

RUSSIAN-CHINESE TRADE RELATIONS: STAGES AND RATES OF DEVELOPMENT

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Abstract: *The article examines the stage of development of trade and economic cooperation between Russia and China in 1991-2019. This cooperation remains one of the important factors for improving the economic efficiency of the national economies of the countries under consideration and, according to the author, a catalyst for the diversification of their national economies. Mutual trade between the two countries, according to the author, has passed clearly defined stages over the past 30 years.*

The purpose of the article is to analyze the trade and economic relations between Russia and China in 1991-2019 and to identify their features, dynamics, and stages.

Their features, as well as the factors that have influenced the dynamics of bilateral trade, are of both theoretical and practical importance for understanding the prospects for the development of bilateral trade, especially in the current growing volatility of the world economy and trade.

The novelty of the article lies in the identification of new factors that affect these relations, developing both within the framework of both countries and in the global economic system.

The result of the study: it was revealed that at each stage of the development of Russian-Chinese trade and economic relations, specific features of these relations were formed; that global economic and political processes have an increasingly radical impact on the dynamics and structure of bilateral trade; that bilateral and multilateral projects are becoming more prominent for both countries. The author shows the importance of the experience of trade between Russia and China with third countries for the development of bilateral trade.

The research is based on a systematic approach, statistical analysis and deductive method.

Key words: *Russia, China, trade and economic cooperation, trade turnover, export, import.*

JEL codes: *F 14, F 63*

1. Introduction

The history of development, the state and forms of cooperation, as well as the factors affecting the Chinese-Russian trade and economic relations, attract the close attention of many scientists. 2019 marks the 70th anniversary of diplomatic relations between the USSR /Russia and China, as well as the 30th anniversary of relations between the Russian Federation and China. However, trade and economic cooperation between the two countries has a much older history (Karataev et al., 2019, Shkvarya, 2019).

Over the past 30 years, scientists of the two countries have made a great contribution to scientific research on the specifics of these relations, their problems and prospects. Among the relatively representative results, we can mention the works of Yu Hailing (Yu, 2020), Wang Xizhe, He Mingjun (He et al., 2020), Shkvarya L. V. (Shkvarya, 2019), Spartak A. N. (Spartak, 2019) and others.

These studies analyzed the main trends in the development of trade and economic cooperation between the two countries, as well as changes in the value of bilateral trade and its commodity structure. The influence of existing internal and external factors on the structure of trade and its specifics in different periods is also noted. Therefore, we can get a lot of information about the Chinese-Russian trade and economic cooperation. This analysis prompted us to reflect on the evolution of China-Russia economic and trade cooperation over the past 30 years.

But the above research results are a generalization and description at the level of phenomena, a description of the process of development of Chinese-Russian trade and economic cooperation. They contain an assessment of the level of cooperation between the two countries and an analysis of the factors affecting trade and economic cooperation between the two countries. In most of them, there is no in-depth analysis of the causes of the current situation, and especially of the future prospects for development. Therefore, the purpose of this article is to analyze the trade and economic relations between Russia and China in 1991-2019 and to identify their features, dynamics and stages. Our research is based on the methods of theoretical abstraction and in-depth analysis, and on the basic economic logic.

2. Methodology and Data

When writing this article, the author uses a systematic approach, comparative and statistical analysis. The document uses the international statistical database of UNCTAD. For clarity, the author uses a graphical method. Research period-2000-2019 - it is chosen because, according

to the author, it will have a significant impact on the development of bilateral trade and economic cooperation between the two countries in the medium and long term. The author consistently and deeply analyzes three stages of the development of trade and economic relations between Russia and China: the first stage from 1991 to 1999, the second stage - from 2000 to 2008, i.e. before the global financial and economic crisis, and the current third stage, which began in 2009 and continues to the present.

3. Results and Discussion

For 70 years, the evolution of trade and economic relations between Russia and China has been mainly an upward process. Since 1991, the evolution and level of China-Russia trade and economic cooperation has been determined by the market transformation, the state of economic development and the economic scale of the two countries. However, the mutual trade of the two countries has always been important for both sides.

The period 1991-2019 can be divided into separate stages – according to the magnitude of the scale of trade, directions and content of cooperation.

The first stage – 1991-1999. Its characteristics are as follows.

