

Russia-Taiwan Relations: History and Perspectives

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Abstract

From the point of view of potential possibilities for the development of business, scientific and technical cooperation, Taiwan could be considered as a prospective partner for Russian businessmen in East Asia. It is defined by the island's high degree of import dependence upon main categories of raw material resources and by its leading role in producing a number of articles in the manufacturing industry. The article will briefly review the contemporary history of Russia's relations with Taiwan. It will also analyze the current status and presume the possibility for future prospects of bilateral economic and trade relations.

Keywords: *Taiwan, Russia, history, economic and trade relations*

1. Introduction

Taiwan is one of the most dynamic centers of financial and economic development in the Asia-Pacific region. It plays an important role in the economy of Pacific Asia as well as in the world.¹ As a stronghold of

manufacturing technology, Taiwan is currently the world's second largest information hardware-producing country that turns out a wide variety of semiconductor, optoelectronic, information and communication products.

The strategic significance of Taiwan is defined mostly by its advantageous position on the South China and East China Sea routes as well as its proximity to the Philippines. For decades the Kuomintang (KMT, 中國國民黨) government, which found refuge on the island after the establishment of the People's Republic of China (PRC, 中華人民共和國) in 1949, has been taken by the West as a bulwark against the spread of communism in Asia. Thus, the island has always had great political significance. Being equally distanced from Korea and Vietnam, countries that saw some hard fighting during the Cold War, Taiwan was the base for military operations against the PRC and pro-communist forces in Indonesia and Indochina.

2. Historical background

The major migration to Taiwan from the continent started in the 17th century. The Chinese officials paid little attention to the situation on the island, considering it to be one of the remote territories of the Celestial Empire (天朝 / *Tianchao*). The indifferent attitude started to change after the Sino-French war in 1884-1885, when the Qing (清, Ch'ing) Dynasty realized that the island could be used as the base for foreign intervention and influence on the continent. After the war Taiwan was given the status of independent province (before that the island was part of the 福建 / Fujian province). A hero of the Sino-French war, General Liu Ming-chuan (劉銘傳), was appointed the island's first governor.

Japan annexed Taiwan after the war with China according to the Treaty of Shimonoseki (下関条約 / *Shimonoseki Jōyaku*) in 1895 and

turned it into its colony. In 1896 Russia allowed a German native Paul Shabert to head the first Russian consulate in Taiwan.

Russian policy toward Taiwan can be traced back to the late seventeenth century, after Imperial Russia came into contact with China under Manchu rule. Perhaps for the first time Taiwan in the Russian documents was referred to in the statement made for the embassy sent to China, and based mainly on the Western sources, which intended to guide the envoy Nikolay Spafari sent to Peking (北京 / Beijing) in 1675 (Figure 1). The request was given to Spafari to describe China and neighboring lands, including Formosa.² Spafari to some extent fulfilled the task. In chapter 4 of his “Descriptions” of China, dedicated to the sea routes which were leading to the country, it contains the following information: “The Dutch also held nearby the island under the Formosa name, from where they come to borderland cities and secretly traded with the Chinese governors.”³

Although it was first mentioned in Russian sources in 1670, Taiwan did not attract Russian attention until the era of Japanese imperialism more than two centuries later. In May 1874, Japan launched an expedition to punish Taiwanese aborigines who had murdered a party of shipwrecked Ryukyuans. Russia lodged a protest against Japan, and sent a gunboat to Taiwan in July of the same year, which provided some of the earliest firsthand accounts by Russians about Taiwan (Lukin, 2003: 251-252).

The officer of the Russian navy Ibis Pavel Ivanovich (1852-1877) in January 1875 came to Taiwan alone and made a walking tour around the island. He made a report about his scientific expedition, which was published in the *Morskoy Sbornik* («Морской Сборник») [sea collection] magazine in 1876. In 1877 this article (with paintings, and amendments) was published in German language in *Globus* scientific journal (Ibis, 1877). It should be noted that in those days the journey

Figure 1 Nicolae Milescu Spătaru (1636-1708)



Note: Nicolae Milescu Spătaru (1636-1708), Moldavian writer, diplomat and traveler, an ambassador of the Russian Empire to Beijing (1675-1678). In his *Travels through Siberia to the Chinese borders* (St. Petersburg, 1882) Milescu described Taiwan.

Source: https://ru.wikipedia.org/wiki/Снафаруй,_Николай_Гаврилович (https://ru.wikipedia.org/wiki/Снафаруй,_Николай_Гаврилович#/media/File:Spafarii_trip_stamp.jpg – Общественное достояние (public domain – https://commons.wikimedia.org/wiki/File:Spafarii_trip_stamp.jpg)) (accessed 2017.01.13).

across the island required tremendous bravery and courage. Many areas of the island were almost inaccessible due to the difficult terrain, lack of roads and the dangers associated with the aboriginal tribes' custom for "headhunting".

The Union of Soviet Socialist Republics (USSR, Союз Советских Социалистических Республик) began to conduct official ties with the Republic of China (中華民國) after the Russian Revolution in 1917. This relation evolved from establishing official ties, turbulences, gradually thawing of tension, and then rebuilding economic and trade relations.

Franklin Roosevelt, Winston S. Churchill and Chiang Kai-shek (蔣介石) agreed to return Taiwan to China at Cairo conference in 1943. Stalin recognized that agreement during the Teheran conference. The official return of Taiwan to China was finally approved at the Potsdam conference in July 1945, and in September of the same year Formosa was returned under Chinese jurisdiction.

