NEW IMPETUS OF SINO-RUSSIAN ECONOMIC AND TRADE COOPERATION

Yining Cheng

https://orcid.org/0000-0002-3782-9061
Peoples’ Friendship University of Russia (RUDN University)
Economics Faculty, department of International economic relations
6 Miklukho-Maklaya Street, Moscow, 117198, Russian Federation
E-mail: uualisa@163.com

Abstract: China and Russia are important strategic partners to each other with a long history of cooperation. Against the background of “The Belt and Road”, the cooperation between them has grown increasingly closer and the prospect of cooperation between them has attracted much attention. China and Russia have strong complementarity to each other in many fields. How to give full play to their advantages and deepen cooperation to make China and Russia benefit each other has become a progressively popular object for research in these two countries. If China and Russia can realize the construction of regional economic integration as soon as possible, their cooperation will part change the world order of "one super state and many powerful countries". This article uses data analysis method to describe the current situation of Sino-Russian economic and trade cooperation. At the end of this article, the author summarizes some new impetuses in Sino-Russian cooperation, such as cooperation in the fields of agriculture and cross-border E-commerce.

Key words: China; Russia; economic and trade cooperation; agricultural cooperation; cross border E-commerce.

JEL codes: F01; F02; F10

1. Introduction

Russia is a big country adjoining to China geographically, and the two countries have intimate trade contacts in history. Especially since the 21st century, the economic and trade cooperation between the two countries in various industries has gradually increased. In the context of
sanctions imposed on Russia by Europe, the United States and the Sino-US trade war, how to develop China-Russia economic and trade cooperation steadily becomes significant. The stable economic and trade cooperation between China and Russia is not only beneficial for the two peoples, but also vital for the stability of the Asian-Pacific economy.

At present, China is the largest trading partner of Russia, and Russia is the tenth largest trading partner of China. According to the United Nations Commodity Trade Statistics, the volume of trade between the two countries grew by $110.7 billion in 2019. Although the current cooperation between the two countries has achieved good results, the trade structure needs to be further upgraded. From the perspective of long-term development, the two countries still need to increase mutual trust, constantly optimize the cooperation model, and inject new impetus into the cooperation between them.

2. Methodology and Data

The author uses a comparative analysis of data in the article and consulted the China Statistical Yearbook, United Nations Trade Database and etc. The selection of times has a certain representativeness. For example, the author selected data from 1992 to 2019 to analyze the Sino-Russian trade volume. Because during this period, both of China and Russia experienced a financial crisis and establishment of SCO, hence they can show more clearly the impact of changes in the internal and external environments on the trade between the two countries.

3. Results and Discussion

Under the influence of internal factors and external economic environment, Sino-Russian trade has experienced a volatile but constantly developing process. From 1991 to 2000, the annual trade volume between China and Russia fluctuated within a range of five to eight billion US dollars. Since 2001, Sino-Russia trade volume has grown rapidly.
We can clearly see from Figure 1 that the bilateral trade volume declined twice in 2019. The first was in 2009, when bilateral trade fell to US $39.5 billion for the first time due to the impact of the subprime crisis. The reason for the decline in the bilateral trade volume between China and Russia in 2015 is mainly external factors, such as insufficient international market demand, lower commodity prices, etc., and the bilateral trade volume worth of 63.5 billion US dollars. After 2015, the bilateral trade volume gradually recovered, showing a good development trend. In 2019, Sino-Russia trade value increased by 19 times compared with that of 1992. According to the statistics from China Customs, the trade volume between China and Russia from January to March this year is 25.35 billion US dollars, a year-on-year increase of 3.4%, and the growth rate ranks second among China’s major trading partners. Among them, China imported 16.2 billion US dollars from Russia, a year-on-year increase of 17.3%, and the import growth rate ranks first among China’s major trading partners. Although Sino-Russia trade bucked the trend in the first quarter, the resilience and potential of economic and trade relations between two countries are strong. However, due to the lagging effect of the epidemic on trade and the decline in international oil prices, the bilateral trade between China and Russia in 2020 needs further observation.

Despite the total trade volume between China and Russia continues to expand, the trade structure of the two countries still has much to be improved. For example, in recent years, the proportion of mineral products and chemical products in China's imports from Russia has
increased year by year. Among China's export goods to Russia, the growth trend of mechanical and electrical products is the most impressive, which has become the first major category of trade commodities in China's export trade to Russia. China's exports of mechanical and electrical products accounted for about 37% in China's total exports to Russia in 2018. Nevertheless, as shown in Table 1, in the bilateral trade between the two countries, it is still dominated by raw materials and energy products. Such a situation not only imposes a heavy burden on resources and the environment, but also make the added value of most products lower.

