in Russian territory and loaded onto ships

in the waters of the Northern Sea Route, to the first point of unloading or reloading.

It is worth mentioning another initiative that first appeared in tsarist Russia under Nicholas II: The construction of a railway line running from Solikamsk to Arkhangelsk, in order to develop industry and infrastructure in northern Russia, called Belkomur. In recent years, Belkomur began to attract special attention from Chinese investors (China Development Bank, Ministry of Railways of the PRC, Chinese Civil Engineering and Construction Corporation, Center for Economic and Investment Cooperation between Russia and China, Poly Technologies, Inc.). However, the Russian Federation was not able to allocate budget for this project, and the status of the Belkomur project will be updated in 2023.⁵ If the initiative can be implemented, the new highway will connect the Urals with the ice-free ports of Arkhangelsk, Murmansk, and Northern Europe. The shortest route to the ports of the Northern Sea Route from Western China and the republics of Central Asia will be created. Belkomur can become part of the BRI as an advantageous transportation and economic hub for many countries.

The aforementioned Yamal LNG, Asinovskiy Timber Industry Park, and Belkomur projects were all started before the BRI was even created in 2013. Both Chinese and Russian players have basically tried to rebrand them under the BRI umbrella to find legitimacy, momentum, and resources to continue the development of these projects. There are three other projects that were created after the BRI's birth in 2013. They are Power of Siberia-1, the Nizhneleninskoe-Tongjiang Railway Bridge, and the Moscow-Kazan Expressway. Below is an overview of these projects (see also Table).

Power of Siberia-1, a gas pipeline to supply gas from Yakutia from the Chayadinskoye field to the Primorsky Territory and the countries of the

Asia-Pacific region, was launched in 2019. At the moment, the maximum export capacity of 38 billion cubic meters of gas per year has not been reached. In 2020, supplies amounted to 4.1 billion cubic meters, and in 2021, it was planned to supply up to 10 billion cubic meters.⁶ This year, 2022, it is planned to increase supply up to 15 billion cubic meters.⁷ The project is highly beneficial for the Chinese side, as it was implemented exclusively with money from the Russian company PJSC Gazprom.⁸ China, in turn, received the opportunity for stable supply of gas, which is so important for the functioning of the country's industry, overland.⁹

“The SABBETA port, modernized for the use of the Yamal LNG plant, may become part of the Northern Sea Route and an intermediate in the transportation of natural resources in years to come.”

For PJSC Gazprom, this project does not promise a payback due to the extremely low final gas prices. In Russia, the construction of the IHL Power of Siberia-1 is considered a political decision. Therefore, the project is to be attributed to the economic and political partnership between the two countries, which focuses exclusively on cooperation between Russia and China.

The Nizhneleninskoe-Tongjiang Railway Bridge across the Amur river is a joint project of the Far East and Baikal Region Development Fund and the Russian-Chinese Investment Fund. The construction of this facility was completed in the third quarter of 2021. However, due to the lack

of necessary infrastructure to start operations, the first train is planned to be launched in summer 2023.¹⁰ This project can be attributed to the BRI, as it should significantly increase freight turnover between Russia and China due to a reduction in transportation distance by about 700 km compared to other existing railway routes.

The Moscow-Kazan Expressway (part of the section of the Europe–Western China international transportation corridor) is one of the latest projects in Russia that is closely related to China. The construction of the highway was launched in 2021.¹¹ The project was divided into eight sections, carried out by different contractors, including the Chinese company SiArSiC Rus LLC. Work is being carried out on all sections of the route at the same time but at different speeds due to the peculiarities of the natural landscape and the presence of bridges. The expected year of completion is 2024. However, it is planned to be further developed in Russian territory. The initiative will significantly reduce the time of land transportation from China to Central Asia and Europe and stimulate the economic development of