Chiang Kai-shek arrived on the island along with 1.5 million soldiers and their families in June 1949. In September 1950 the Soviet UN representative Yakov Malik (Яков Александрович Малик) demanded inclusion of the Taiwan status into the Security Council agenda and insisted on inviting the PRC delegation. During the discussion the Soviet delegation maintained that since Taiwan was the integral part of China, therefore all American troops located on the island and adjacent territories ought to be withdrawn.

Stalin's policy toward Taiwan lent itself to different interpretations. While some argue that he did not oppose a possible Chinese invasion and even helped modernize the Chinese military, others maintain that Stalin feared a war with the US and rejected any direct military assistance.

In 1954, after the Korean War, a Mutual Defense Treaty was signed between the governments of the United States and the Republic of China, which embraced US participation in military confrontations, if any, with mainland China. The Soviet Union, in a statement by the Minister of Foreign Affairs, called the signed convention a “rude violation of international agreements, sovereignty and territorial integrity of the PRC”. On October 3, 1949, the day after the Soviet Union first among other countries recognized the PRC, it was announced that relations and all contacts between the USSR and the Republic of China, being determined by the Treaty of Friendship and Alliance of 1945, were severed.

It should be noted that the USSR, adhering to the “one China” policy, initially insisted on resolving the crisis in the Taiwan Strait by political rather than military methods, as the Peking leaders tried to do in 1954 and 1958. In September 1954, when the artillery shelling of the islands adjacent to Taiwan triggered off the first in three Matsu-Quemoy crises (金門馬祖危機), the Soviet Union, through declaration by Premier Khrushchev (Никита Сергеевич Хрущев), officially confirmed its support for the PRC. Concurrently, Foreign Minister Molotov (Вячеслав Михайлович Молотов), accusing the US of unleashing the conflict, conveyed anxiety over the fact that the regional conflict could turn into a global war. Perhaps this approach was one of the reasons for the cooling of relations between the USSR and the PRC in the late 1950s.

Taiwan loomed larger in Soviet foreign policy after Stalin’s death and the subsequent end of the Korean War.

Shortly before the crisis, in June 1954, the Taiwan coast guard seized the Soviet oil tanker “Tuapse” (陶甫斯), bound from Odessa for Shanghai, under the pretext of violating the UN embargo against China.

The crew members were arrested, a year later 29 other crewmembers were released and returned to the USSR. The rest opted for staying in Taiwan; later 9 of them would eventually immigrate to the U.S. and Germany. By the end of 1958 seven crewmembers were still in Taiwan, the tanker itself was never returned, stayed in the port of Kaohsiung. What caused this incident to be blown out of all proportion was that it became the subject of a Soviet blockbuster movie in the late 1950s⁴.

Soviet policy toward Taiwan partly contributed to the Sino-Soviet split. After Washington deployed nuclear-capable cruise missiles in Taiwan in May 1957, Moscow finally agreed to help China's nuclear program. Without informing Soviet leader Nikita Khrushchev during their meeting in Beijing, Mao Zedong (毛澤東, Mao Tse-tung) later provoked the second Taiwan Strait crisis by bombarding the offshore islands on August 23, 1958.

In the summer of 1958 the bombardment of Matsu and Quemoy islands was resumed (the so-called "the second crisis"). Unlike 1954, when Soviet diplomats commented on the situation relying mostly on the PRC media, in 1958 their attention to the issue was more thorough. In addition to the PRC media, Hong Kong and Taiwanese press were also taken into account. A September 5, 1958 article in *Pravda* (Правда) reported that attacks on the PRC would be regarded as attacks on the USSR with all the subsequent countermeasures.

After Washington sent two more aircraft carriers to the Taiwan Strait, Soviet Foreign Minister Andrei Gromyko (Андрей Андреевич Громыко) went to Beijing to express concern over a possible major war. In fact, after the second crisis, Moscow abrogated its nuclear aid agreement and recalled its experts from China.

The 1960s witnessed some substantial changes. The American military presence on the island was diminished. Although in the 1950s Taiwan enjoyed the second place in the amount of American economic

and military support, in the 1960s that financial flow was considerably cut down.

Changes in the U.S. policy towards Taiwan can be attributed to the following reasons. Firstly, in the hope of weakening its arch-rival the USSR, America started to work with the PRC with the intention of deepening the contradictions between the two former socialist allies. Secondly, in search for a way out of the mess in Vietnam, the U.S. was hoping to attract China as a negotiator between them and the North Vietnamese government. Finally, and perhaps most importantly, American businesses soon realized the endless possibilities of the Chinese market. The chance of getting closer to China was worth sacrificing its former ally.

The official position of the USSR remained the same – the PRC government is the representative of China in the international arena, not the Chiang Kai-shek clique which took over the island lawfully belonging to the PRC.

The Sino-Soviet split and especially the Sino-US rapprochement created some incentives for Russia to improve relations with Taiwan.

Unofficial contacts between the USSR and Taiwan started at the end of 1960s, after the tendencies for a U.S.-PRC rapprochement had become obvious.⁵ It is well known that the visits by Richard Nixon and Henry Kissinger resulted in the signing of the so-called “Shanghai communiqué” in 1972 when it was declared that the U.S. “acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China”. Meanwhile, Taiwan hoped that a Soviet-Taiwanese rapprochement would prevent the rising number of the Sino-American contacts. Possibly, the USSR in its turn, considered that restoration of relations with Taiwan would help to slow down the aggravation in Soviet-Chinese relations. Taiwan was eager to compromise since after the weakening of its relations with the U.S. it

had little to lose. Unlike his father Chiang Kai-shek, who had adopted an anti-Soviet foreign policy, Chiang Ching-kuo (蔣經國, see Figure 2) understood Russia rather well, having lived there from 1925 to 1937, being married to a Russian, and later representing his father in occasional dealings with Joseph Stalin (Иосиф Виссарионович Сталин).

