Chinese Agricultural Business in Russia: Lessons and Experiences
Xiaowen Zhang, Wanda Luen-Wun Siu

Abstract—Against the background of President Xi Jinping and Vladimir Putin hailing economics at the heart of their bilateral relationship, Putin conveyed that economic cooperation and trade are important to the revitalization of China and Russia. Likewise, President Xi Jinping noted that Russia and China bask in unprecedented great confidence and collaboration. Such amicable relationships may translate into enhanced economic cooperation and Chinese foreign investment in Russia. This paper employed a retrospective review and attempted to analyze Chinese agricultural engagement in Russian Far East, in addition to examining what was dubbed as land grabbing in Russia, probing into the political, economics, and human dimensions on the land debate. Such an analysis is significant as it contributes to the literature on foreign investment in agriculture.

Keywords—Agriculture, Chinese foreign investment, land grabbing, Russian Far East.

I. INTRODUCTION

On June 2019, Chinese President Xi Jinping considered Russia’s President Vladimir Putin as his companion during a bilateral conference on trade and relations. Mr. Xi said: “In the past six years, we have met nearly 30 times. Russia is the country that I have visited the most times, and President Putin is my best friend and colleague,” and Mr. Putin added: “He was pleased to say that Russian-Chinese relations have reached an unprecedented level. It is global partnership and strategic cooperation” [1]. Earlier in 2018, Russia announced the plan to offer Chinese businessman with abundant solid ground for launching cultivation projects. According to an investment manager, Dubrovsky, at government affiliated agency, “We want to express our great hope that Chinese investors to develop agricultural projects amid a friendly bilateral relationship between Russia and China. What was dubbed as Chinese land grabbing in Russia’s Far East is unreal.

II. AIM

This paper aims at analyzing Chinese agricultural engagement in Russia’s Far East, in addition to examining what was dubbed as land grabbing in Russia’s Far East, probing into the political, economics, and human dimensions of the land debate.

III. METHODS

This study employed a retrospective literature review that integrates and compares evidence pertaining to the Chinese agricultural investment in Russia, in particular the politics, economics, and human dimensions of Chinese agricultural investment in the RFE. With the use of retrospective review methods when assessing the available evidence, prejudice can be reduced and dependable findings from which inference can be drawn and best practices can be identified.

IV. RESULTS

A. Political Dimension

China and Russia promoted their strategic partnership and Putin’s resolve to improve ties with Beijing has been underlined by his ‘pivot to Asia’ in 2013 and separate from the western countries after aggression in Little Russian in 2014. Both China and Russia uphold the view that the other party would serve as a vital counterpoise to the effect of the United States. And the restrictions to Russian capital due to sanctions by the West have cultivated a perception that China can provide funds to support the ailing Russian economy. At the same time, China enjoys from Russia’s measures to obstruct Western armory and pecuniary advancement around the world. Russia has considered China as an important partner in the development of the RFE. And President Putin has reiterated that the development of the RFE is a state most important consideration for the 21st century. Economic development of the RFE is a step forward of Russia’s aims to bolster its state safety and enhance its stature in the Northeast Asian region [3].

Accounting for 36% of the territory in Russia, the RFE has geopolitical significance for Russia owing to its proximity to the Asian Pacific region and the RFE’s store of water and mineral deposit, such as fuel, petrol, precious metals, in addition to soybeans. But the RFE is under populated. The RFE contributed to only 5.5% to Russia’s gross domestic product in 2015 and ever since the collapse of the former Soviet Union, the number of residents migrating out of RFE and settled in

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Eurasia has amounted to over 20% [4]. There are 6.3 million residents in the RFE while there are 110 million Chinese in the three districts of Northeastern China on the opposite side of the dividing line. Analysts have suggested that such demographic imbalance is vulnerable to Chinese influence across the border [3].

