Russian-Chinese Agricultural Cooperation

Russian-Chinese agricultural cooperation in the Far East was among the key topics discussed at the Boao Forum for Asia held on March 22-25, 2016 in the city of Boao (China). This industry, though largely undervalued by mass media, supplies population of the planet with daily staples, while billions of dollars circulate in it.

The volume of agricultural produce grown in China is impressive. China's share in the world production of vegetables and fruit is about 60% and 30% respectively. Many European and South American countries, Russia and the US import Chinese produce. Export of agricultural produce brings China roughly about $20 bn per year in revenues.

At the beginning of March 2016, Minister of Agriculture of the People's Republic of China Han Changfu said that agriculture represents an important area of cooperation between Russia and China and is supported at the highest level. He also said that our countries, though already enjoying some progress, should press on with the development of trade and mutual investments to see a further advancement. Russia and China pay particular attention to the development of agricultural cooperation in the Russian Far East—the region most generously funded with Chinese money. Mr. Han Changfu noted that China was looking to continue exporting agricultural produce to the Russian market and welcomed Russian exports. He believes that Russia and China can complement each other in certain types of produce.

As of today, the volume of food Russia exports to China is modest. However, considering China's rapid urbanization, a subsequent shrinking of the number of farm workers and a growth of population following the relaxation of birth restrictions the situation looks very promising. Today it is crucial for Russia to jump at the opportunity by occupying new niches emerging in the Chinese market. Russia supplies China with grains, flour, sunflower oil, alcohol, and sweets. The Bashkir honey deserves a special attention since in 2015 alone China purchased 3 bn rubles worth of this product.

In December 2015, documents governing the application of phytosanitary standards to other agricultural produce (e.g., corn, wheat, canola, rice, soy, etc.), which China plans to import from Russia, were signed in Beijing. According to the statement made by a representative of the Federal Service for Veterinary and Phytosanitary Surveillance, though the speech of the Chinese Minister of Agriculture was seemingly amicable, Russia had a hard time gaining the right to export the said produce. Several years into the negotiations, Chinese party conducted an inspection of Russian goods. Following the inspection, Chinese specialists lauded high quality of Russian produce and its system of quality assurance.

Several Russian regions, including the Irkutsk Region and Krasnoyarsk Krai, were awarded the right to export agricultural produce to China. The main export produce grown in Krasnoyarsk Krai is the spring wheat. But the right to export was extended only to grains and not to more expensive grain products, though the Krasnoyarsk Krai is already negotiating its right to export processed agricultural products to China as well. The Irkutsk Region, which is supposed to import canola to China faces the same challenges. In February 2016, Governor of the Irkutsk Region Sergey Levchenko met with Mayor of the Chinese city of Manzhouli (situated 6 km from the Russian city of Zabaykalsk), an important point through which about 80% of all goods exported from China to Russia and vice versa
are transshipped. During the meeting, Mr. Levchenko noted that the region would be better off selling finished products and that the construction of a canola oil processing plant is in the region’s plans.

In the meantime, China is already supplying its agricultural produce to Russian regions. Following the ban on the exports from EU, Russian trading companies had to promptly find new suppliers. Of course, Chinese suppliers immediately took advantage of the situation and bargained better deals for themselves. Today Russia imports many varieties of vegetables grown in China, potatoes being one of them. Currently, Chinese government is promoting potato growing, encouraging a further expansion of potato fields in hope to turn potatoes into the country’s staple food. Russia is running second only to China in the world production and consumption of potatoes, which makes this vegetable one of the most important subjects of the Russian-Chinese agricultural cooperation. According to the press service of the Federal Service for Veterinary and Phytosanitary Surveillance for the Primorye Territory and Sakhalin Krai, the Primorye Territory alone exported about 10 thousand tons of potatoes from China in the third and fourth quarters of 2015.

But the situation is far from perfect. A number of Russian experts expresses serious concerns regarding a further increase in the exports of agricultural produce from China pointing out that Chinese farmers use chemical fertilizers excessively. There were also concerns voiced that a need for rapid replacement of European suppliers with Chinese ones could entail a downslide in the quality control of the China-grown produce. The Federal Service for Veterinary and Phytosanitary Surveillance responds by assuring that the quality control will remain relevant. However, while produce imported to Russia from China is subjected to a thorough inspection, vegetables and fruits grown by Chinese farmers in the territory of Russia are treated differently. The fact that Chinese support of the agricultural sector of the Russian Far East is not limited strictly to the investments should not be overlooked either. Though many Chinese farmers operate in the Russian territory, they are not always a hundred percent compliant with the Russian laws. Chinese farmers are known for their uncontrolled application of chemicals, growth promoters, etc.

China itself is a good example of how harmful such approach is to the soil, health of the population and environment as a whole.

According to experts, Chinese farmers often use chemicals that are either banned in Russia, or are unknown and apply them in volumes that exceed standards manifold. Recently, the Federal Service for Veterinary and Phytosanitary Surveillance for the Sverdlovsk Region stated that about 50% of vegetables sold in the region contain an excessive amount of pesticides making them hazardous for human health. Chinese citizens, who own greenhouses across the region, grow a large part of these vegetables. The report also states that Chinese farmers use chemicals that our experts are unfamiliar with, making it hard for Russian labs to detect them. Hazardous agricultural produce is then sold to Russian intermediaries to later end on the counters of small grocery stores and large retail chains with labels and certificates of domestic producers. It was also emphasized that consumption of such vegetables and fruits can contribute to the development of allergies and even cancer. This problem is typical of all regions where Chinese farmers operate.

In summary, though agricultural cooperation with China looks promising, it at the same time poses serious risks. To protect itself from negative consequences, Russia must promptly address problems in this area by imposing control over businesses of Chinese producers and by introducing measures preventing low quality products from ending up on the counters of Russian stores. To ensure our food security, Russia would need to not only establishing relations with Chinese suppliers, but also be demanding of its partner.

Dmitry Bokarev, expert politologist, exclusively for the online magazine "New Eastern Outlook."