The Soviet Union, however, was very careful in its policy towards Taiwan, trading with it via Hong Kong, Japan, West Germany and its East-European allies. The Soviet leadership was probably worried that a re-establishment of official relations with Taiwan would bring too many problems to its relations with the PRC and could undermine its image. Therefore, most of the contacts were conducted through third countries on a non-governmental level.

Although diplomatic, economic and military relations with the PRC were interrupted for some time, the Soviet Union was unwilling to completely forget its former ally and embrace Taiwan. Each time Taiwan suggested establishing trade relations, the USSR showed restraint because of ideological reasons and refrained from direct contacts.

Taiwan was also held back by its traditionally suspicious view of Soviet policies, as well as by a possible disapproval from the American side. Also, the Taiwanese government was afraid to lose the trust of the anti-communist countries in case of establishing of relations with the USSR.

After the Jimmy Carter administration re-established Sino-American relations from January 1, 1979 the Taiwanese leaders had nothing left to do but to try to diminish their dependence on the U.S. and search for more flexible foreign policy.

When the reforms started in the USSR in the 1980s, Taiwan, one of the “Four Asian Tigers” or “Four Little Dragons” (亞洲四小龍), was often used as an example of a successful market economy.

Figure 2 Chiang Ching-kuo and Chiang Kai-shek



Note: Chiang Ching-kuo and Chiang Kai-shek (Hunan province, November 29, 1941).

Source: [https://zh.wikipedia.org/wiki/ 蔣經國](https://zh.wikipedia.org/wiki/蔣經國) – [https://zh.wikipedia.org/wiki/ 蔣經國 #/media/File:Chiang_Ching-kuo_and_Chiang_Kai-shek.jpg](https://zh.wikipedia.org/wiki/蔣經國#/media/File:Chiang_Ching-kuo_and_Chiang_Kai-shek.jpg) – 公有領域 (public domain – https://commons.wikimedia.org/wiki/File:Chiang_Ching-kuo_and_Chiang_Kai-shek.jpg)) (accessed 2017.01.13).

The late 1980s saw the Soviet Union improve its relations with both Beijing and Taipei (臺北). Mikhail Gorbachev's 1989 visit to Beijing ended the hostility between the two communist giants, but he did not block unofficial relations with Taiwan. Some members of the Soviet

elite, such as Moscow mayor Gavriil Popov (Гаври́л Харито́нович Попо́в), visited Taiwan. In 1990 Taiwan abolished the restrictions on direct trade and investments in the USSR, stimulating cooperation in the timber industry, fishery, while supporting cultural and technological exchange.

In September 1991, Taipei signed its largest trade deal ever with the Soviet Union, bartering consumer goods for Soviet raw materials. In 1991, Russia allowed the semiofficial China External Trade Development Council (CETRA, 中華民國對外貿易發展協會) to open an office in Moscow.

The demise of the Soviet Union seemed propitious for Russo-Taiwanese relations. After the break-up of the USSR Russia became its official successor internationally. Since 1991 the Moscow-based Taipei World Trade Centre has been in operation, as well as the representation of the TAITRA, Taiwan External Trade Development Council (formerly China External Trade Development Council, renamed in January 2004).

In September 1992 President Boris Yeltsin (Бори́с Никола́евич Е́льцин) signed “On Relations between the Russian Federation and Taiwan” decree which at present is the legal base for further development of their relations. The decree provided for the creation of the unofficial Economic and Culture Coordination Commission. Its Moscow representative office was opened in 1993 (Taipei-Moscow Economic and Culture Coordination Commission). The Taiwanese representative office was established in 1996 in Taipei (Moscow-Taipei Economic and Culture Coordination Commission). The offices carry the function of the communication channel, support cultural exchange, economic and trade relations, provide information services. The same presidential decree stated that there would be no change in Russia’s position on the Taiwan issue. Only unofficial contacts take place between Russia and Taiwan and all activities are conducted by

non-governmental organizations, private companies and trade associations.

In September 1997 Moscow and Taipei signed the agreement on air communication. In January 1998 the protocol for sea transport communication was signed, and in 2002, protocol for cooperation in small and medium-sized businesses.

Generally speaking, President Vladimir Putin (Владимир Владимирович Пётин) has not deviated from his predecessor's Taiwan policy. As far as Taiwan is concerned, Putin has reiterated the "One China" policy. Russia expressed support for Beijing's anti-secession law in 2005, and denounced President Chen Shui-bian (陳水扁)'s proposed abolishment of the National Unification Council (國家統一委員會) and the Guidelines for National Unification (國家統一綱領) in 2006.

Moscow has confirmed its position many times; it was firmly fixed in the Russian-Chinese Treaty on good neighborly relations and cooperation of 16th July 2001, as well as in a number of bilateral documents. It was confirmed again by RF MOFA representative in May 2016 on the eve of the inauguration ceremony for ROC President-elect Tsai Ing-wen (蔡英文).

3. Bilateral Trade and Economic Relations

In the beginning of the cooperation in 1987 the volume of trade between the USSR and Taiwan was a mere 7.6 million USD. In further years, however, there was some improvement.