Most of the border regions used to be Chinese. The former Soviet Union occupied the territory in 1858 and 1860 with the Treaties of Aigun and Peking. China has considered these two treaties were unequal that was imposed on the Qing dynasty by the Western world in the colonial period. China and Russia endorsed a boundary agreement in 1999 but the Chinese government has not ceremoniously agreed to receive the Aigun and Peking treaties [5]. The RFE holds valuable resources that are useful to China and it is undemanding to send these items to Asian proper than shipping these goods to the capital of Russia which is a long way off. The Russian workforce is dwindling owing to out migration and an elderly population. China’s growing population can fill the gap in the RFE. In response, the governor of Primorsky Kray, Yevgenii Nazdratendo, called for the resetting 5 million Russians from the part of Russia situated in Europe to the RFE [5]. Russia is apprehensive of getting carried away of its RFE to China due to its economic and demographic dominance. Such fear was highlighted in the first quarter of 2012, when then President Dmitry Medvedev suggested that the RFE could develop into a resources attachment to the Mainland falling under the control of the Chinese authorities in light of its excessive expansion [6]. In line with these suspicions, Chinese businesses were not included in key petroleum, building, and groundwork projects in the RFE as increasing Chinese influence in the RFE could result in political clout and territorial claims [3].

Then, in the second quarter of 2012, there was a change in Russia’s perception of Chinese presence in the RFE. When the Ministry for Development of the Russia Far East (MINVR) was set up in May 2012, the Ministry has reiterated that China is vital to the revival of the RFE. To calm the fear of losing RFE to Chinese control, Russia has attempted to accelerate economic growth and created jobs that would prevent the outmigration of Russians from the RFE and bolster Russia national exports to the Asia Pacific region. Russia has also increased the RFE non resource exports by virtue of enhancing secondary production capabilities and infrastructure sustainable economic development [3]. In response to Russia’s changes in official rhetoric regarding the RFE, China has shown desire of engaging in agriculture, groundwork, and logistical business, and travel in the RFE, aiming to transform the RFE into Russia’s Shenzhen [7]. China has increased the scope of the finance fund, the Silk Road Fund to bankroll national joint projects. The Chinese government then encouraged companies to invest in RFE and enlarge collaboration in production, materials extraction, substructure and logistics, agriculture and travel. China has worked further to foster cross border trading and make sure Chinese enterprises abide by Russian laws and regulations, and at the same time, Russia would implement preferential policies safeguard the lawful interest of Chinese companies. Chinese vice Premier Wang Yang said China has been a reliable partner of Russia in the development of RFE and both sides would work alongside to explore opportunities. Russia and China have governmental confidence and their two economic systems and expansion strategies fit well together. China is the largest source of import and came second as the destination for RFE’s export and Chinese companies have invested in 26 projects [7]. At present, Chinese enterprises, through directly or indirectly partnerships with Russian enterprises, own or lease around 20% of the RFE arable ground, totaling around 670,000 hectares, and planting vegetal, corps and raising herds, and participate in post production refining [8]. On June 10, 2015, China Daily described that Zoje Resources Investment in Zhejiang province, a publicly listed private enterprise in the Shenzhen Stock Exchange, signed a 49-yr ground leases with Trans-Baikal Region in Russia, on the RFE, bordering China and Outer Mongolia. Huea Sinan, a Zoje subsidiary leased 50,000 hectares of grassland and 65,000 hectares of tilling land to grow plants, corn, and other farming products, with overall amount estimated at around $28.4 million. The deal was carried out under the Silk Road Economic Belt Initiative, put forward by the President of China, Xi Jinping in September 2013, aiming at spurring economic growth to China’s western bordering districts [9]. Such reviews indicate that Chinese land investments in RFE is a sure manifestation Sino-Russian partnership.

