
AUTHOR: LU NANQUAN, Chinese Academy of Social Sciences

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CONTRACTOR: Princeton University

PRINCIPAL INVESTIGATOR: Gilbert Rozman

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NCEEER NOTE

This Report consists of four papers to be distributed seriatim by the Council under the general title SINO-RUSSIAN RELATIONS, of which this is the fourth. They are:

#1. Will the Strategic Partnership Endure? by Professor Gilbert Rozman; Director, Council of Regional Studies; Princeton University


#3. China in Russia’s Eastern Policy: The Opinions and Concepts of Russian Scholars and Politicians. by Professor Vilya Gel’bras, Moscow State University, Institute of the Countries of Asia and Africa.

#4. China’s Views of Some Important Questions in the New Russia. by Professor Lu Nanquan, Chinese Academy of Social Sciences; Institute of Central Asia, Russia and Eastern Europe.
CHINA'S VIEWS OF SOME IMPORTANT QUESTIONS IN THE NEW RUSSIA

Lu Nanquan

Executive Summary

Lu highlights the diversity of thinking in China on the Russian economy and his own views on the necessity of closely linking economic and political reforms. The paper reflects his in-depth knowledge of a broad range of publications and of internal debates.

From my examination of Chinese sources, I think that Lu performs a valuable service. Although he may understate somewhat the consensus in open sources encouraged by the leadership on many points, he alerts us to the intensity with which divergent views continue to be pressed by the academic community. He indicates the relevance of these views of Russia even today to advocacy of reforms, economic as well as political, in China. He also hints at Chinese realism about the economic forces affecting the Sino-Russian partnership. This realism takes several striking forms.

First, he indicates the receptivity to shock therapy and radical measures as unavoidable in Russia’s circumstances. If the majority completely reject shock therapy and officials negatively assess privatization, a vocal minority disagrees, although conceding that the way privatization has been conducted leaves Russia without a middle class pillar of democracy. Implied in the criticism of the way economic reforms have been conducted is the suggestion that if internal political struggle no longer wastes huge efforts, Russia can concentrate its energy on economic reform with superior results. This is far from an appeal to Russia to switch to the Chinese model. Even if Lu is careful to reject the applicability of a free market economic model and Western monetaristic theory in designing Russian reform, the implication is that the existing foundation can yield a reform model that will work while linking Russia’s economy closely with Western economies.

There is no hint in Lu’s analysis of bilateral economic integration based on convergence of economic reform in China and Russia. Realism recognizes that both countries, but now especially Russia which has no Hong Kong and rich, experienced overseas community, must integrate into the world economy. If China and Russia can achieve a vision of greatly increased trade and cooperation in production, it will be not as exclusive partners but as secondary links to each country’s global integration.

Lu acknowledges the poor job Chinese experts have done in predicting Russian economic development. He stresses problems that will hinder a healthier economy, many of which have parallels in China. Nonetheless, Lu identifies a way out through Russian integration into Northeast Asia. He argues that Russia can find a way to accelerate its development and to strengthen its role as a pole in the world system.

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2This summary and commentary was composed by Gilbert Rozman.
What is unpersuasive in Lu’s analysis is the argument that the U.S. and Japan are not positive about assisting Russia to raise its role through economic development in Northeast Asia, while China is its strong supporter. He concludes that Moscow must stifle the “yellow peril” outbursts in the Russian Far East to remove suspicions in Sino-Russian relations and thus spur economic development. This shows the bias in China toward bilateralism. It is not clear that Chinese scholars have adequately understood the interest in helping Russia to develop in the U.S. and Japan or are prepared for the multilateral ties that would result and leave China somewhat on the sidelines, although a prime beneficiary economically if not politically in accord with its current narrow notion of national interests.

Realism in China also takes the form of acknowledging Russia’s weakness in the world for a long time to come due to its economic troubles. This is consistent with the conclusion that China should not stake very much on ties to a weak Russia if that means damage to its relations with stronger powers.

Lu draws our attention to fierce debates in China about where Russia is heading. Whereas these debates accentuate what separates Russia from the West in political tradition, they diverge on the prospects and advantages of neo-authoritarianism for Russia. No doubt, at stake in Russia’s direction of political development is not only the impact on its economic growth but also the future of Sino-Russian relations. A more democratic Russia or even one with a great deal of power in the hands of financial circles would be less inclined to forge an exclusive partnership with China.