In 2015 Taiwanese-Russian bilateral trade volume decreased by 28 per cent and reached 3.6 billion USD compared to 5 billion USD in 2014. Russia became the 24th trade partner of Taiwan. The share of trade between the two countries is 0.7 per cent of the total volume of Taiwanese foreign trade. Taiwanese export to Russia (Russia is the 26th

Table 1 Taiwan's Trade with Russia (1996-2016)

Year	Total Trade Volume		Export to Russia		Import from Russia		Trade Surplus/Deficit	
	Amount (USD million)	Change (same period, %)	Amount (USD million)	Change (same period, %)	Amount (USD million)	Change (same period, %)	Amount (USD million)	Change (same period, %)
1996	1,205	-33.125	141	-18.841	1,064	-34.652	-923	-36.544
1997	1,409	16.946	173	22.129	1,237	16.258	-1,064	15.359
1998	982	-30.354	138	-20.267	844	-31.761	-706	-33.624
1999	1,291	31.539	108	-21.593	1,183	40.197	-1,075	52.227
2000	1,566	21.270	186	72.551	1,380	16.596	-1,194	10.985
2001	869	-44.515	265	42.420	604	-56.241	-339	-71.622
2002	1,183	36.121	255	-3.725	927	53.612	-672	98.473
2003	1,605	35.721	305	19.548	1,300	40.171	-995	47.998
2004	2,910	81.300	437	43.135	2,473	90.255	-2,037	104.701
2005	2,713	-6.766	516	18.293	2,196	-11.189	-1,680	-17.509
2006	2,507	-7.587	604	16.965	1,903	-13.360	-1,299	-22.682
2007	2,712	8.161	807	33.646	1,904	0.071	-1,097	-15.542
2008	3,616	33.370	930	15.160	2,687	41.090	-1,757	60.172
2009	2,774	-23.294	582	-37.385	2,192	-18.418	-1,610	-8.383
2010	3,417	23.186	1,081	85.782	2,336	6.563	-1,254	-22.082
2011	3,877	13.447	1,520	40.513	2,357	0.916	-838	-33.224
2012	4,675	20.588	1,541	1.411	3,134	32.950	-1,593	90.167
2013	4,744	1.473	1,500	-2.695	3,244	3.523	-1,745	9.538
2014	4,961	4.573	1,314	-12.350	3,646	12.395	-2,332	33.661
2015	3,555	-28.333	1,030	-21.664	2,526	-30.737	-1,496	35.851
2016 Jan.- Oct.	2,862	-7.684	711	-19.352	2,152	-3.048	-1,441	7.700

Source: Bureau of Foreign Trade, Ministry of Economic Affairs, Republic of China (Taiwan) (中華民國經濟部國際貿易局)

export market of Taiwan; proportion of Taiwan export volume to Russia accounted 0.37 per cent of its overall volume) fell to 1.0 billion USD (by 22 per cent), while imports fell to 2.5 billion USD (by 31 per cent to year 2014). Russia ranks 17th among import supply countries of Taiwan, the import proportion from Russia accounted 1.11 per cent of the whole. Table 1 shows the Russian-Taiwanese trade data for the last two decades.

The data in Table 1 reflect the development of bilateral trade and economic relations, although the processes are far from stable. For instance, there was some decrease in 2009, as a result of the reduction of Taiwan's total trade with foreign countries because of the global financial crisis, but the overall trend until 2014 was positive. 2014 proved to be the peak year in trade – US\$4,961 million.

The data in Table 2 show the diversity of potentials to develop future cooperation. It should be mentioned that so far Russia's exports to Taiwan are dominated by raw materials and semi-manufactured products (ferrous and nonferrous metals, metal scrap, chemical products etc.). Nevertheless, Taiwan businessmen are gradually opening up Russia's achievements in engineering, biotechnology, electronics, energy, applications of basic research and high technology.

As can be seen from the data in Table 3, Russia keeps a positive balance in its trade relations with Taiwan thanks to crude oil, cast iron and steel, non-ferrous metals, petrochemical products, ferroalloys, coking coal, timber, and chemical fertilizers. Russia imports mostly electronics and electronic parts, computers and computer parts, and home appliances. The negative trade balance issue is taken seriously in Taiwan. However, the prevalence of natural resources in Russian exports and industrial products in Taiwan are considered in Taiwan to be logical at the present stage of the relations.⁶ To improve the situation it is recommended to increase the export of Taiwanese products to Russia.

Table 2 Statistics of Taiwan's Key Product Imports from Russia in 2015

Item	Volume in 2014 (USD thousand)	Volume in 2015 (USD thousand)	Change in 2015 (%)	Share in total product imports (%)
Mineral fuels, oils, distillation products, etc.	2,609,940	1,672,182	-36	4.5
Iron and steel	525,748	453,915	-14	6.3
Organic chemicals	196,771	150,659	-24	1.9
Aluminium and articles thereof	126,853	94,232	-26	4.5
Pearls, precious stones, metals, coins, etc.	23,414	22,856	-2	0.5
Paper and paperboard, articles of pulp, paper and board	19,660	17,946	-9	1.3
Copper and articles thereof	16,434	16,674	1	0.4
Milling products, malt, starches, inulin, wheat gluten	69	13,727	19794	5.2
Fish, crustaceans, mollusks, aquatic invertebrates	4,541	11,555	154	1.3
Pulp of wood, fibrous cellulosic material, waste etc.	12,077	10,933	-9	1.7

Source: International Trade Centre (ITC) Trade Map.