B. Economics Dimension

Sino-Russian agricultural ties came closer amid sanctions from the United States. China is the biggest consumer of meat and grain in the world, since mid-1970s, average meat consumption and grain consumption has increased sixfold and threefold respectively. In light of this huge demand of agricultural products, China has become a dependable agricultural importer. China’s agricultural sector might face a gap in grain supply of about 130 million tons in 2025 owing to urbanization and aging rural workers. China has lost one-fifth of its farmland since 1949 and only around 10% of arable land currently is planned for farming business. Therefore, China imports over 20% of foodstuff. In 2020, food prices were driven up by fears of food shortages and natural calamities [10]. The Chinese government has declared the dispatch of 62.5 tons of rice, 50 tons of corn, and 760,000 tons of maize and is getting ready to increase imports of wheat, soybeans, and meat, especially from Russia, amid the trade war with the United States. In 2020, China ordered major wheat and soybean imports from Russia upon imposing a 25% of tariff on soybeans from the United States as retaliation for the US imposition of tariffs on Chinese goods. In 2019, Sino-Russian trade amounted to $110.75 thousand million, significantly up from about $21.2 thousand million in 2014, and a record of 62,600 tons of poultry worth $143.4 million was supplied to China [11]. And according to the Russian Ministry of Agriculture, Russian poultry export to China amounted to $329 million, an increase of 65% in monetary terms [12]. Russian companies enjoy access to the Chinese market. Earlier in light of the COVID-19 pandemic, in August 2020, Beijing launched a soybean industry alliance with Russia to offset a dwindling of supplies from the
western countries to guarantee China’s food security [13].

Already Russia is a key farming exporter to China, during the January to August period in 2019, Russian soybean selling to China expanded 9% yearly to 490,000 tons [14]. In 2020, bilateral trade in the agricultural sector hit an unprecedented level to $5.55 billion. And according to the Ministry of Commerce of China, Goa Feng, the Chinese government in 2021 planned to increase trade and economic cooperation with Russia to the $200 billion level. China was interested to expand commercial connections with Russia at the central region and locality level. In 2020, bilateral trade amounted to $107.77 billion [15].

Chinese outward foreign direct investment (FDI) invested primarily in the RFE. And according to the China Ministry of Commerce, the total investment in agriculture, forestry, and fisheries in Russia was over $3 billion in 2016 [16]. Almost half of the agricultural companies going abroad had business in Russia. And according to Heilongjiang Development Research Centre, in 1990s, individual Heilongjiang farmers began to grow grain and vegetables and raised livestock in Russia [17]. Later in 2005, Heilongjiang officials started to support farming activities in Russia that encompassed the efforts from enterprise-driven and China-Russian Government-driven activities. By the beginning of 2010s, there were 40% of administrative units and the province’s State Farm in China had established ties and agreement with Russian local governments to promote farming activities in the RFE, stretching over 460,000 hectares of land in the RFE [18].

In 2007, the Heilongjiang provincial agriculture authority launched a fund to provide funding for the purchase of equipment for developing agriculture in the RFE. Fostering cooperation by Heilongjiang country government with the local authority in the RFE, agriculture companies from Heilongjiang or farmer associations ploughed rented land in the RFE. Farmers very often used China’s agricultural machinery subsidies to purchase farming equipment in the RFE. The first national level agricultural industrial zone, the Sino-Russian Modern Agriculture Cooperation District started to operate in 2007, including 68,000 hectares of the land in RFE, agricultural production and logistics [18].

<table>
<thead>
<tr>
<th>TABLE I</th>
<th>RFE TRADE WITH CHINA IN 2019 [14]</th>
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<tbody>
<tr>
<td>Sakhalin Oblast</td>
<td>Exported amounted to 13.4%. China is the chief importer in coal and fish and seafood stuff, accounting for a share of 49.7% and 68% of the physical quantity respectively.</td>
</tr>
<tr>
<td>Sakha Republic</td>
<td>China is the key export partner, amounted to 7.9%. China is also the main importer partner, accounting to 21.1%.</td>
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<tr>
<td>Primorsky Krai</td>
<td>Trade with China increased by 23% and amounted to $4 thousand million.</td>
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<tr>
<td>Khabarovsk Krai</td>
<td>China is the main export and importer partner, accounting for 45.1% and 59.4% respectively.</td>
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<tr>
<td>Kamchatka Krai</td>
<td>Fish exports primarily to China</td>
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<tr>
<td>Republic of Buryatia</td>
<td>China and Mongolia are the main export partners.</td>
</tr>
<tr>
<td>Zabaikalsky Krai</td>
<td>China is the main trading partner, accounting for 83.5% of the trade turnover in 2018.</td>
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In recent years, Russia and China drove closer together amid western sanctions and China is also a major trading partner with the RFE, amounting to 27% of the aggregate turnover in 2019. China borders with four members of the RFE, namely, Primorsky, Amur, Jewish Autonomous Oblast, and Khabarovsky, and have closer trade ties with these constituents. The RFE in 2019 amounted to 6.8% of Russian export and 3.4% of Russian imports. Out of this share, Table I illustrates the trade pattern of RFE with China [19].