We can surmise that those who see shock therapy as an avoidable mistake, an Asian-centered Russian growth strategy as linked to China above all, and neo-authoritarianism as Russia’s political future are prone to have high hopes for the Sino-Russian partnership. In contrast, others who regard shock therapy as necessary and a base on which Russia can still build, who recognize the multilateral direction of Russian economic development in Europe and Asia, and who doubt the advantages in a Chinese type neo-authoritarianism are more likely to recognize the limitations in the partnership. Raging debates about Russia’s internal development centering on the economy spill over into wider areas and help us to understand the more sensitive topics that are not directly treated in open or internal circulation publications.
CHINA’S VIEWS OF SOME IMPORTANT QUESTIONS IN THE NEW RUSSIA

Lu Nanquan

At 7:39 on the evening of December 25, 1991, in the Kremlin the sixty-nine year old Soviet national flag softly fell to the ground, and the white, blue, and red three-colored flag representing Russia rose. In the more than five years of the new, independent Russia, it continuously has become a hotspot of world opinion, and various opinions have formed of it. Because China and Russia live as neighbors and China has a history of decades of applying the model of the Stalin system, various changes in the new Russia, its development prospects, and its influence on the international situation naturally draw extreme interest from China and from its specialists on the Soviet Union/Russia.

The issues touched by the question of how China has viewed Russia over the past five plus years are very wide-ranging. Here I will offer a brief summary of three important questions: economic reform, prospects for economic development, and the direction of social development.

**Russian Economic Reform**

Toward the Russian system, especially various questions concerning the transformation of the economic system, it seems as if all Chinese scholars have their own views, and on some questions the divergence is very large.

1) On “shock therapy.” As soon as this issue arose it became the hotspot of debate for Chinese scholars, and until now opinions are sharply split. On the whole, there are three types of views. The first is the view of the majority, which completely rejects Russia’s “shock therapy.” They consider that three fundamental conditions ought to have been prepared if a country wants to apply this therapy: 1) the foundation of a market economy, a market system which is moving away from exclusive monopolies, and a market system of consumer goods and producer elements; 2) an already established private property economy occupying a high ratio (the leading position); and 3) an array of financial, credit, and currency systems. According to these analysts, the following list of elements determines that shock therapy is not suitable for Russia.

1) The highly centralized planned economic system already in operation for 70 years, which blanketed the whole society, required a transition.

2) The economic structure’s extreme unevenness, including the militarized economy, the shortage of consumer goods and backwardness of services, and the monopolistic nature of industrial production, remained difficult to change in a flash.

3) A shortage economy and the economy useful for shock therapy stabilization were contradictory, so that freeing prices could easily cause living standards to drop further and in the first period bring a large slide in production.

4) The absence of a foundation for a market economy was coupled with an extremely small share of private property.
5) Severe barriers to free trade and foreign economic relations existed in an economy which previously had been fundamentally closed and where most goods lacked any competitive potential so that a rapid opening would produce a great shock for domestic industry.

6) Limitations continued on Western credits and investment in Russia, which were expected to stabilize the economy and provide the decisive conditions for switching to a market economy.

7) A great difficulty was caused for shock therapy by the disrupted economic relations among the Commonwealth of Independent States and growing isolation within Russia.

8) The poor timing of shock therapy reform came just as great changes in society and politics were under way, with extreme instability and the high tide of a struggle for power.¹

The second viewpoint holds that at the very start Russia had no choice but to use shock therapy or a radical mode of economic transformation, basing its conclusion mainly on four points.

1) Historically, Russia’s reform is really a continuation of past Soviet reforms, whose beginning can be traced back to 1957 and then languished over more than thirty years as Khrushchev, Brezhnev, and Gorbachev failed in three gradual style reforms, leaving mounting accumulated contradictions difficult to overcome and necessitating the appearance of shock therapy.

2) Essentially shock therapy is a wide-ranging freeing of prices at one time, and while consumer shortages are a notable feature of the classic planned economy, as the Soviet Union was breaking up the situation had reached unprecedented seriousness to the point of almost empty markets, so that to suppress the rush to purchase Russia was driven down the route of shock therapy with price reforms at the core.

3) Having been restrained by past elements, reform in the former Soviet Union as it entered the late 1980s was no longer only conducted in the economic area, and it gave rise to a life-and-death struggle of political forces, so that when “rightist forces” had just gained political power in the new Russia, in order to consolidate their political control and to manage state economic policy they had to raise the flag of shock therapy.