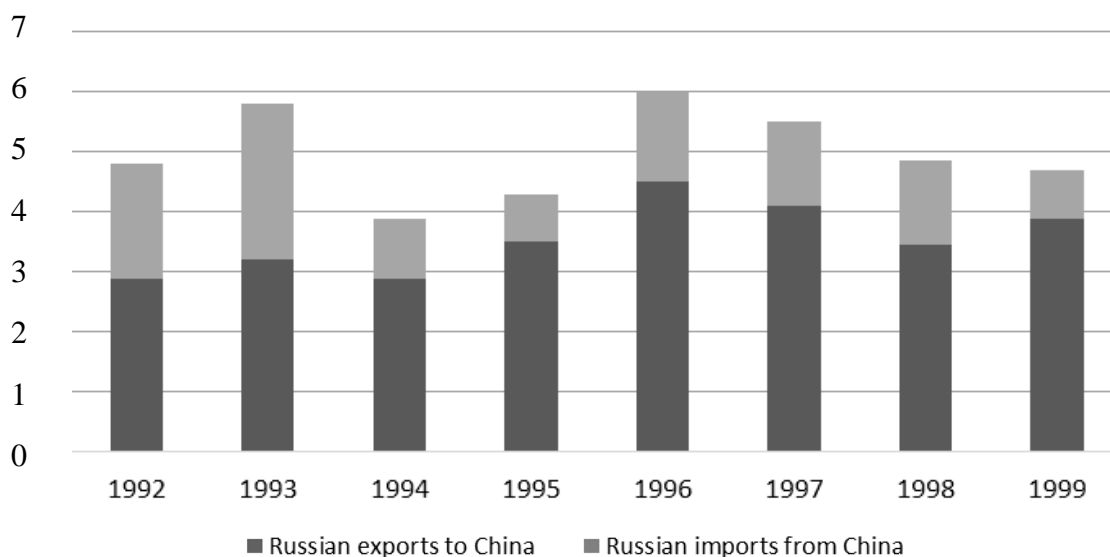
After the collapse of the Soviet Union in 1991, China and Russia made some progress in establishing trade relations. A number of areas developed: from 1992 to 1996 – the stage of "free development" of China-Russian trade cooperation; From 1992 to 1993, trade between China and Russia developed rapidly. On March 5, 1992, at the beginning of Russia's independence, the two countries signed the "Agreement on Economic and Trade Relations between the Government of China and the Russian Federation" and the "Agreement on the Promotion and Mutual Protection of Investment". Since then, a number of bilateral trade agreements have been signed in the fields of scientific and technical cooperation, cultural cooperation, transport, customs, nuclear energy, intellectual property protection and currency supervision. These agreements laid the foundation for bilateral cooperation. In 1992, the volume of bilateral trade between the countries amounted to \$ 4.86 billion, which was a record high (Figure 1).

Russia took the 6th place in the group of China's trading partners. In 1996, the volume of trade between China and Russia amounted to \$ 5.68 billion, and China became the second largest trading partner of Russia.

In 1992, Russia began a market-based economic transformation. As a result of the shock therapy, production in many industries plummeted. Price liberalization led to severe inflation

at the beginning of the transition period, and fiscal and monetary policy tightening caused serious problems with payments. This allowed China and Russia to maintain the form of barter trade that was used in the Soviet era, and marked the beginning of trade and economic cooperation.

Fig. 1. Dynamics of bilateral trade between Russia and China in 1992-1998, USD bn.



Source: Compiled by the author for UNCTAD.

Nevertheless, as can be seen in Figure 1, the volume of mutual trade decreased markedly from year to year. The vector of trade relations also changed under the influence of domestic and international processes, including the global financial and economic crisis of 1998-1999.

In addition, during this period, the governments of the two countries delegated the authority for foreign trade in accordance with the needs of the development of the situation. China-Russian trade broke the pattern of trade under government agreements during the China-Soviet period. It was gradually replaced by direct trade and economic ties between the business circles of the two countries. In 1991, regional trade, cross-border trade, and corporate trade accounted for 60% of the total, while State trade accounted for 40%. Share of the first three in 1992 it grew to 85%, and state trade fell to 15% (Cheng, 2018).

We should not forget that in 1996, the two countries decided to create a mechanism for regular meetings between the prime ministers of China and Russia and a platform for regular meetings between the heads of government. In 1997, the two sides signed an Agreement between the Government of the People's Republic of China and the Government of the Russian Federation on the establishment of a mechanism for regular meetings between the Prime

Ministers of China and Russia and on organizational principles. This Agreement coordinated cooperation between the two countries in trade and economic, scientific and technical, energy, transport, nuclear and other fields. This mechanism has played an important role in the pragmatic trade and economic cooperation between the two countries and the development of bilateral relations.