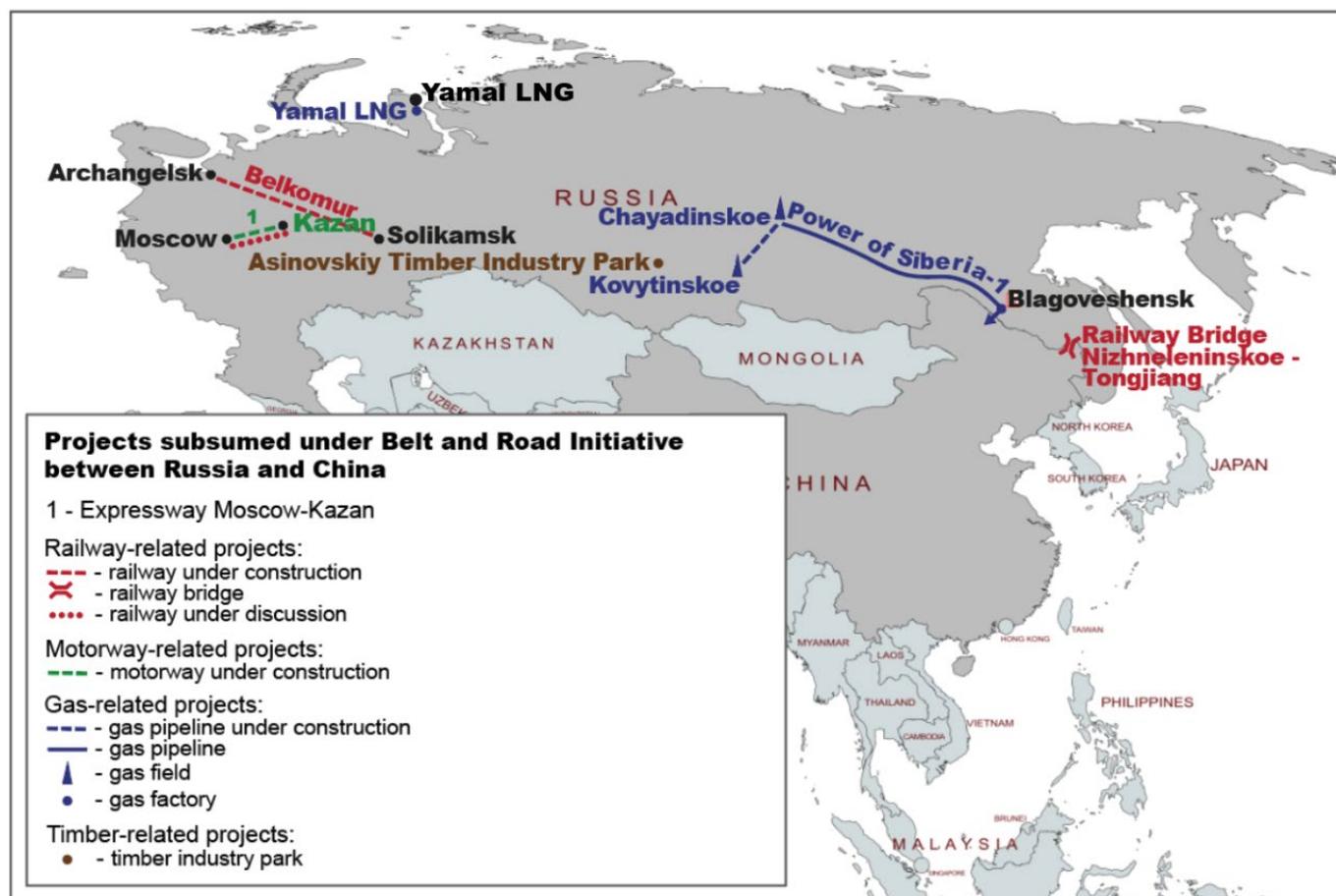
“An important milestone was the signing of agreements in June 2019 to simplify the exchange of information on goods and vehicles of international transport moving across the customs borders of the Eurasian Economic Union (EAEU) and the PRC.”

countries along the Silk Road Economic Belt, a vital component of the BRI. The Moscow-Kazan Expressway is a direct embodiment of the BRI. In addition, the possibility of building a Moscow-Kazan Railway, which will serve the same purpose, is being discussed.

Projects	Yamal LNG	Asinovskiy Timber Industry Park	Belkomur	MGP Power of Siberia-1	Nizhneleninskoe-Tongjiang Railway Bridge	Expressway Moscow-Kazan
Before or after BRI	Existed before BRI was introduced in China			Existed after BRI was introduced in China		
Important Years	Established: 2005 Launch date: 2017	Established: 2007 Launch date: 2013	Discussed since 1912	Foundation: 2014 Launch date: 2019	Established: 2013	Construction began in 2021
Objectives	Liquefied natural gas (LNG) production, development of the Arctic and the Northern Sea Route	Creation of a timber industry cluster producing products of global standards, development of the timber processing industry	Industrial and infrastructural development of the north of the Russian Federation and the Urals; based on the construction of the Solikamsk-Syktvykar-Arkhangelsk railway (1161 km)	Creation of a gas pipeline for gas supplies from Yakutia to Primorsky Krai and the countries of the Asia-Pacific region	Construction of a railway bridge across the Amur river	Development as part of the section of the international transportation corridor Europe—Western China