4) In the past the Soviet Union had only practiced reform not openness, and relations with the West, especially the United States, had continuously worsened while the military burden had become ever heavier, which made reform fail, so that drawing on these historical lessons Russia positively is alleviating its tense relations with the West and welcoming the West’s wishes, and although Western promises far exceed Western actions, after first retreating until the situation matures, Russia can make another advance.²

Based on the above analyses, conclusions indicate that although radical measures were not suitable for transforming the Russian economy they were unavoidable.³

The third viewpoint sees both serious worsening brought from radical reforms and already some initial results. The principal bad results were: a decline in economic power as many important economic indicators fell back ten years or more; the economic system became even more
unbalanced, as stress on heavy industry and neglect of light industry grew more evident; the state budget shortfall grew year by year and simultaneously exploded into an enterprise financial crisis; living standards fell, polarization intensified, and life for the majority grew difficult. Initial achievements were: the appearance of diverse economic elements and an ownership framework; a huge change in people's thinking with a large increase in market consciousness; although the market system still is very incomplete, some market elements are gradually growing; the appearance of some good phenomena. Russia's economic reform brought, on the whole, economic liberalization as the main contents of reform, price liberalization, large-scale privatization, tax reform, currency reform, the elimination of the state monopoly over foreign trade, and expanded openness to the outside.

Those who reject Russian shock therapy generally trace back to this the principal cause of the steady worsening in the Russian economic situation. Others focus on failures stemming from lingering features of the Soviet economic system or from shortcomings in reform policies. Thus discussions about shock therapy have shaped the overall assessment of the causes of continuing economic troubles all the way to 1997.

Similarly, the debate on privatization reveals enduring differences about how difficult it is to reform the inherited economic system and how wise it is to borrow an approach from the West. The basic Chinese view of Russian privatization is that it is a Russian government political platform as well as a concrete economic policy and it is a means to achieve the objectives of a market-style economy and a mixed economy from the past overly centralized economy based on state-ownership. While small privatization has produced clear results, large privatization is still awaiting a positive outcome for production. Currently large privatization in Russia has a series of problems, the most important of which are: the severe washing away of state property, the masses have not really become the owners, the managerial system has not yet been transformed, efficiency has not yet been increased, and for most enterprises privatization has not brought new investment or introduced new technology or products.

Chinese officials have a negative attitude toward Russian privatization. Repeatedly stressing that China absolutely does not carry out privatization, they warn that state property cannot be dispersed to individuals without compensation.

After privatization in Russia can the newly appearing private ownership class become a pillar of democracy? Persons quickly becoming millionaires are members of the former privileged groups and their children, managers in the former shadow economy, a percentage of store renters and contract recipients of properties, and individual households known in Chinese as getihu. These strata have the following special features: they have grown rich fast; they have committed severe legal violations; and it is difficult for them to find common understanding with other social strata and with pressing administrative expectations. According to some materials, now the stratum of Russian
private owners comprises 15 percent of the population and although not a few are able and some are doing something in the hope of developing the Russian economy, even more are committing criminal activities under the slogan of privatization. Their hundreds of millions of dollars of property do not originate from legal work. They really do not aim for the kind of democracy that the government desires, but, on the contrary, especially fear openness, parliamentary oversight, and the oversight of public opinion. It is too naive to think that these people could become pillars of democracy. Since Russian privatization was not based on true fair competition and all of the power of privatization continued to be concentrated in the hands of bureaucrats and official organs, this must bring disappointment. 

Looking at Russia’s economic reform conditions of the past few years, I think that Russia has not yet found a suitable structural model for its national circumstances. Reform direction and policy in some important areas lack consistency. Moreover, no strong political leadership force has formed to ensure that important reform policies can be carried to completion. Thus, it is hard for reforms to achieve the success they should.

As for the overall evaluation of Russian economic reforms, according to the consistent attitude of Chinese officials, no matter how Russia carries out its reforms, no matter what kind of model it chooses, this is Russia’s own affair. In general, this should only be based on an objective evaluation of conditions, not on Russian leaders propagandizing the Chinese reform path and experience. Officials start from the following considerations. 1) Each country has its own concrete circumstances and must rely on these in deciding its own direction and policies. 2) In human history there do not exist similar reference cases for the transition from the past, traditional, centralized planned economic system to a market economy, and in everything one must start at the beginning and grope one’s own way forward. China’s reform also has a lot of problems that have not been resolved such as the reform of state-owned, large and middle-sized enterprises which is still groping along. 3) In Russia leaders have always had an ambivalent outlook on China’s reforms, on the one hand believing that they basically do not suit Russia and in no way are applicable, and on the other hand believing that China’s reform path is worth Russia’s close attention. In this situation, Chinese officials strive to avoid allowing differences in reform paths to influence the normal development of bilateral relations. But this does not mean that Chinese officials are indifferent to Russia’s economic reform progress. On the contrary, this is a matter of extraordinary interest in China.