Table 3 Statistics of Taiwan's Key Product Exports to Russia in 2015

Item	Volume in 2014 (USD thousand)	Volume in 2015 (USD thousand)	Change in 2015 (%)	Share in total product Exports (%)
Machinery, nuclear reactors, boilers, etc.	310,352	271,859	-12	0.8
Electrical, electronic equipment	362,802	199,496	-45	1.6
Ships, boats and other floating structures	1,026	103,944	10031	0
Iron and steel	71,472	71,924	1	1.6
Articles of iron or steel	65,751	60,129	-8	0.9
Vehicles other than railway, tramway	79,267	54,904	-31	0.3
Plastics and articles thereof	76,654	54,382	-29	0.8
Tools, implements, cutlery, etc. of base metal	88,685	43,148	-51	4.6
Toys, games, sports requisites	27,979	19,331	-31	1.3
Optical, photo, technical, medical, etc apparatus	34,648	16,798	-52	0.6

Source: ITC Trade Map.

The relatively low level of Taiwanese exports to Russia can be explained by several factors. Firstly, the price of Taiwanese products is still quite high for most Russian consumers, the rest prefer high-end European, American or Japanese products. Secondly, there are difficulties and complexities involved in bank transfers which are mostly done through third countries.⁷ Thirdly, there are not enough guarantees for the foreign investors from the government. Also, the high level of organized crime in Russia, along with a low level of security, further impedes progress. Taiwanese entrepreneurs believe that a slight increase in investment in the Russian economy is due to the high level of inflation, inefficient procedures for privatization of state property, the presence of language barrier, lack of protection of property rights, and excessive state regulation. These problems continue to deter foreign investors, in attracting of whom the Russian authorities are so concerned. As a result foreign businessmen, including the Taiwanese, prefer to invest in more stable and predictable regions (Ivanov, 1997: 48-49). It is also worth mentioning that Russia imports a lot of products from the PRC, part of which are in fact made at Taiwan-owned operations. However, this trade is officially considered in the statistics as part of the Russian-PRC trade.

Despite the overall growth of the trade and economic relations between Russia and Taiwan proportionally it is extremely low compared to the volumes of their overall foreign trade. For instance in 2015 Taiwanese exports to Russia accounted for only 0.37 per cent of the overall volume; Russia imports accounted for only 1.15 per cent of the whole.

In 2015 the imports of Taiwanese-made products in Russia experienced a significant fall. The imports of optical, photo, technical, medical, etc. apparatus fell by 52 per cent; the imports of tools, implements, cutlery, etc. of base metal fell by 51 per cent.

The volume of mutual investments is also low. According to the Investment Committee, Ministry of Economy Affairs, Taiwan R.O.C. (MOEAIC, 中華民國經濟部投資審議委員會) statistics, from 1952 to 2015, Taiwan directly invested in 10 Russian enterprises with total amount of US\$275.3 million. In the same period, Russia made a direct investment in 107 Taiwanese enterprises worth US\$105.9 million. Over the past six years investment from Russia has climbed up positively, implementing 74 investment projects in Taiwan.⁸

With the development of the market, Russia's motor industry, energy, petrochemical, electronics and food industries are becoming more attractive to Taiwanese companies with abundant capital and good technology and marketing capabilities. Currently, there are about 20 Taiwan-based manufacturers in Russia. Apart from the two companies engaged in trade and tourism in Saint Petersburg, Evergreen (長榮) and Yang Ming Marine (陽明海運), most of them are concentrated in Moscow, mainly engaged in trade, tourism or marketing services. Taiwanese information technology companies such as Acer (宏碁), AsusTek (華碩), Gigabyte (技嘉), MSI (微星, Micro-Star International Co., Ltd), FSP Group (全漢企業), Advantech (研華), Shung Ju Technology (雄鉅科技), HTC (宏達), Thermaltake Technology (曜越科技), ATEN (宏正) and other companies have set up representative offices in Moscow, to provide Russian dealers with marketing support services. In the manufacturing sector, it is reported that Tongtai Group (東台) has plans to set up factories in Russia's assembly machine industry, and another company, Firich Enterprises Co., Ltd (FEC, 伍豐科技), has invested in Vladivostok in casinos (Tigre de Cristal, 水晶虎宮殿),⁹ showing that Taiwan's investment in Russia has increasingly diversified.¹⁰

In Russia there are around ten Taiwanese midsize companies operating in trade, service, information, and restaurant and tourism businesses. In Saint Petersburg there are three Taiwanese companies dealing with sea freight, tea trade, and tourism; while there are two companies dealing with fishery in the Russian Far East (Дальний Восток России). The rest of the Taiwanese companies are located in Moscow; these are representatives of computer companies supplying their products to the Russian market.

In 2002 seven Russian companies were operating in Taiwan in the areas of international trade, information services, and sea freight. Meanwhile Taiwanese businessmen are trying to establish direct contacts with some of Russia's privately owned businesses, avoiding the inefficient government structures.

Representatives of trade circles often exchange visits, and participate in all kinds of trade shows and conferences. In September 2002 the 3rd APEC (Asia-Pacific Economic Cooperation) Investment Forum was held in Vladivostok. A delegation of 29 people from Taiwan took part in it. It was led by Chang Chun-hsiung (張俊雄), former Prime Minister of Taiwan, and then the Secretary General of the ruling Democratic Progressive Party (民主進步黨 / 民進黨). Besides him, other members of the delegation included the Minister of Transportation Lin Ling-san (林陵三), Chairman of Labor Committee Chen Chu (陳菊), and officials from the Ministry of Economics and Committee on Agriculture. According to the media it was one of the highest levels of presentation of the Taiwanese government in Russia in recent memory.