China and Russia have fostered enhanced cooperation in the RFE. With a Memorandum of Understanding (MOU) signed in 2016, both countries came to an agreement that Chinese enterprises could make one’s home in the RFE in several fields: building, metallurgy, energy, machine building, shipbuilding, chemical, textile, cement, telecommunications, and agriculture aiming to establish an export-oriented production. Here, China is said to encourage both state-owned and non-state-owned enterprises to cooperate in bilateral projects. That might entail fiscal subsidies from the state government and private businesses. Also, in the Russian Far East plans of accelerated development in 2012, Russia aimed at attracting foreign investment from China by offering tax and other benefits. As of 2017, Chinese enterprises leased or controlled 600,000 hectares of land in the RFE, the total area is 616,932,900 hectares [20], and of which around 80% of the total is under the operation of enterprises in Heilongjiang [21]. In the Jewish Autonomous Oblast, the Chinese controlled around 27,000 hectares of sown land. Northeast China shares some commonalities with agricultural land in the RFE with similar crop patterns. Both Northeast China and RFE rely on mechanized large-scale farming for the production of crops. Northeastern agriculture business has a preference to engage in agriculture in the RFE with the lease for cultivated farmland more affordable than China. In the RFE, arable land is controlled by Russian state enterprises or local government and this has facilitated Chinese investors to participate in agriculture in the RFE as investors do not need to collect and lease small acres of land from numerous peasant owners [22]. Chinese investments in RFE are often initiated by the Chinese state and provincial authorities. For example, a local department of Agricultural Development Planning in Heilongjiang Province under the Chinese Ministry of Agriculture rented for farms for soybean production and dispatched around 200 Chinese workers to the RFE, while the participation by private enterprises in the RFE are mainly in the agriculture of labor-intensive sector such as vegetables. Roughly two-thirds of vegetables in the RFE come from China imports or harvest in the RFE by Chinese private enterprises [22].

Agriculture in Russia has witnessed a decline after the downfall of the USSR in the 1990s. Declining demographics, inadequate infrastructure, and transportation have plagued RFE agriculture. Before the 1990s, RFE agriculture relied on the subsidies of the central state. After the 1990s, state subsidies dwindled and outmigration in the RFE has created a labor shortage, which resulted in the overall economic decline in the RFE. RFE population fell around 20% between 1991 and 2008, due to emigration and natural fall. Around 40% of the RFE agricultural land that was privately owned went to the pensioned. Around three-fourths of this land would have been
inherited by 2010, but many heirs failed to claim inherited land [23]. Therefore, over half of the RFE arable land has become wasteland. The Far East Federal District constitutes one-third of Russia’s territory, but in 2009, the RFE had only 4.6% of Russia’s population [23].

The availability of vast farmland in the RFE and at a significantly cheaper lease rate than that in China, and the market price for farming products in the RFE led to many Chinese crossing the border to participate in the agriculture business in the RFE. Chinese laborers, small businessman, and farmers grasped the chances to expand their farming scale and make money on the RFE market. In some instances, Chinese small farmers became capitalist farmers and getting richer. Larger corporations started to invest in agribusiness in the RFE in the 2000s, acquiring large-scale production bases. The increase in Chinese investment in the RFE coincides with the Farm Land Bill, which signed into law in 2002, permits foreigners to lease Russian agricultural land for up to 49-years, and purchase of land by enterprises with a majority of shareholding by Russia. The Farm Land Bill comes also in tandem with the Chinese government's Going-Out strategy. In line with these developments, according to a Chinese large investment company that participated in RFE agriculture, Dongning Huaxin Group, small-scale of land can be acquired by negotiating with local collective farms or the Russian local authorities, Chinese companies need to set up joint enterprises with their Russian counterparts and obtained the endorsement by the Russian authorities [23].