This author believes that the main mistakes in Russia’s economic reform were:

1) After more than five years, although there have been some changes in different periods in Russia’s economic reform policies, the guiding thought is to choose a free market economic model to resolve its economic problems and to use Western monetarist theory to design its reformist blueprints. The experience of these several years demonstrates that this kind of model really does not apply to Russia.
2) In 1992 a series of measures adopted in Russia aimed at radical transformation into a market economy did not really correspond to Russia's circumstances. Later Russia intended to adjust the radical reform policies of shock therapy, but this was already extremely difficult.

3) To reform state managed enterprises to make them compatible with a market economy is extremely important. But Russia's mistake in this matter was using command methods in order in the fastest way to accelerate privatization. In this way, it destroyed the past strength of state enterprises and thus deepened the economic crisis.

4) Russia did not manage well the relationship of reform, development, and stability. The objective of reform is to develop production and on this foundation to raise living standards and thereby to deepen a stable environment for reform creativity. Over more than five years Russia continuously did not manage well the relation of these three factors. It did not adequately consider the social and political problems that could be produced by reform. Over this period Russia's top local leaders wasted huge efforts in internal political struggles, being caught in one political current after another. Under these circumstances, Russia could not concentrate its energy on reform and the economy. In turn, the economy could not escape from crisis, standards of living fell greatly, and unstable elements in society multiplied. These also blocked the advance of reform policies.

Prospects for Russian Economic Development

Not many Chinese writings examine the prospects of Russian economic development over a comparatively long period, while short-term forecasts such as year-by-year predictions of the following year are quite common. Often, the short-term forecasts are quite far removed from real development results. For example, in forecasting the economic situation in 1994 not a few persons expected the Russian economy to take quite a large turn for the better, that it could reach bottom and start up again, but the actual result was a decline that far exceeded 1992 and 1993. And analyses for the 1995 economic situation generally anticipated further development of the Russian economic crisis with a decline in production on a scale of 10 percent, but in fact the amount of decrease was much less as the GDP fell by 4 percent. When it came time to predicting the 1996 economic situation not a few scholars said a rise of 0-2 percent could be realized, but the actual figure was a decline of 6 percent. On the one hand, one-sided forecasts of the development of the Russian economy far from reality can be explained by the complexity of the Russian economy, with lots of indefinite elements. On the other hand, we still lack understanding of the development rules for the Russian economy in the first period of transformation and research is not very deep. It is easy to be influenced by information from internal Russian and international organizations.

Assessments of the next 5-15 years are even more difficult. Recent Russian government presentations to the State Duma suggesting three stages of development from 1997 to 2000 suggest an upturn, and Chinese forecasts are similar. Many predict that if there is no shakeup in the Russian political situation and economic reform policies can continuously be completed, in 1997 the economy
can stop declining and approach its nadir, and then it is very possible that Russia will enter an unstable growth period requiring two or three years (1998-2000). Perhaps one year will bring slow growth, another relatively high growth, and still another even a return to decline. Only around 2000 can the economy enter a comparatively stable stage of recovery, with growth in GDP of about 4 percent annually. After a certain foundation is set, the speed of economic recovery can accelerate. Accordingly, only after 2010 can Russia recover to its level prior to the crisis. Very clearly this forecast is not as optimistic as the development plan presented by the Russian government. Such prognoses are based on detailed breakdowns of many aspects of the economy and their influence on development.

Chinese examine also the impact on the Russian economy of the unification of the economies of the CIS. Calls for unification recently have grown louder. These states after experiencing years of economic decline are all thinking of integrating the CIS economic space in search of a way out. Integration reflects the common needs of the economies of the various CIS states; it also indicates that after independence these states have not shed their dependence on Russia. Moreover, these states have felt disappointment toward their assistance and trade relations with the West; and it is a matter of Russia maintaining in the former Soviet Union its leadership role. Following Russia's foreign policy adjustment and in accord with its high-level strategic considerations, it must regard the former Soviet territory as its sphere of influence in order to maintain its political, military, strategic, and economic interests in this region.