To promote mutual contacts the Taiwanese often invite Russian political and governmental dignitaries to visit the island. Among those who have were former USSR president Mikhail Gorbachev (Михаил Сергеевич Горбачёв), former Mayor of Moscow Gavriil Popov, and

Chairman of the Liberal Democratic Party of Russia (LDPR/ЛДПР) Vladimir Zhirinovskiy (Влади́мир Во́льфович Жирино́вский), just to name a few. In 1990 Vladimir Putin, then the vice-mayor of Saint Petersburg, met with the future president of Taiwan Chen Shui-bian, then the mayor of Taipei.

In 2003 the Taiwan-Russian Association was established on the island. The former Prime Minister Chang Chun-hsiung became the chairman of that organization which proves the high level of interest of the Taiwanese to further develop cooperation with Russia.

As for the future prospects of the relations, the Taiwanese side constantly brings up the subject of direct air flights, which would reduce the distance and make the contacts more intensive.

Trade and economic relations between Russia and Taiwan can be greatly expanded. Taiwanese government officials consider that to achieve that it is necessary to sign a number of bilateral agreements, such as an agreement on the protection of investments, no double taxation agreement, and a customs clearance agreement. Taiwanese businessmen hope to have the same conditions in Russia as given to foreign investors in the PRC and Southeast Asia. Moreover they hope for simpler formalities in the Russian administration system.

For further development of the relations Taiwan could invite Russian specialists. Besides semiconductor technologies, Taiwan does a lot of work on biotechnologies, the creation of digital archives, telecommunications, optical electronics, etc.

Many people see good possibilities in buying Russian resources, first of all oil. Whilst Russia is very rich in resources, Taiwan extremely lacks them.

At present the Russian share of Taiwan's operations with Europe accounts was a mere 3.6 per cent. To develop the relations, according to Russian and Taiwanese businessmen, it is necessary to create the legal

basis, sign agreements providing privileges for joint projects, and establish correspondent relations between banks. Also international organizations, such as the World Trade Organization (WTO), could facilitate the process.

To realize these plans the participation of competent Russian governmental structures becomes necessary. However, the absence of governmental agreements between Russia and Taiwan is a great obstacle for further development of the relations. It can be proposed that economic cooperation can be developed in the absence of governmental ones. In fact, despite no diplomatic relations between Beijing and Taipei the volume of trade over the Taiwan Strait accounts for billions of dollars.¹¹ Taiwan does not have diplomatic relations with the US or Japan. However, the trade volume between them is many times higher than that of Taiwan and Russia.

Separated from the world market for most of its history, the Russian Far East (RFE) is becoming a full participant in international trade. This presents unique opportunities for foreign businesspeople, including from Taiwan. The RFE, or the Far Eastern Federal District, is the largest in Russia as regards its territory. The region has four time zones; its area equals 6,215.9 thousand sq. km, which makes up 35.6 per cent of the Russian territory. As of today, 7 million people, or 5 per cent of Russia's entire population, reside in the RFE. The largest cities in the District are Vladivostok, Khabarovsk, Komsomolsk-on-Amur, Blagoveschensk, Petropavlovsk-Kamchatsky and Yakutsk.

It is rich in natural resources, including oil, natural gas, gold (more than 70 per cent of Russia's output), timber, fish, coal, diamonds (almost 100 per cent of Russia's production), silver, platinum, tin, lead, and zinc – the percentage of extractive industries is about 17 per cent of Russia's total.

4. Russia-Taiwan Relations and the Economy of Primorsky Krai, Russian Far East

The perspectives of the Russian-Taiwanese relations drawn by scholars are mostly based on assumptions and are evenly applicable to the economy of the Primorsky Krai (Приморский край, Maritime Province/Territory). Below let us take a look at some of them that have significance to the economy of Primorsky.

Opening of a direct air connection between Taipei and Vladivostok could facilitate an expansion of contacts. The first couple of flights were conducted at the end of April – beginning of May 2001. The direct air connection was supposed to have great importance for tourism development.

Vladivostok is a convenient and potentially important transit point for Taiwanese going to the northeastern provinces of China, North Korea, or other Russian cities in the Far East and Siberia and even Moscow. However, first there was a delay in the organization of flights and later the whole project came to a halt for an indefinite time. Up to this day some technical issues remain unresolved. Besides, the Chinese position on the Taiwan issue remains a strong political factor.

To facilitate this project there was a plan to relocate part of the investments from China and Southeast Asia to the Far East of Russia, an area rich in resources. The Foreign Minister of Taiwan stated in 2002 that Taiwan was ready to invest in the development of natural resources of the Far East if “the necessary conditions were created, including financial routes control”.

The Vladivostok free port (VFP) has already started to work. One of the key hubs of the Russian free trade in the Asia-Pacific to connect a few directions – Trans-Asian, Far-Eastern and Pacific – may become VFP. Ports of Zarubino, Slavyanka, Posyet, Nakhodka are now included in VFP area. Closeness of Primorsky Krai to the borders, state programs

to improve transport and logistics infrastructure and enhancement of the business climate – becomes potentially important to develop business and entrepreneurship initiatives and to attract investments including foreign.

Among other prospective areas of bilateral economic cooperation is Taiwan's participation in development, transportation and utilizing energy resources located in the Far East, Siberia and Sakhalin. Taiwanese governmental and commercial organizations are interested in the development of the Sakhalin oil and gas resources. Sakhalin is close to Taiwan, therefore the transportation expenses would be low and the supply itself could be more stable than that from the Middle East and other distant regions.