Ever since 2002 and in 2013 at the APEC Policy Partnership on Food Security Meeting, Russia intended to establish a Far East Grain Corridor and to sell around 10 million tons of grain into Asia by 2020. In addition, Russia also announced a scheme to provide 20 investment projects, involving up to 150,000 – 200,000 hectares of ground land for large-sized enterprises. Here, the Russian government welcomes the agricultural investment coming from China [22]. Higher levels of the agricultural deal by the state are highlighted by the pledge by China’s president, Xi Jinping in May 2015 that China would invest USD$2 billion into Russian agricultural projects. National enterprises such as the China National Cereals, Oils, and Foodstuffs Corporation, which is China’s largest grain-trading state-owned enterprise, have shown interest in Russian agriculture [8]. Therefore, Chinese activity is not a case of land-grabbing in RFE, and in fact, China has contributed substantially to the consumer marketplace in the RFE, with China provide around 50 to 75% of the vegetable consumer market in the RFE has proven to be a profitable market for Chinese small farmers grasping in RFE, and in fact, China has contributed substantially to the consumer marketplace in the RFE, with China provide around 50 to 75% of the vegetable consumer marketplace. Such abundant supplies have lowered consumer prices. Here, Chinese investment and engagement in the RFE is welcome by the Russian authorities and given RFE's huge land reserves, it is clear that mutually beneficial land arrangements are made between Russia and China.

C. Human Dimension

Opinion about the Chinese presence in the Russian Far East has been underlined by the warm political relations between Russia and China, with Russian pollster found over the past two decades that around 70% of the Russian population has a positive or very positive opinion about China, and some 62% regard China as a friendly ally. Such good feelings can be found in regions bordering China. One Russian poll in 2016 shows that 80% of Eastern Siberians view China as an ally partner for development, yet some 59% also regard the rise of China as constituting some form of threat to Russia [24].

According to Rosstat, Russia’s federal statistics service, there have been a steady number of Chinese emigrants to Russia since 2011, on an average of over 8,000 per year, and there is a close parallel with Russian's outmigration to China [24]. In the RFE, the major Chinese settlements are in Khabarovsk, Vladivostok, and Ussuriysk. In Ussuriysk, a majority of Chinese migrants that become traders are Chinese citizens of Korean descent and there are only around several thousand people [25]. Most Chinese workers in the RFE come from Heilongjiang, and they aimed at obtaining access to raw materials and resources in Russia to foster commercial development of their province. Around 133,000 Chinese contract workers from Heilongjiang went to Russia between 1988 and 2003 and mostly employed in the construction and agricultural sector. Population pressure and profit-making are the major motives for the Chinese working in the RFE. Over 100 million of people live in the provinces bordering Russia in Northeast China, but there are only seven million Russians living in the RFE in 2002. Apart from contract workers, around 1.1 million Chinese were visiting RFE on tourist visas between 1997 and 2002 [25]. Russian press estimated that around two to five million Chinese reside in Russia [26]. And according to the Federal Migration Service, around 235,000 Chinese were in Russia with a temporary residence permit in 2007, along with 103,000 Chinese with work permits in 2007 [25] with the figure increased to 400,000 and 550,000 in 2021 and 1,323 Chinese have attained permanent resident status in Russia. Among these migrants, around 200,000 to 350,000 reside in the RFE [27] with these Chinese migrants leased land from Russian landowners, turning abandoned land into soybean fields [28].