Although the states of the CIS objectively must strengthen their economic integration, to realize integration requires a transition. For some time to come it will still be difficult to feel a large positive attraction to the Russian economy, let alone to create a situation where in a short time CIS economic integration could become a stable and important element in Russian economic development. Thinking in these countries on the subject is not unanimous. Russia mainly attempts to realize political ties of geography, proclaiming that the CIS is the region of Russia's important interests. Although in advocating economic integration, Russia is considering economic interests, it is even more considering control over this area. And the other countries of the CIS are mainly aiming to use integration to maintain former energy, capital, trade, credit, and debt privileges. They are extremely sensitive to influences from economic integration on their sovereignty. Thus, all measures with such potential are hard to realize. Over five years the CIS states have signed more than 300 multilateral agreements and in 1995 alone leading government councils made close to fifty agreements, but the number actually put into effect is very small. Moreover, Russia really is not thinking of making concessions in the process of economic integration. This is clearly shown in the impossibility of offering cheap prices for energy and raw materials, and in Russia's desire to resolve existing inequalities in payments and trade. It stresses trade based on international prices. CIS economic integration also will not necessarily give Russia very large economic benefits; on the
contrary Russia will pay a price for this. The CIS countries have received $5.8 billion in credits from Russia, a large part of which is for energy. 10

In the social and political arenas there are a great many unstable elements, which for some time to come will still hinder a healthier economy. In the aftermath of the presidential election, the Russian political situation has tended to stabilize, but the struggle for power among various factions continues, while President Yeltsin’s health condition also had an effect. In this way, it is difficult very quickly to form a consensus of political forces to push economic reform. Social factors, in this author’s consistent opinion, are extremely important problems limiting Russia’s economic stability. If one overlooks these problems, one cannot draw a correct estimation of the future of Russian economic development. The main problems existing now are: 1) official corruption. Russia has already changed into a state of extreme official corruption. Foreign businessmen, economists and Russian analysts all recognize that this is the most important obstacle to investment and the development of a market economy. 11 2) High criminality as mafia organizations have penetrated into every sphere: their activities are extremely rampant, and cannot be resolved in a short time span. In the estimation of Russian specialists, controlling two-thirds of Russian markets is not the government, but criminal groups. 12 3) In the process of reform, the powerholding stratum took reform as its instrument for getting rich. Not a few persons used various illegal methods to seek profits, and the mass of citizens suffered in the reform process. As their living standards fell sharply and the gap between rich and poor kept widening such unstable elements have increased a lot. Serious socio-political disorder will continue to develop, and will be an important reason causing very many people not to have an optimistic attitude toward economic reform and the prospect of economic development. This is also why on March 6, 1997 President Yeltsin reported to the Federation Council on the state of the country that “the most important problem is repairing the political order, without doing so there is no chance to advance and no chance to resolve the most pressing problems.” This also points to “long-term political struggle blocking correctly going ahead with economic reform.”

China has some scholars who are more optimistic than the above estimates in their prognoses for economic development. They believe that in the first decade of the next century Russian development will speed up, and her economic capacity not only can be restored to the best level of the Soviet period Russian Republic, but also very likely will realize a new and even big breakthrough based on four sources.

1) Russia’s historical burden is not large due to a relatively small population and low birth rate unlike China’s and due to the fact that enterprise responsibilities for social welfare will be less burdensome since the old system differed from China’s in paying for employee housing, daycare, schooling, etc. mostly through society. Although the former Soviet Union left many problems for Russia, it also built in many areas quite a good foundation, as in machine manufacturing, the
petroleum industry, energy, metallurgy, communications and transportation, etc. In agriculture which is a weak sector in the overall national economy, backwardness is relative. We can make a simple comparison: In the Soviet period grain per capita reached 800 kilograms, while China estimates for the year 2000 there will be 490 billion kilograms for 1.3 billion Chinese, an average of about 390 kilograms per person.

2) Resources are clearly superior. The territory of Russia is 17,075,000 square kilometers, which is 76.3 percent of the former Soviet Union. Its mineral resources, forest resources, water resources, marine resources, etc. are extremely rich. Especially oil, natural gas, coal, and other energy reserves are colossal: just Siberia’s reserves comprise about one-third of the world’s. Although for a short time rich resources do not necessarily speed economic development, over the long term, their presence or absence will be an important factor in determining the speed of economic development.

