

Strengthen the "Unimpeded Trade" Between China and Russia and Share the Digital Economy

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ABSTRACT

"Unimpeded Trade" is a key part of the "One Belt and One Road" initiative. The digital economy is closely related to policy communication, infrastructure connectivity, unimpeded trade, financial integration and people-to-people connectivity as proposed by the One Belt and One Road. The rapid development of the digital economy has become a new driving force for effectively reducing trade costs and speeding up the process of unimpeded trade. The research goal is to conduct a more comprehensive and in-depth study on all aspects of Unimpeded Trade that are the key content of promoting the "Belt and Road" construction on the basis of combing the textual research. There are many bright spots in China-Russia economic and trade cooperation, Road connectivity has produced remarkable results. But, There are still many problems in the construction of "unblocked trade" between China and Russia. Just make trade cooperation bigger and stronger, As long as we make trade cooperation bigger and stronger, improve infrastructure, optimize the business environment, strengthen institutional building and explore digital transformation, we can gradually realize unimpeded trade and share the digital economy.

Keywords: *China, Russia, Unimpeded Trade, Digital Economy.*

1. INTRODUCTION

The concept of "Unimpeded Trade" was formally put forward in the "Vision and Actions for Jointly Building the Silk Road Economic Belt and the 21st Century Maritime Silk Road" issued by China in 2015. Unimpeded trade mainly has two connotations of trade liberalization and investment facilitation, while trade liberalization and investment facilitation promote and complement each other. On the one hand, due to the different political, economic and cultural environments of home country and host country, transnational investment enterprises lack relevant knowledge and are often faced with huge risks. Trade liberalization will make regional economic exchanges more frequent and relevant knowledge better transmitted within the region, thus providing favorable conditions for cross-border investment within the region. On the other hand, cross-border investment can make better use of countries' non-trade factors, magnify their original comparative advantages, and form new competitive advantages on this basis, so as to promote trade development. [1]

The measures adopted include: countries along the Belt and Road should jointly build a free trade network system, eliminate investment and trade barriers, and promote trade and investment facilitation; jointly explore ways to build free trade zones, foster a sound business environment within the region and in other countries, and unleash the potential of cooperation; Jointly improve the transparency of technical trade measures, reduce non-tariff barriers, and improve trade liberalization and facilitation; Jointly expand the scope of trade, optimize the trade structure, explore new growth points of trade, and promote trade balance; Integrate investment and trade, promote trade through investment, promote ecological progress in investment and trade, strengthen cooperation on ecological environment, biodiversity and climate change, and jointly build a green Silk Road; Jointly optimize industrial, value, supply and service chains, and promote industrial complementarity, interaction and mutual assistance among countries and regions along the belt and Road; Jointly explore new paths of opening up and development, and build an open

economic system that is mutually beneficial, diversified, balanced, secure and efficient. [2]

The leaders of China, Mongolia and Russia reached consensus on jointly building the "China-Mongolia-Russia Economic Corridor" in 2014 and the "Outline of The Plan for Building the China-Mongolia-Russia Economic Corridor" was signed in 2016. At the same time, the three heads of state held five meetings to maintain close communication and coordination, which greatly promoted the connectivity of cross-border facilities and unimpeded trade between China and Russia. With the "unimpeded trade", the policy and legal system of China and Russia can be improved to guarantee the deepening of economic and trade cooperation. The bilateral industrial structure is further optimized to lay a foundation for promoting economic development. Demand for roads, railways and ports has increased, providing enterprises with projects to connect facilities and driving financial and personnel exchanges at the same time. "Unimpeded trade" not only plays a key role in the "Five Links", but also is the easiest area to break through in the "Economic Corridor Jointly Built by China, Mongolia and Russia" because trade is not so closely related with political, ethnic and religious system.