Second stage - 2000-2008. From 2000 to 2008, China-Russian trade and economic cooperation was at a steady and rapid growth stage. Gradually, a new model of economic and trade cooperation was formed under the leadership of the state, which was based on state-owned enterprises.

This stage is characterized by three main features:

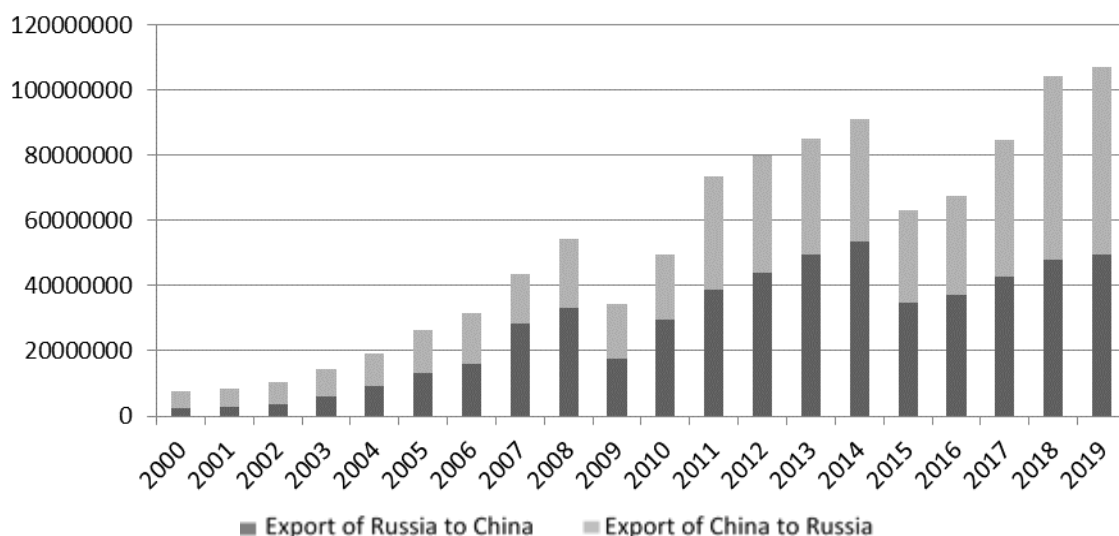
1) The volume of bilateral trade continued to grow steadily and rapidly (see Figure 2).

In 9 years, the volume of bilateral trade by value has increased more than 8 times – from \$ 8.003 billion in 2000 and \$ 10.669 billion in 2001. It increased to \$ 48.218 billion in 2007 and \$ 56.909 billion in 2008;

2) The mechanism of trade and economic cooperation between the two countries was gradually improved and continuously transformed into the results of trade and economic cooperation;

3) At this stage, there was an important turning point in the China-Russian trade cooperation, and the quality of cooperation began to improve. The fact is that as the Russian economy embarked on a relatively rapid growth path, Russia's purchasing power began to grow, and China's exports to Russia began to increase. The data in Figure 2 illustrates this situation.

Fig. 2. Change in the value volume of China-Russian trade in 2000-2019, thousand dollars.



Source: compiled by the author from UNCTAD data.

Chinese experts describe this situation as an important sign of improving the quality of trade and economic cooperation between the two countries and gaining a new impetus for its development (Tian, 2019). Russian – as an increase in the imbalance of foreign trade, which is a growing problem in trade and economic relations between the two countries (Spartak, 2019).

The global financial and economic crisis marked the beginning of the third – modern – stage in the development of trade and economic cooperation between Russia and China. As can be seen in Figure 2, it was simultaneously characterized by an increase in the value volume of trade and its growing volatility. This was influenced by external factors.

The Chinese authors believe that the 3rd stage of the China-Russian trade and economic cooperation (from 2008 to the present) is a stage of rapid development, in contrast to the interaction between China and Russia, for example, with the EU. Thus, despite the impact of the financial crisis, geopolitics, exchange rate fluctuations and other aspects, China-Russian trade and economic cooperation has maintained an upward trend. The quality of bilateral trade and economic cooperation has been constantly improving due to the resolution of various crises (He, 2019).