The importance of Primorsky's location is also defined by the terminal of the Trans-Siberian Railway, the world's longest railway; the 100th anniversary of its creation was celebrated recently. The railway could give Taiwanese businessmen an extra opportunity for the economic development of Siberia, Russia, and Eastern Europe. Besides, Taiwan could be an investor and benefactor of the project connecting the Trans-Siberian and Trans-Korean railways.¹²

In August 2003 Vladivostok trade port signed a friendship agreement with Taiwan's Port of Kaohsiung which has same agreements with ports in the US, Middle East and Europe. The Vladivostok port became the 14th in that list and the first in Russia. Kaohsiung port is one of the 5 biggest in the world and the biggest in Taiwan. With Russia it is connected through supplies of steel.

Cooperation between the Russian Far East and Taiwan could also be profitable in the fishery and replenishing of fishing resources, production and processing of timber, and the development of business.

According to the Far Eastern Customs Administration in 2015 the foreign trade turnover of Primorsky Krai decreased by 45 per cent

compared to 2014 and amounted to US\$7.0464 billion. Export fell by 36 per cent to US\$3.3721 billion, and import fell by 52 per cent to US\$3.6743 billion.

The largest volume of foreign trade operations in 2015 has traditionally fallen to China – 50 per cent, the Republic of Korea – 15 per cent, Japan – 11 per cent and the United States – 1 per cent. The trade turnover with these countries every year is almost 80 per cent of foreign trade turnover of Primorsky Krai.

The trade turnover of Primorsky Krai with Taiwan in 2015 decreased compared to 2014, and totaled US\$95 million.

Exports decreased by 3 times and amounted to US\$46.5 million due to the decline in exports of almost all major product groups: oil products – 3 times to US\$41.9 million; waste and scrap of ferrous metals – 5.2 times to US\$2.7 million; products for railway and tram tracks – 8 times to US\$0.9 million.

Import decreased by 1.5 times to 48.5 million US dollars at the expense of such goods as plastics – 2.5 times to US\$4 million; electric appliances and its parts – 4 times to US\$1.2 million; parts and accessories for motor vehicles – by 35 per cent to US\$2.5 million; furniture and parts thereof – 3 times to US\$0.3 million. At the same time there was an increase of imports from Taiwan of machinery, equipment and their parts by 35 per cent to US\$18.1 million, and entertainment games ware by 8 times to US\$0.8 million.

In the first quarter of 2016 the trade turnover of Primorsky Krai with Taiwan declined by 17 per cent to US\$29.6 million; export by 20 per cent to US\$14.9 million; import by 18 per cent to US\$14.7 million. Commodity nomenclature of exports and imports has not changed.

Searching for cutting edge technologies Taiwan could use Russian scientific and technological findings in the areas where Russia still holds leading positions. These would be space monitoring to prevent natural

disasters and man-caused disasters, minimizing the consequences of such disasters, shipbuilding, and biotechnologies.

The cooperation in science and high technology fields could be based on previously signed framework agreement between Taipei-Moscow Economic and Culture Coordination Commission and Moscow-Taipei Economic and Culture Coordination Commission with the participation of the Taiwanese National Science Council and the Russian Foundation for Basic Research (RFBR). Both sides had many joint projects under way and their number is scheduled to increase.

The scientists of the Far Eastern branch of the Russian Academy of Sciences could share their views on processing the mineral resources, dealing with agricultural waste, producing super-clean organic and non-organic materials, water-cleansing technologies, new information technologies (including satellite monitoring), biotechnologies and many others. At that, the FEB RAS has hard time putting these projects in practice and Taiwan has great experience of selling its products in the world markets, which gives new opportunities for the creation of joint ventures, research centers, technoparks, etc.

Taiwan and Russia have increasing exchanges of students each year. Several dozens of Russian students have been studying Chinese language in Taiwan universities. In many local universities there are teachers of language, arts and sciences from Russia.

Taiwanese people know very well and appreciate Russian art and culture. Famous Russian artistic groups, ballet dancers and musicians regularly perform in Taiwan. Exhibitions devoted to world-known Russian writers Alexander Pushkin (Алекса́ндр Серге́евич Пу́шкин), Lev Tolstoy (Лев Никола́евич Толсто́й) and M.A. Sholokhov (Михаи́л Алекса́ндрович Шо́лохов) were held recently in Taiwan.

5. Conclusions

There is no denying that today's Russia is a shadow of its former self during the Cold War era, but it is a mistake to underestimate Russia, a country that occupies the world's largest territory, boasts the world's second most powerful military forces, and possesses the tenth largest population. According to the World Bank, even its lackluster economy ranked eleventh in the world in 2006.

At present neither side sees the other as an enemy which gives more opportunities for broadening economic ties, trade and mutual understanding.

An analysis of bilateral trade provides considerable evidence to the compatibility and complementariness of the Russian and Taiwanese economies. At the same time the existing possibilities for the development of trade and economic relations are realized insufficiently.

In its relations with Taiwan, Russia does not recognize the island's independence, considering it to be an integral part of China. While trade and economic relations remain on the unofficial, non-governmental level, their significance is recognized by both sides.

For Russia, relations with Taiwan do not seem to necessarily be related to its direct interests. Indeed, the security and stability of its shared border with PRC appear more decisive, although Russia and Taiwan have been gradually evolving dialogue relations in economic cooperation.

Many countries, though not having diplomatic relations with Taiwan, maintain close economic ties with Taiwanese companies, which is profitable for both sides.