The development of Chinese migration to the RFE was facilitated by an agreement between Russia and China which allowed citizens of both countries to enter and move freely on the bordering territories after the dissolution of the Soviet Union. Such an agreement had led to a major flow of Chinese migrants to the RFE and many of them are small traders and entrepreneurs seeking opportunities and profit in the RFE. The RFE has proven to be a profitable market for Chinese small traders providing the region with cheap consumer goods in the 1990s. The local population was then experiencing very dire economic situations with the cutting of all government aid and state factories and enterprises ceasing to function. There are inadequate agricultural products. Against this backdrop, the daily necessities brought by small Chinese traders provide the region with cheap consumer goods in the 1990s. The local population was then experiencing very dire economic situations with the cutting of all government aid and state factories and enterprises ceasing to function. There are inadequate agricultural products. Against this backdrop, the daily necessities brought by small Chinese traders provide the region with cheap consumer goods in the 1990s. The local population was then experiencing very dire economic situations with the cutting of all government aid and state factories and enterprises ceasing to function. There are inadequate agricultural products. Against this backdrop, the daily necessities brought by small Chinese traders provide the region with cheap consumer goods in the 1990s. The local population was then experiencing very dire economic situations with the cutting of all government aid and state factories and enterprises ceasing to function. There are inadequate agricultural products. Against this backdrop, the daily necessities brought by small Chinese traders provide the region with cheap consumer goods in the 1990s.
Non-Russian companies introduced 57.0 Chinese workers per company. These figures suggested that Chinese companies did not import more Chinese workers to the RFE than Russian companies. Companies wanted skilled workers from China. And they form part and parcel of the inflow of Chinese workers into the RFE [16]. But the business environment has become less profitable as time goes by, especially since 2014 when the Russian ruble lost half of its value relative to the US dollar, thus making Chinese imported goods more expensive for Russian locals suffering from stagnant wages. Coupled with outmigration, the local consumer base is shrinking, with little prospects for a rebound. As a result, many traders closed businesses and left Russia [22], with few traders replace them.

V. CONCLUSION

Given the state-level Sino-Russian strategic partnership amid western sanctions in recent years, it is expected that there would be a few high-profile Chinese investments in the RFE. And it goes beyond saying that some of these Chinese overseas investments will draw local suspicion. The reality of the Chinese community in the RFE is different from the way that it is projected in the Russian local media, and land grabbing by the Chinese is a myth that only reassures the psyche of the Russian general public. The RFE is territorially most distant from the city center, Moscow, and therefore has remained politically and economically secluded. China, with its northeast provinces very proximate to the RFE, had the economies of northeastern China and the RFE become increasingly resource management policies would trigger anti-foreign investments will draw local suspicion. The reality of the Chinese community in the RFE is different from the way that it is projected in the Russian local media, and land grabbing by the Chinese is a myth that only reassures the psyche of the Russian general public. The RFE is territorially most distant from the city center, Moscow, and therefore has remained politically and economically secluded. China, with its northeast provinces very proximate to the RFE, had the economies of northeastern China and the RFE become increasingly supportive of each other. The Russian traded their raw materials for food and agricultural products, consumer goods, and skilled Chinese workers across the border. And therefore, Chinese migrants have played a key role in the development of the RFE [21]. Although there have been reduced Chinese presence in the RFE recently given the dire economic conditions there and though the land acquisition is a very sensitive issue in the RFE, Chinese investors should bear in mind that ethnic bias human resource management policies would trigger anti-foreign sentiment in the RFE. But Russia needs to recognize that it has a huge unused reserve of arable land and has the potential to develop farming into a strategic commercial element for valuable exports to Asia and Europe. It is in the best interest of Russia to foster large-scale FDI's in RFE agriculture, with the support from the Northeast regions in China so as to develop the region economically on one hand and using food exports as a political weapon to cultivate international friendship on the other [16].

It follows that overseas land acquisition is not the state official policy of the Chinese government. And the deputy director of National Development and Reform Commission (NDRC) Zhang Xiaojian noted that overseas land acquisition is not part of the China’s National Food Security and Long-Term Planning Framework (2008-2020). He reiterated that the going out policy “supports qualified enterprises to go to other countries and regions… to launch oil, crop, grain, fruit, and vegetable production,” but that it is “absolutely not promoting Chinese farmers or large-scale corporations to go overseas and purchase or lease long-term land to grow large amounts of food on which China’s food security will depend” [17] There is no import dependency on staples as China is self-sufficient and therefore the claim of Chinese land grabbing in Russia is a farce.

Overall, there might be potential for mutual suspicions and future unease relations. China’s economy has been half the size of the Soviet Union before its collapse in the 1990s to more than four times bigger than that of Russia nowadays. At present, according to official statistics, Chinese military expenditures are more than twofold that of Russia [18]. Undoubtedly, there would be growing Russian ill-feeling at the ascending power of China. But both sides have taken steps to seal friendly bilateral relations amid western sanctions. As Russia and China are intent on maintaining amicable bilateral relations, any talk of a Chinese threat to or land grabbing in Russia would remain a mistaken belief [22].

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