Russia has rich natural resource reserves like abundant oil and natural gas production in the central-eastern regions. In recent years, Sino-Russia energy cooperation has continued to deepen, and the scale of energy trade between China and Russia has been expanding. In 2009, China and Russia signed a contract for the construction of oil transportation pipelines, and agreed to export 15 million tons of oil to China every year from 2011. In March 2013, they signed a cooperation agreement on expanding crude oil trade and Russia planned to increase the annual export volume to 30 million tons to China through the second China-Russian oil pipeline from January 2018. In May 2014, China and Russia signed a contract for natural gas pipeline, which will supply 38 billion cubic meters of natural gas to China every year. In the

<table>
<thead>
<tr>
<th>Year</th>
<th>China Top-5 exports of goods to Russian Federation</th>
<th>China Top-5 imports of goods from Russian Federation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>Articles of leather, animal gut, harness, travel goods; Articles of apparel, accessories, not knitted or crocheted; Footwear, gaiters and the like, parts thereof; Articles of apparel, accessories, knitted or crocheted; Electrical, electronic equipment.</td>
<td>Iron and steel; Aluminium and articles thereof; Mineral fuels, oils, distillation products, etc.; Fertilizers; Wood and articles of wood, wood charcoal.</td>
</tr>
<tr>
<td>2004</td>
<td>Furskins and artificial fur, manufactures thereof; Articles of leather, animal gut, harness, travel goods; Articles of apparel, accessories, not knitted or crocheted; Electrical, electronic equipment; Footwear, gaiters and the like, parts thereof.</td>
<td>Mineral fuels, oils, distillation products, etc.; Wood and articles of wood, wood charcoal; Iron and steel; Fertilizers; Fish, crustaceans, molluscs, aquatic invertebrates.</td>
</tr>
<tr>
<td>2008</td>
<td>Electrical, electronic equipment; Nuclear reactors, boilers, machinery, etc.; Articles of apparel, accessories, knitted or crocheted; Vehicles other than railway, tramway; Footwear, gaiters and the like, parts thereof.</td>
<td>Mineral fuels, oils, distillation products, etc.; Wood and articles of wood, wood charcoal; Iron and steel; Fertilizers; Fish, crustaceans, molluscs, aquatic invertebrates.</td>
</tr>
<tr>
<td>2012</td>
<td>Nuclear reactors, boilers, machinery, etc.; Electrical, electronic equipment; Vehicles other than railway, tramway; Footwear, gaiters and the like, parts thereof; Articles of apparel, accessories, knitted or crocheted.</td>
<td>Mineral fuels, oils, distillation products, etc.; Wood and articles of wood, wood charcoal; Ores, slags and ash; Fertilizers; Fish, crustaceans, molluscs, aquatic invertebrates.</td>
</tr>
<tr>
<td>2016</td>
<td>Nuclear reactors, boilers, machinery, etc.; Electrical, electronic equipment; Furskins and artificial fur, manufactures thereof; Articles of apparel, accessories, not knitted or crocheted; Footwear, gaiters and the like, parts thereof.</td>
<td>Mineral fuels, oils, distillation products, etc.; Wood and articles of wood, wood charcoal; Fertilizers; Fish, crustaceans, molluscs, aquatic invertebrates; Ores, slags and ash.</td>
</tr>
<tr>
<td>2018</td>
<td>Electrical, electronic equipment; Nuclear reactors, boilers, machinery, etc.; Furskins and artificial fur, manufactures thereof; Articles of apparel, accessories, not knitted or crocheted; Footwear, gaiters and the like, parts thereof.</td>
<td>Mineral fuels, oils, distillation products, etc.; Wood and articles of wood, wood charcoal; Fish, crustaceans, molluscs, aquatic invertebrates; Copper and articles thereof; Ores, slags and ash.</td>
</tr>
</tbody>
</table>

Source: Compiled by the authors on UN Comtrade Database, China as reporter. (www 2)
next 10 years, China-Russia natural gas trade volume will exceed 70 billion cubic meters. Russia will become China's largest supplier of natural gas imports after becoming China's largest supplier of crude oil. Energy cooperation has become one of the core contents of Sino-Russian relations. With the development of Sino-Russian energy trade, the cooperation between them have expanded to oil and gas financing cooperation, oil and gas engineering equipment manufacturing and technology development. All of these have made great progress. The continuous deepening of energy cooperation between China and Russia has greatly promoted the development of trade between the two countries. In addition, Sino-Russian cooperation in cross-border E-commerce and agriculture has become new dynamics for future development of economic and trade cooperation between China and Russia.