3) Its scientific and technological strength is not small. While everybody recognizes that Russia’s civilian industry is backward, everybody also acknowledges that its military industry is advanced. This contrast reflects the fact that it is not that Russia does not have advanced science and technology, but that it was only confined to a narrow sphere and did not achieve widespread diffusion and application. This is a serious problem, but fortunately leaves huge latent potential. We should see that as Russia deepens its shift from a planned economic system to a market economic system it will form a system for spreading and absorbing scientific and technological achievements, which will become a future productive force for wide areas.

4) There is hope in market expansion. In the post cold war era a striking feature is that the struggle for markets of the various countries and regions of the world becomes ever more intense. This is because international competition is increasingly concentrated in the economic sphere. Whoever has a big market will have a lot of room for economic development. In this competition Russia also is not willing to show weakness. In the near future, I calculate, Russia’s strategic focus will be the CIS and the states of Eastern Europe, and already she has gained some success.

There are also some scholars who analyze Russia’s current socio-economic development prospects from the developmental history of the Russian nation, pointing out that “from the character, geography and development potential of this young Russian nation the current disorder and weakness is nothing more than the prelude to its restrengthening. Of course, this restrengthening will be of a different nature, a different appearance, but we definitely cannot underestimate her might and influence.” For this restrengthening, which indicates a restoration of the former Soviet Union’s overall national strength, how many years will be needed? “The time she will need to spend will at least be no less then the shortest time historically to overcome all previous disorder or about 15 years. If we start counting from 1991, this requires at least until 2005. And that is the most conservative estimate. But from Russia’s history of development and her resources (including human
resources), she positively can complete this transformation. On this there should be no doubt. Therefore, we should neither believe the theories of current Russian authorities nor the theories of various people who consider that Russia has failed. We should start from China’s own interest to attend to Russian changes more deeply, more closely, and more expansively.”

**Economically Can Russia Become a Great Power Pole in a Multipolar World?**

Since E. Primakov was appointed Russian foreign minister on January 9, 1996, he has repeatedly stressed the idea of a multipolar world and that Russia fills the great power position of one among the poles, while also noting that the U.S. is not the main actor and Russia is not America’s subordinate. Russia will continue to promote a strategy of “restoring its great power status, and securing its sphere of influence.” It wants to demonstrate its influence in the multipolar international framework that will be forming.

The cold war ended, and the world framework began a transition from bipolar to multipolar, which is an irreversible development tendency. The post cold war international struggle and the battle for hegemony between two superpowers during the cold war are different. No longer is the military used as the main instrument. “Rather economic power has become the most important, decisive element in the international struggle.” Regarding this, the Russian scholar V. Lukov also correctly noted that “in international relations the tendency of economic mutual dependency is ever more apparent.” “The scale and effectiveness of Russia’s participation in the important international multilateral management systems will be the foremost determinant of the speed of my country’s economic and scientific and technological development.” At present, Russia’s role as one pole in a multipolar world mainly depends on its military power, second only to the U.S.. In addition, it also has abundant scientific and technological potential, rich natural resources, and a comparatively developed foundation in heavy industry as well as a spacious territory, but these are not real economic power. Therefore, if we talk of economic power, no matter today or for some time to come, it will be difficult for Russia to be called one pole in a multipolar world. Observers recognize that Russia’s economic troubles complicate its becoming one such pole. According to the International Development Bank’s estimates of 25 years from 1995 Russia will not be among the ten strongest economic great powers. But Russia can raise its world economic rank, strengthen its position in the center of the international system, and to do this it must now stabilize its economy and later induce growth.

Chinese scholars have also analyzed the restoration of Russia’s economic great power status. They “estimate that around 2000 Russia still will not be able to gain an advantageous position in the multipolar framework, and at the very least only in 2010 or even around 2020 will it be able to develop into an economic great power.” Another viewpoint similar to the above is that in overall GDP for it to overtake England and Italy and become Europe’s second or third strongest country will require waiting until the 2020s.
Some Russian scholars analyzing the trend of increasing weakness of Russia in relation to the U.S. draw an even harsher conclusion. “No matter how much supporters of world multipolar and unipolar concepts debate at present, this world is entirely a unipolar world regardless of how painful this is for our consciousness.” They cite some extremely disappointing figures to explain Russia’s current world position: “Now the GDP of NATO countries comprises 45 percent of the world GDP, but Russia’s only comprises 2.4 percent. In 1995 the military expenses of NATO states comprise 46 percent of world military expenses, at least nine times the Russian figure. NATO has 7.3 million armed forces, but Russia only has 1.7 million.” They continue that “Russia to now has no realistic possibility of changing this ratio of forces that has already formed.” This kind of analysis is correct if seen from a purely economic angle, but as we discussed above, whether Russia is a pole in a multipolar world also requires looking at other factors: “a pole’ in the same world due to imbalances in each country’s power, differences in strong and weak points, differences in strategic direction, their role in the world is different.” This means, as Chinese scholars see it, from the point of view of Russia’s overall national power, Russia has an arena to display its role as one pole in a multipolar world, but at the same time we must see that as economic factors become increasingly important in international relations, there is a very big limitation on Russia’s function as such a pole; its weaknesses are patently clear.