The digital economy is closely related to policy communication, infrastructure connectivity, unimpeded trade, financial integration and people-to-people connectivity proposed by the One Belt and One Road. Developing the digital economy will help One Belt and One Road-related countries transform their social development to a more efficient, intelligent and user-friendly way. The digital economy is playing a growing role in global free trade, which is driven not only by policy and institutional arrangements but also by technological progress. The rapid development of the digital economy has become a new driving force for effectively reducing trade costs and speeding up the process of unimpeded trade. At present, the fragmented mode of trade has been transformed. The technology of economic activities, the digitalization of production processes and elements, and the rapid development of the flow of people all require the global mode of trade to be adjusted accordingly. China and Russia should explore ways to jointly take advantage of digital opportunities and meet challenges, and promote the "Five Links" in the digital economy, including unimpeded trade. Developing and improving important information infrastructure to promote connectivity; Promoting digital transformation; Promoting e-commerce cooperation; Promoting investment in information and communication technologies; Narrowing the digital divide between China and Russia through various

policy measures and technological means; Encouraging the cultivation of transparent digital economy policies; Developing and maintaining an open, transparent and inclusive approach to digital economy policy making; Promoting international standardization cooperation; Enhancing confidence and trust.

2. METHODOLOGY

In a word, this paper uses the method of abstract deduction, qualitative and quantitative analysis to evaluate the performance indicators of the Unimpeded Trade of China Russia. The research goal is to conduct a more comprehensive and in-depth study on all aspects of Unimpeded Trade that are the key content of promoting the "Belt and Road" construction on the basis of combing the textual research; and to deepen the understanding that Unimpeded trade is the most basic link and an important way to promote economic prosperity and regional cooperation in related countries. On the basis of analysis and demonstration, the paper intends to put forward feasible countermeasures and suggestions in terms of promoting trade cooperation between China Russia, focusing on promoting Unimpeded Trade, and achieving mutual benefit and win-win results.

3. CHARACTERISTICS OF THE "UNIMPEDED TRADE" BETWEEN CHINA AND RUSSIA

The "Unimpeded Trade" between China and Russia is mainly reflected in:

First, there are many bright spots in China-Russia economic and trade cooperation. In the first place, The import and export volume of China and Russia has exceeded 100 billion US dollars. According to Russian customs statistics, the import and export volume between China and Russia in 2018 was 108.28 billion US dollars, an increase of 24.5 percent. In 2019, the trade volume between China and Russia reached 110.919 billion US dollars, an increase of nearly 2.5% year on year. As a result, the proportion of China-Russia trade in Russia's total foreign trade has also increased in the past two years compared with the previous years. In 2019, it increased to 16.6%, 0.9 percentage points higher than that of the previous year. In 2019, China has been Russia's largest trading partner for ten consecutive years. Second, the structure of bilateral trade has been further optimized. Although China has continued to export mechanical and electrical products, metal products, textiles and raw materials to Russia and import mineral products from

Russia, agriculture, service trade and high-tech products have become new growth points of trade. [3] In 2018, bilateral trade in agricultural products exceeded US \$5 billion for the first time, and trade in services reached US \$17.59 billion, nearly doubling year-on-year. [4] Third, China-Russia economic and trade cooperation has shifted from a single import and export relationship to e-commerce, industrial parks, finance and other service trade, as well as infrastructure, energy, aerospace and other major projects. At present, Harbin alone has two international mail routes to Russia. "By the end of May 2019, Harbin had shipped 530 chartered cargo flights to Russia, 185 land mail vehicles, delivering 56 million pieces of mail, with a total weight of 12 million tons, accounting for about 25 percent of China Post's total volume of small and light parcels sent to Russia." [5] Chinese enterprises have built more than 40 overseas parks in Russia, mainly for agricultural cultivation and wood processing. The proportion of Russian companies or businesses settling in yuan has grown to 15% from less than 5% four years ago, and a new settlement mechanism between Chinese and Russian companies is being established. The China-Russia Tongjiang Railway bridge and Heihe Highway Bridge have been successfully closed, the second line of the crude oil pipeline has been put into commercial operation, the Amur natural gas processing plant has officially entered the stage of equipment installation, and we are working together to build the "Ice Silk Road". Cooperation in Arctic development has made positive progress. We have signed a number of agreements in such areas as satellite navigation, lunar and deep space exploration. Fourth, China's investment in Russia has increased significantly. In 2015, China's direct investment in Russia showed a rapid growth trend, with its net investment reaching 296,100 US dollars, up 367.3 percent year on year, accounting for 41.6 percent of China's total net investment in Europe and setting a record high. The investment field has expanded from traditional energy, oil and gas, agricultural and forestry development to automobile, household appliances, food processing and other manufacturing, medicine, aerospace and other high-tech fields, and the investment mode has also expanded from traditional greenfield investment to the fields of equity participation, merger and acquisition, fund establishment and other fields. So far, China's total investment in Russia has reached \$50 billion. The gratifying achievements in China-Russia economic and trade cooperation are mainly due to the changes in the international trade environment and the impact of western sanctions on Russia, which has contributed to its desire to strengthen cooperation with China. In particular, China-Russia relations had been