Russia is located in a necessary place for the construction of the New Eurasian Continental Bridge Economic Corridor and is the market with the greatest potential for cross-border e-commerce. Morgan Stanley Bank predicted that by 2024, the volume of the e-commerce market in Russia will reach 3.491 trillion rubles, and Tmall (AliExpress Russia) market share will reach 14% in 2023(www 3). The volume of the Russian e-commerce market in 2019 amounted to $ 30.6 billion. Currently, the share of E-commerce in Russia's GDP is 1.3%, compared with 2.6% the USA, and 5.1% in China. Russia's per capita consumption in e-commerce platform is 170 US dollars, the United States is 1655 US dollars, and China is 530 US dollars. In 2019, online stores in Russia placed 425 million orders. That's 41% more than a year ago. The total revenue of online stores reached 1.6 trillion rubles, increased a quarter over 2018(www 4). Over the past year, the percentage of people who use stores in different countries is growing, among them, the number of users placing orders on the Chinese E-commerce platform increased from 30% in 2015 to 42% in 2019(www 5). According to the monitoring data of the China E-commerce Research Center, the main objects and proportion in countries and regions of China's export cross-border E-commerce in 2018 are: the United States 17.5%, France 13.2%, Russia 11.3%, Britain 8.4%, Brazil 5.6%, Canada 4.5%, Germany 3.7%, Japan 3.4%, South Korea 2.5%, India 2.4% and others 27.5%, respectively. The accelerated trade cooperation between China and Russia has provided opportunities for the development of cross-border E-commerce. The rapid development of cross-border E-commerce has also promoted the in-depth development of Sino-Russian trade. At present, cross-border E-commerce cooperation between China and Russia has gradually matured, and this cooperation becomes a new potential for Sino-Russian trade cooperation.
Sino-Russian cooperation in agriculture sector has also become a new highlight. China and Russia have a strong complementarity in the structure of agricultural products trade to each other, and there is a broad space for cooperation. China has obvious advantages in capital, technology and market; Russia has rich land resources and huge agricultural production potential; China’s Northeast Revitalization Strategy coincides with Russia's far east development strategy. Since 2015, China has become Russia's most critical exporter of agricultural products. According to the statistics of China Customs, in 2018, the total trade volume of agricultural products between China and Russia reached 5.252 billion US dollars, the import of agricultural products from Russia valued 3.207 billion US dollars, accounting for only about 2.34% of China’s total import volume. The growth rate of China's imports of agricultural products from Russia is far greater than that of its exports to Russia. It is foreseeable that China and Russia have great potential for cooperation in this field. According to the agricultural product export development strategy from 2017 to 2024 formulated by the Russian Ministry of Agriculture and the Russian Export Center, Russia plans to increase the export of agricultural products to China worth of US $ 9.5 billion by 2024.

China is a major importer of soybeans in the world. Affected by the Sino-US trade war, China and Russia revised the inspection and quarantine requirements for soybean imports in 2019.

![Fig. 2 Trend of China's soybean imports from Russia in 2010-2018](source: UN Comtrade Database, China as reporter. (www 1))
From Figure 2, we can clearly see the rapid growth of China's soybean imports from Russia. In 2010, China imported only 677.85 tons of soybeans from Russia. This number increased to 817191.74 tons in 2018. At present, the agricultural trade between the two countries has become more and more extensive, and China's direct investment in the Russian agricultural sector has also grown rapidly. According to the "2018 China Foreign Direct Investment Statistical Bulletin", China's direct investment flow to Russia in 2018 was 725 million US dollars, of which agriculture (including agriculture, forestry, animal husbandry and fishery) accounted for 54.9%, which the proportion increased compared with that of nearly 3 times in 2017.

4. Conclusions

The commodity structure of Sino-Russian trade cooperation still belongs to the traditional model, but some new phenomena have also appeared. With the continuous growth of the economic and technological level of the two countries, we are sure to believe that the existing track of trade expansion, structural optimization and stable development will be maintained.

Good economic and trade cooperation requires the two countries to formulate more complete strategies and policies, such as formulating financial assistance policies for enterprises engaged in Sino-Russian trade and investment, optimizing the investment environment of both parties, and establishing a good communication mechanism. Increasing construction in trade logistics and warehousing between China and Russia, on this basis, the cooperation between China and Russia in Russian Far East will be further increased. In the future, China and Russia should actively promote the signing process of the China-Russia Free Trade Agreement and remove trade barriers to the greatest extent, so that to provide a broader development space for China-Russia economic and trade cooperation.

Acknowledgments

The publication has been prepared with the support of the «RUDN University Program 5-100».
References


Online sources

(www1) https://comtrade.un.org/data/

(www2) https://dit-trade-vis.azurewebsites.net/?reporter=156&type=C&year=2018&flow=2

