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Russia Must Expand Relationship With China

By Vasily Kashin

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A significant number of the economic sanctions that the United States and European Union have imposed on Russia involve not just restrictions on exports of advanced and dual-use technologies, but also technology aimed at purely civilian use.

And, in contrast to restrictions on Russia's financial and energy sectors that are also painful for the West, the blockade on technology exports might remain in force for decades.

An example is the restrictions that the U.S. and Europe placed on military technology exports to China in 1989 in response to events on Tiananmen Square. Those restrictions remain in place today, even though the events that prompted them have receded into history and economic relations between the West and China have greatly improved during the intervening years.

The West has long enforced numerous informal restrictions on technology exports to Russia. Russian industries have often faced refusals when attempting to purchase highly complex

U.S.-made industrial equipment that Washington willingly sells to its allies. But now the West has formalized those restrictions and will not cancel them in the foreseeable future.

That forces Russia to look for alternative suppliers of complex technological equipment, and China is the logical first choice.

Until recently, Chinese industry was best known for its ability to mass-produce technologically uncomplicated products, with the result that Russia preferred looking to Europe to source more technologically advanced goods.

Working with European industry also had several advantages: the mutual ties both sides had developed over a period of decades, Russia's geographic proximity to Europe's main industrial centers, and Russians' knowledge of European languages and markets.

The Ukraine crisis has forced Russian companies to seriously consider working with Chinese industry. Both state-owned and private Russian industrial enterprises have begun searching for potential Chinese partners that could compensate for the negative consequences of breaking ties with Europe. The initial results are encouraging.

Undeniably, Chinese high technology still lags behind that of Europe and the U.S., but Chinese industry has nearly met or even surpassed Western levels of development in some specific areas. For example, the fastest supercomputer in the world is the Chinese Tianhe-2, and China has made significant progress in building high-speed rail links that are of great interest to Russia.

China has managed to bring its production of microelectronics hardware components much closer to Western levels and mastered the production of various types of modern industrial machines. China succeeded in modernizing its industry in large part due to the scale of the national economy, and because of the dominant role that the state has played in developing the machine-building industry.

Western companies, dependent on the growing Chinese market, were forced to adjust to the demands of the Chinese government's industrial policy. That created favorable conditions for the transfer of Western technology.

China's production of military technology very favorably complements Russia's. While Russia exports upward of $2 billion in military equipment to China annually, Beijing is strong in a number of specific areas where Moscow is particularly weak. For example, despite making some progress, Russia has yet to achieve serial production of its own strike drones and remains heavily reliant on European and Israeli partners for that equipment.

China, on the other hand, has begun the full-scale production and export of at least two types of reconnaissance and strike drones comparable to the U.S. MQ-1 Predator, made by General Atomics.

There are two Chinese analogues, the Pterodactyl I is made by the Aviation Industry Corporation of China (AVIC) and the Rainbow is made by China Aerospace Science & Industry Corp (CASIC), and although they might lag behind the Predator in some individual characteristics, the fact that a number of countries, including Saudi Arabia, have already

purchased the Chinese drones attests to their high quality.

China's experience of military and technical cooperation with such countries as Turkey, Pakistan, Iran and Argentina shows that whatever shortcomings might exist in Chinese technology are more than compensated for by Beijing's open and businesslike approach.

For reasonable terms, China readily agrees to transfer technology and licenses for other countries to produce its most modern types of equipment, including air defense systems, radio location stations, tactical and anti-ship missiles, helicopters and combat aircraft. Russia might accelerate development of its own drones by cooperating with China.

Amphibious ships are an even better example of untapped potential. Both the Soviet Union and Russia paid too little attention to this technology, with the ultimate result that Moscow was forced to buy the French Mistral warships. At this point, prospects are very slim that France will ever deliver those ships to Russia.

However, China has long been successfully building its 071 series of amphibious transport docks, and is developing its 081 universal amphibious assault ship as well. If the Mistral deal is canceled, Russia could use its refund and the significant know-how already gained from building the Mistral's stern on Russian territory to start building a new class of universal amphibious assault vessels in cooperation with China.

In the future, such joint Russian-Chinese products might find a market among developing countries.

The move toward a new level of industrial and military-technical cooperation between Russia and China has already begun. For example, Russian Technologies and federal space agency Roscosmos are already consulting with CASIC on the possibility of procuring electronic components for satellites.

Russian Technologies has also begun collaborating with China Electronics Technology Group Corp (CETC) to launch production for the civilian sector. Meanwhile, Russia's private businesses have stepped up their search for Chinese partners.

Russia's decision to establish closer industrial cooperation with China is not only a consequence of sanctions. Russian industry felt the need to pursue this path earlier, but the peculiarities of the Chinese market and the fact that Russia already had long-standing ties with Europe weakened its willingness to change.

The current crisis provides an opportunity for Russia to diversify its foreign economic relations. What's more, the new contacts with Asia will endure even after the current sanctions are lifted.

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