upgraded to the "China-Russia Comprehensive Strategic Partnership of Coordination in the New Era" in 2019. The expansion of economic and trade cooperation between China and Russia has helped upgrade the investment and trade structure between the two countries and boosted investment, imports and exports to new highs. In 2020, trade in goods between China and Russia has also been affected by COVID-19. By June, the trade volume between China and Russia had reached 49.16 billion US dollars, down 5.6% from the same period last year. However, compared with other trading partners, the trade volume between China and Russia has been less affected. As the two countries speed up the resumption of work and production under the normal situation of the epidemic, the decline in China's exports to Russia has gradually narrowed, and China's imports of energy and mineral products and agricultural products from Russia have continued to expand. In general, the fundamentals and long-term trend of China-Russia economic and trade cooperation remain unchanged. The economic and trade relationship between China and Russia will become even closer after being tempered and the depth and breadth of cooperation will be further consolidated and expanded.

Second, road connectivity has produced remarkable results. "The Vision and Actions for Promoting the Joint Construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road" delineated 18 key provinces, including Heilongjiang Province, clarified the positioning of each province in the "Belt and Road" and the focus of foreign cooperation, and pointed out the construction of an important window for Heilongjiang Province to open to the north, improve Heilongjiang's railway passage to Russia and the regional railway network, and strengthen land-sea transport cooperation with the Russian Far East. Focusing on infrastructure connectivity is a strong support for Heilongjiang's integration into the national "One Belt And One Road" strategy and its opening-up to the north. The construction of railway bridges and highway bridges between China and Russia has been completed, and the construction of railway links along the border with Russia, high-speed railway ring roads in Heilongjiang province, railway links at ports, key road networks, and civil aviation airports and stations has been accelerated. This series of multi-point connectivity, cross-border infrastructure construction, multi-dimensional international corridor construction, safe and unimpeded cross-border transport network construction [6], plays an important role in promoting Sino-Russian trade.

4. PROBLEMS WITH THE CONSTRUCTION OF "UNIMPEDED TRADE" BETWEEN CHINA AND RUSSIA

In terms of simplifying and harmonizing trade procedures, China and Russia have successively become members of the World Trade Organization. Under the WTO's trade rules, the influence of tariff and non-tariff trade barriers has been relatively less. Through reform, cross-border trade processes have been simplified, and the level of trade facilitation has shown an upward trend. After five years of construction of the "China-Mongolia-Russia Economic Corridor", China and Russia have signed a number of customs cooperation agreements respectively and made some achievements in specific areas such as cargo clearance and port management cooperation. For example, the China-Russia customs information exchange pilot project, mutual recognition of supervision results, price information exchange and other cooperation projects are progressing smoothly. [7] At present, both China and Russia have accepted the decision of the Protocol to the WTO Trade Facilitation Agreement. However, as far as practical implementation is concerned, there is still a big gap between China and Russia. There are still problems such as unequal construction of ports, low efficiency of customs clearance and lack of a modern comprehensive port management system. Russian commodity authentication does not conform to the general standard, the customs officers enforce the law too casually, and the customs clearance time is long. According to the "2016 Global Trade Promotion Report" released by the World Economic Forum, high barriers to market access and protective trade spending remain the biggest remaining obstacles. The Chinese mainland also ranks only 61st among the world's trade-promoting economies.

In terms of infrastructure, the "Outline of the Plan for Building the China-Mongolia-Russia Economic Corridor" gives priority to the development of transportation infrastructure and connectivity. China and Russia have made substantial progress in the development of infrastructure such as roads, railways, aviation, ports and ports. In particular, progress has been made in international transport and cross-border transport, with the completion of the Tongjiang Railway bridge and Heihe Highway bridge between China and Russia, and the construction of Binhai No.1 and No.2 international transport corridors in Russia. [8] However, when northeast China participated in the construction of "China-Mongolia-Russia Economic corridor", it still had the problems of insufficient

transportation infrastructure construction and low freight carrying capacity. However, its road connectivity was higher than that of Russia. In the ranking of 140 countries in the 2018 Global Competitiveness Index "Infrastructure", Russia ranks 51st, among which, it ranks 104th in road quality, 69th in railway density, 52nd in air transport service efficiency and 45th in port service efficiency. In Russia, "the Far East Federal District is the most sparse of the eight federal districts in terms of railway network, only 13 km / 10,000 sq km, and the density of hard-faced road network is also the lowest, only 6.1 km / 1,000 sq km". [9] Although there are many port cities in eastern Russia, the port facilities are backward and the throughput is relatively small. In short, the infrastructure of Russia's roads, railways, aviation and ports is relatively old and backward, unable to meet the growing demand for transport and play no role in supporting the "unimpeded trade".