China considers that the development of the world in the direction of multipolarity is already an irreversible force, and it also is willing to see Russia play a greater role in the multipolar international framework. This is beneficial to China and also for the formation of the new international order. Therefore, it hopes that Russia will continuously increase its economic strength and gradually overcome existing weaknesses limiting its role as a world pole. This author believes that for Russia to reach that point, it should internally carry out reform policies that correspond to its own national circumstances, rapidly get out of its crisis and raise its economy, and in regard to foreign trade it should create conditions to participate positively in the Asia-Pacific region, especially in economic cooperation in Northeast Asia. In recent years Russia’s increasingly positive attitude toward participating in the Asia-Pacific region and moreover in the Northeast Asian regional economy and security cooperation is an important element supporting equilibrium in Northeast Asia and also has important significance for the development of the Russian Far East and Siberia. There are three bases for saying this.

1) If Russia wants to become one pole in a multipolar world, then to strengthen its position apart from reviving its economy it also should maintain a balance East and West by stressing the Asia-Pacific and intensifying cooperation with this region. In the next century Asia including China will increasingly become the center of the world economy and trade and the focal point of international trade will shift to this region. Russia as a great power in the Asia-Pacific, originally left
out of the high-speed development of this region, must, if it wants to enter this process, rely to a large degree on policies to open and develop its eastern areas.

2) Russia's center of gravity in economic development inevitably must advance from west to east. The objective necessity due to the exhaustion of European natural resources requires using even more resources of the east. Thus to accelerate the development and opening of the Far East and Siberia is Russia's unchangeable long-term policy.

3) Russia's development of this region now and in the future will encounter a lot of difficulty, and the way out is to strengthen cooperation with countries of Northeast Asia such as China, Japan, and Korea.

When it comes to quadrangular relations, the U.S. and Japan are starting from the goal of maintaining and expanding their influence in the region and are not very likely to adopt positive measures to cooperate with Russia in raising its role in this region, while China hopes that Russia will positively participate in Asia-Pacific and Northeast Asian regional economic cooperation. In these circumstances the outburst of “China threat” and “yellow peril” talk in the Russian Far East is extremely unsuitable and disadvantageous for this region's economic development. This is a very important question in strengthening Sino-Russian mutual trust and removing suspicions.

Where Is Russia Heading?

What is the direction of Russia's social development? This is a question of great interest for Chinese scholars, but it is also a very complex question. From a broad angle, a comparatively unanimous view is that the direction is not yet set and that the present visible social characteristics are a mixture of capitalism and democratic socialism. Prospects for political development are particularly difficult to predict. There is agreement that "a return to Stalin's old path is already completely impossible. This is because from Stalin to Brezhnev the old Russian tradition was already raised to its highest peak or its lowest valley, reaching the end of its historical road, and no longer has any life in it." Chinese studies consider the main factor causing the dramatic transformation of the Soviet Union to be the problem of its system (tizhi), which had so many shortcomings it could not be renewed. Yet, Chinese also argue that for a considerable period to come it will also be hard for Russia to realize Western-style “political democracy” and “complete Westernization.” After independence Russia attempted to immediately realize “democratic political” thought, but in the process great difficulties were encountered: 1) the contradiction between reduced government interference in the economy according to the democratic political model and the need for a degree of government involvement to establish conditions for a stable society as a precondition for a stable economy; 2) the absence of a developed market and mature individuals, classes, and political parties necessary for democratic politics, which indicates the impossibility of complete Westernization mainly due to the fact that Russia's old traditions still possess considerable influence and that in order to seek stability Russia can only take a compromise path, maintaining a degree of tradition
while advancing a degree of liberalization. Although now it is too early to draw conclusions about the social character and development direction of Russia, the main directions of the goals and models of the political and economic systems are already set, and the degree of development of political democratization and economic marketization will be different.