While maintaining firm a position on the Taiwan issue, Russia started developing its relations with it in various fields. However, for a number of reasons the cooperation with Taiwan is limited to Moscow and Saint Petersburg. Primorsky Krai, although located close to Taiwan,

has failed to capitalize on any of its geographical advantages. Meanwhile, Taiwan has proved its importance for the region after quickly recovering from the world financial crisis.

Russia and Taiwan have good chances of developing bilateral trade, investments and technology cooperation, are capable of meeting new challenges and steadily moving towards the effective partnership goals. The way to the good level of cooperation could be difficult and will take some time, but it is in the interest of both sides, which are able to do much more for the common benefit of their economies and people.

Notes

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1. Per capita gross domestic product (平均每人國內生產毛額) in Taiwan in 2015 was US\$22,384 (35th in the world), and its gross domestic product (國內生產總值) was US\$525,196 million. External trade (進出口貿易總值) in 2015 was US\$522,563 million, with export being US\$285,344

million, and import US\$237,219 million. Foreign exchange reserves (外匯存底), one of the biggest in the world, in December 2016 was US\$434.20 billion. Taiwan is one of the major capital exporters, especially to Southeast Asia; its investments into the major ASEAN (Association of Southeast Asian Nations) countries reached US\$13101.43 million over the past five years (<https://www.dois.moea.gov.tw/Home/relation3>). Taiwan's competitiveness in global economic system in year 2016-2017 was evaluated to be at the 14th place. (Sources: Directorate General of Budget, Accounting and Statistics, Executive Yuan, Republic of China (Taiwan); The World Bank; Central Bank of the Republic of China (Taiwan); Department of Investment Service, Ministry of Economics, Republic of China (Taiwan); World Economic Forum.)

2. Formosa, the name of the island popular in English literature, means "magnificent island". The island was given its name by the Portuguese who first discovered it in the 16th century. The island is located about 100 km to the east of continental China and has a territory of approximately 14 thousand sq. km.
3. Nicolae Milescu Spătaru (1636-1708), a Moldavian writer, diplomat and traveler. In 1675, he was appointed as an ambassador of the Russian Empire to Peking (Beijing), the capital of Ch'ing (Qing) China, returning in 1678. In his road journal, later published under the title *Travels through Siberia to the Chinese borders* (St. Petersburg, 1882), Milescu described China and Taiwan.
4. In 1958 a film called *Chrezvichainoye Proisshestviye* [An extraordinary incident] was made in the USSR which was based on a true story. The black and white movie is full of ideological stamps of socialist propaganda; however, it remains popular to this day. Despite socialist stereotypes, the main theme of the film was the courage of the people who were deliberately sacrificed for ideological reasons. In 1959 the movie was a major hit with 47.5 million viewers in the country.

5. It is worth mentioning the visit in October 1968 of the Moscow-based freelance reporter for the *London Evening News* Russian citizen Victor Louis to Taiwan. It was the first visit made by a Russian to Taiwan since 1949. He managed to meet with the Minister of Defense Chiang Ching-kuo, the son of Generalissimo and President Chiang Kai-shek, who later succeeded his father to serve as premier and then president of the Republic of China. In 1969 the Deputy Minister of Education of Taiwan visited the USSR.
6. According to the former Taiwan representative in Moscow Mr. Chen Rong-jye (陳榮傑), since Taiwan imports the resources that the island lacks, the trade deficit can be considered positive (自由時報 (*Liberty Times*), 22nd November 2002, p. 4).
7. Taiwanese banks are careful with letters of credit issued by Russian banks. The payments are done with bank transfers or in cash. Among the banks that deal with Taiwanese businessmen are Gazprom bank, International Industrial Bank, Uralsib bank, Globex bank, Alfa bank, and Guta bank.
8. The situation with protection of foreign investors becoming better than in 1990s, when foreign businessmen were pushed from joint businesses as they were less protected and badly oriented in the Russian business environment. Now many government institutions are seeking to attract and protect foreign investors. On the federal level it is a department of the Ministry of economic development. In the Far East, foreign business is supported by the Ministry for development of the Russian Far East and by Presidential Plenipotentiary Representative in the Far-Eastern Federal District Yury Trutnev (Ю́рий Петро́вич Тру́тнев).
9. The “Tigre de Cristal” integrated entertainment resort in Muravyinaya Bay near Vladivostok is popular among the tourists; on weekends it is visited by 1000 persons, on weekdays by up to 600 people (Miklushevskiy, 2016: 7).

10. In September 2016 during the Asia-Pacific Economic Cooperation summit in Vladivostok on the Russky Island (Русский остров, Vladivostok's municipal district) one of the world's largest aquariums and the largest in Russia was opened. Investors from Taiwan participated in the construction of the aquarium.
11. According to the analysis of leading economists, the overall volume of Taiwanese investment in continental China is around US\$70 billion. That is comparable to the sum invested by U.S. in China. Although politically mainland China is opposed to Taiwan, the Taiwanese economy has become increasingly tied to the Chinese one. The main reasons for that are the cheap labor force and huge potential of continental China's market. (China's Ministry of Foreign Trade & Economic Cooperation; US Commerce Department; Morgan Stanley; Goldman, Sachs. In: Meredith, 2002: 34-36).
12. The fact that the transportation of a standard container by sea from Southeast Asia to Europe costs US\$1500-1800 and takes a month when transportation from Pusan (부산 / 釜山) via Siberia (Сибирь) costs only US\$600 and takes 13 days proves the expedience of the project.

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