Projects	Yamal LNG	Asinovskiy Timber Industry Park	Belkomur	MGP Power of Siberia-1	Nizhneleninskoe-Tongjiang Railway Bridge	Expressway Moscow-Kazan
Major Shareholders	Russia: Novatek (50.1%) France: Total (20%) China: China National Petroleum Corporation (20%) China Foundation Silk Road (9.9%).	China: Hubei United Investment Corporation, AVIC International, AVIC Forestry set up a management company AO Ruskitinvest (7%)	Russia: The Komi Republic (48.32%), the Arkhangelsk Region (19.81%) and the Perm Territory (9.42%), other enterprises and institutions (22.45%). Customer: Russian Federation	Russia: Gazprom (100%)	Russia: Far East and Baikal Region Development Fund (25%) Russia and China: Russia-China Investment Fund (75%)	Contractors: Russia: LLC Transstroyemhanizatsiya, LLC SK Avtodor, JSC Giprostroymost St. Petersburg, LLC Gorka, LLC RSK, JSC VAD, JSC DSK Avtoban, JSC Institute Stroyproekt, JSC Institute Stroyproekt, Soyuzdorproekt JSC, MOSPROEKT-3 JSC, Instroyproekt LLC China: Ciarsic Rus LLC
Current Stage of the Project	The largest LNG plant in Russia; planned production and shipment of LNG. Production volumes are increasing. Yamal LNG produced 18.4 million tons of LNG in 2019, exceeding the plant's design capacity by 11%, and in 2020, the design capacity was exceeded by 14%. ¹²	The factories were not brought to their design capacity due to unsatisfactory management. The leased forest fund in the annual permitted timber harvesting in the amount of 1.5 million cubic meters is developed by 35%.	Various Chinese investors (China Development Bank, Ministry of Railways of the PRC, China Civil Engineering Corporation, Center for Economic and Investment Cooperation between Russia and China, Poly Technologies, Inc.) have shown interest in the project. However, due to the impossibility of financing the project by the Russian side, the actualization of the project has been postponed until the first quarter of 2022.	Gas transportation to Russian consumers in the Far East and to China. Deliveries to China in 2020 amounted to 4.1 bcm.	In the third quarter of 2021, the construction of the bridge was completed; however, traffic on it is currently not carried out due to the lack of the necessary infrastructure.	The road is divided into 8 sections; each stage is carried out by one of the contractors. At the moment, construction is underway on all sections of the route; however, it is happening at different speeds.
Future of the Project	Expansion of the network of LNG plants in the Arctic	Until 2022, it is planned to create about ten large forestry industries of various profiles: sawmills, factories for the production of wood-based panels, plywood, furniture, floor coverings, and other products.	The implementation of the project will lead to a reduction in the mileage of goods to 800 km (at the exits from the Urals to the ports of Arkhangelsk). Conditions for transportation services for the zone of occurrence and development of forest resources will improve.	The planned deliveries to China in 2021 are 10 billion cubic meters; in 2022, up to 15 billion cubic meters; in 2025, reaching the design capacity of 38 billion cubic meters. An increase in gas supplies up to 44 billion cubic meters of gas per year is being discussed. In 2022, a new field (Kovyvinskoe) will be added to the gas supply. Design of the Power of Siberia 2 gas pipeline to China through Mongolia.	In the summer of 2023, the completion of the construction of the necessary infrastructure and launch the first train are planned.	The 794-km road should be launched in 2024 and cut travel time between cities in half.

Projects	Yamal LNG	Asinovskiy Timber Industry Park	Belkomur	MGP Power of Siberia-1	Nizhneleninskoe-Tongjiang Railway Bridge	Expressway Moscow-Kazan
Benefits of the Chinese Side in the Project	Expansion of influence and strengthening of positions in the Arctic, cooperation in the field of technology and production of equipment for Arctic oil and gas production, the prospects for the development of the Northern Sea Route and LNG transportation along it, expansion of energy suppliers	Investment opportunity for China, development of economic relations both with Russia in general and with the Tomsk region of the Russian Federation bordering China.	The artery will connect the Urals and the Komi Republic directly with the ports of Arkhangelsk, Murmansk, and Northern Europe. The construction of the road will create the shortest route to the ports of the Northern Sea Route from Western China and the republics of Central Asia, which will lead to the creation of transportation and economic corridors that are beneficial for China.	Stable gas supplies to China, independent of possible US political decisions	Increase in freight turnover between Russia and China. The transportation distance between Russia and China will be reduced by about 700 km compared to other existing rail routes.	Significant reduction in overland travel times from China to Central Asia and Europe, economic development of countries along the Silk Road Economic Belt



An important milestone in the cooperation between China and Russia was the signing of agreements in June 2019, during the St. Petersburg International Economic Forum, to simplify the exchange of information on goods and vehicles of international transport moving across the customs borders of the Eurasian Economic Union (EAEU) and the PRC. The signing of this document will speed up procedures for customs clearance of goods and, consequently, increase the attractiveness of the transit of goods through the territories of the countries that signed the agreement. The actions of the governments of the two countries will also have a positive impact on the development of transportation corridors and increase the trade and passenger turnover of the BRI from China through Russia.

It is difficult to give a definite assessment of the economic and geopolitical consequences of all of the above projects in this background paper. However, initiatives such as the Moscow-Kazan Expressway, the Nizhneleninskoe-Tongjiang Railway Bridge, and agreements of 2019 aimed at the creation of more efficient transport and economic corridors should bring political and financial benefits not only to China and Russia but for the rest of the world as well. In the case of another similar project, Belkomur, if a decision is made on the implementation of the project, it can also have great economic benefit. When it comes to energy projects of Yamal LNG and Power of Siberia-1, there is a significant difference between them. The first one is a clear example of international economic cooperation for the development of extraction and transportation of natural resources beneficial for all the participants. The second case though is a geopolitical initiative aimed at improving Russia-China relations with no clear economic benefits in sight. Asinovskiy Timber Industry Park can be considered neither economically nor geopolitically successful at the current state due to mismanagement.

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Endnotes

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