Chinese scholarly circles fiercely debate certain questions, such as the influence of neo-authoritarianism in Russia or the possibility of a purely authoritarian political model in Russia. One type of opinion considers that “although the democratic political system is already basically established in Russia, neo-authoritarianism still is comparatively influential.”

Three factors determine this: 1) Russia is a country with a more than 300-year old history of feudal control, and in its long historical development process a traditional political culture formed with feudalism and authoritarianism at the core; 2) in the 70 years of Soviet socialism in practice, the Stalin model to a certain degree fit with this kind of traditional political culture; and 3) at the beginning of Russian independence there appeared a series of political vacillations and economic slippages, while all along there existed the lurking peril of social unrest, and naturally there were calls for the appearance of an “iron man,” a role which Yeltsin to a very large degree filled.

Some scholars note that “a pure authoritarian political model can be the first idea for saving a democratic political model fallen into difficulty, and on the eve of the breakup of the Soviet Union, some Soviet scholars examining developing countries raised this question. Now even more this can become a development model with some political influence.” But not a few Chinese scholars consider that in Russia neo-authoritarianism does not fit for at least five reasons. 1) The time is different. Now is not the 1930s nor the 1950s. Today’s trend is democracy. When the Asian “four little dragons” relied on a dictatorial system to realize their economic takeoff, this was a product of the cold war era. 2) The ownership system is different. The “four little dragons” used private property as the foundation for their economic takeoff. Originally socialist states used public ownership as their foundation, and the government’s use of administrative methods to induce enterprise activity was a very easy matter. But if a country does not reform the political system, enterprises will have no life. 3) If a state wants to cause enterprises to become independent commercial producers and no longer serve as appendages of the government, then it must transform the functions of government. This is the task of reform of the economic system and also of reform of the political system, the two of which cannot go forward separately. 4) Under a planned economic system to regulate the political function of this system human direction is even more needed. To regulate a market economy healthy laws are needed, otherwise economic activity can be confused. To reach this it is necessary to accelerate reform of the political system. 5) In a planned economic system a suitable personnel system is a step-by-step appointment system, as each level’s leader is responsible to a higher level, which cannot induce enterprise leaders to respond flexibly to the market. Gorbachev first tried reform of the economic system, later dropped it, then tried reform of
the political system, and this problem really explains why. For a socialist state what interferes with reform of the economic system comes mainly from the political system, including the political party system.30

In summary, no matter in what direction Russia heads, either to realize “democratic government” or to realize an autocratic governmental system, China hopes that Russia can gradually stabilize, which will be good for China and the world. Apart from this, in this author’s opinion, China closely follows the direction of Russian social development for the following two reasons. First, China always stressed if there is no democracy there is no socialism, and that one of the fatal weaknesses of the Stalin system model is the high concentration of power, lacking democracy and blocking the display of mass enthusiasm and creativity. Through reform this problem must be solved, but how? China is still in an experimental stage; therefore, it needs to absorb lessons from various directions. From the start Russia attempted “complete Westernization,” but reality proved this was difficult to copy. Russia eliminated the one-party system of the Communist Party but a mature multi-party system was difficult to establish in a short time, which force the society into a disorderly state. China’s democratization process ought to start from its own conditions, advance gradually and not be radical. This is not to say that China can relax reform of the political system and slow the democratization process.

Second, How to manage well relations between reform of the economic and political systems is also an important question. In the Gorbachev period and in Russia at present reform of the political system was too radical, construction of a new system was not carried to completion, and the state lost control of society and the political situation, which hindered reform of the economic system. In the case of China, reform of the political system has been held back, which similarly causes not few social and economic problems to be hard to solve, such as the problem of corruption long has not been possible to resolve and in some localities it is still growing and spreading. A solution to this problem must pass through reform of the political system for it to be guaranteed. Based on the history of reforms in China, Russia, and other countries, I consider the two sides of reform in the economic and political systems to be intimately linked and that they should be simultaneously carried out so that they can function mutually to propel each other forward. Of course, in the process of reform in certain periods it is possible that reform of the economic system or of the political system will need to be favored to a degree, and this should be decided by looking at the actual conditions of the time and the main objectives that one wants to achieve.

ENDNOTES


3. Ibid.
10. Ibid.
17. Ibid.
28. Ibid.