During this period, the Russian economy was affected by the global financial crisis of 2008 and the introduction of anti-Russian economic sanctions by Western countries in 2014 (Korzhenkulova et al., 2017). The 2008 shock led to a corporate debt crisis in Russia, deleveraging and deterioration of corporate balance sheets, which worsened production conditions. In 2009, the economy fell by 7.8%. Western sanctions in 2014, the devaluation of the ruble and the fall in oil prices led to an economic recession in Russia and a sharp deterioration in the terms of trade with the EU (Melanina, 2020, Telegina & Khalova, 2019).

In addition, the "Trade War" between the US and China also has a negative impact on bilateral trade between China and Russia (Kapustina et al., 2020). This leads to sharp fluctuations in the volume of bilateral China-Russian trade (Mikheev & Lukonin, 2019). After the two crises, the volume of bilateral trade fell by 32% and 28.57%, respectively, from \$ 56.909 billion in 2008-2009 to \$ 38.797 billion, from \$ 95.270 billion in 2014 to \$ 68.016 billion in 2015, with subsequent growth (see Figure 2).

The impact of trade fluctuations has two aspects. On the one hand, the sharp decline in trade has created problems for companies in China and Russia. They had to make adjustments to purchases and sales. On the other hand, the sharp fluctuations in trade volume also prompted

the Chinese and Russian governments to try to support companies and help them overcome difficulties, optimize the trade environment between China and Russia, expand trade opportunities, and strengthen the construction of infrastructure for economic and trade cooperation. So, in October 2014 and May 2015. The two countries have officially signed the "Agreement between the Government of the People's Republic of China and the Government of the Russian Federation on the Avoidance of Double Taxation and the Prevention of Income Tax Evasion". In May 2015, China and Russia signed the "Joint Statement on Cooperation and Cooperation in the Construction of the Silk Road Economic Belt". In May 2018, the Chinese Ministry of Commerce and the Eurasian Economic Commission officially signed the "Agreement on Economic and Trade Cooperation between China and the Eurasian Economic Union". This is the result of three years of trade facilitation negotiations between China and the EAEU and its member states.

The countries are also stepping up their cooperation within the framework of integration in the Shanghai Cooperation Organization, and especially in the strategic project "One Belt, One Road", initiated by China in 2013 (Chubarov & Kalashnikov, 2018, Lukin, 2019).

In November 2018, during the 23rd regular meeting of the Prime Ministers of China and Russia, the parties signed a "Memorandum of Understanding on cooperation in the field of trade in services", and the customs authorities of the two countries signed a "Memorandum of Understanding and cooperation in the supervision of customs clearance of electronic commerce". The "Agreement on International Road Transport" between the Government of the People's Republic of China and the Government of the Russian Federation was also signed.

The construction of these systems and mechanisms of trade and economic cooperation shows that the Chinese-Russian trade and economic cooperation is gradually deepening (as a trend), and its foundation is being strengthened. Not only has the scope of cooperation expanded, but its mechanism has also become more mature. Statistics show that the total volume of trade between Russia and China in 2019 exceeded \$ 100 billion. Thus, it is not the first time that the value of mutual trade has passed the \$ 100 million mark, but it has reached the highest level in history. Both the governments and scientists of the two countries highly appreciated this.

4. Conclusions

From 1991 to 2019, trade and economic activity between the two countries developed in a multi-level, multi-channel and diversified direction based on intergovernmental exchanges. The

author identifies three stages in the development of trade and economic relations between the two countries, based on their scale, as well as features. In particular, at the first stage, bilateral trade was mainly influenced by domestic processes and, to a lesser extent, global trends. At the second stage, the influence of external factors increased, as did the trade turnover. Currently, i.e. in the third stage, the scale and depth of cooperation tends to increase, and the quality gradually improves. However, the influence of external factors, such as the global recession, the "Trade War" between China and the United States initiated by the United States, as well as the growing instability of world trade, has a negative impact on the Russian-Chinese trade turnover.

Therefore, countries need to strengthen their bilateral trade relations through such measures as, for example, the partial rejection of the dollar in mutual settlements, deeper cooperation within the framework of the Chinese initiative "One Belt, One Road", the activation of projects with third countries, for example, Mongolia, Belarus, etc. These measures can certainly reduce the global pressure on both the national economies of the two countries and on their mutual trade in the future.

They can also contribute to solving the main problem of bilateral Russian-Chinese trade relations, which is the growing imbalance in trade turnover, both in terms of value and commodity structure. Economic and trade cooperation between countries mainly includes trade exchanges, mutual investment and technical cooperation, as well as the creation of economic and trade infrastructure (customs, settlement, trade and investment promotion, etc.).

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