In terms of the business environment, in recent years, in order to attract foreign investment and improve the domestic business environment, China and Russia have made adjustments in their domestic laws. For example, in 2014, Russia amended the Foreign Investment Law of the Russian Federation with other relevant laws. China's Foreign Investment Law has also been revised for five years and will come into force on January 1, 2020. However, the Agreement on Encouragement and Mutual Protection of Investment signed between China and Russia in 2009 is still being applied, and its contents are far from adapting to the development status of economic and trade relations between the two sides as well as changes in domestic policies and laws. [10] While China's ease of doing business has improved dramatically in recent years, it has risen from 97th to 65th in the World Bank's latest ranking of cross-border trade, making it the only economy in East Asia and the Pacific to make the 2019 Doing Business Report's top 10 reformers. However, at the present stage, there are still many deficiencies. The main problems include the need to improve the administrative supervision system and relevant government policies, the high market access threshold of the industry, the low efficiency of the examination and approval process, and the limited factor resources. Russia ranks 73rd out of 140 countries in the 2018 Global competitiveness index "Burden of Government Regulation". As a result of oligopoly, Russia's laws are often changed, with serious corruption, local protection and poor social security to varying degrees. Since 2014, the United States and The European Union have successively imposed economic sanctions on Russia. In addition to the slow recovery of the world economy and the

decline of international oil prices, Russia's economy has suffered a heavy blow, which will further deteriorate the already unhealthy market environment.

As for the establishment of free trade zones, China and Russia are increasingly aware that only the establishment of some form of cooperation mechanism in this region can be conducive to promoting economic development in this region. China and Russia are linked by mountains and rivers. The economic and trade cooperation between the two countries is developing rapidly and they are important economic and trade partners to each other. In addition, some quasi-free trade zones have been formed in the border areas, especially the construction of "China-Mongolia-Russia Economic Corridor", which has set the establishment of free trade zone as the ultimate goal. However, it is still restricted by political, economic, legal, historical and boundary uncertainties. On the economic level alone, China and Russia have large differences in economic scale and population size, low trade level and single structure, and low level of trade and investment facilitation. [11] These constraints are bound to become the obstacles to the construction of a free trade area. China and Russia have yet to formally propose a free trade agreement, and the relevant initiatives have been scattered in documents and news reports. Both Russia and China have put forward proposals to establish a free trade area through the SCO, but this is only at the oral stage, and it remains to be seen how this will develop in practice¹.

5. CONCLUSION

"Unimpeded Trade" is a key component of the innovative cooperation model of the Silk Road Economic Belt and plays a key role in the "Five Links". Over the past five years since the building of the China-Mongolia-Russia Economic Corridor, China and Russia have made some achievements in facilitating unimpeded trade. However, there are still great shortcomings in simplifying and coordinating trade procedures, providing smooth road and transportation infrastructure, and optimizing the business environment. There are still many obstacles to overcome in building a free trade area. It is still difficult to change in the short term due to constraints such as factor endowment, trade policy and national interests of the two countries. In particular, due to the impact of COVID-19, the global economic environment is extremely complex, making it difficult

to restart it. However, under the framework of building the China-Mongolia-Russia Economic Corridor, the development strategies of China and Russia have been closely aligned, political mutual trust has been significantly enhanced, both sides cooperation has been deepened, and areas of cooperation have been expanded. Obstacles will eventually be removed and the "unimpeded trade" will gradually be realized.

First of all, we need to improve our infrastructure. The improvement of infrastructure plays an important role in promoting trade facilitation, and is also one of the key cooperation areas in the construction of "One Belt And One Road" and "China-Mongolia-Russia Economic Corridor". And both China and Russia have varying degrees of infrastructure problems that cannot meet transport and customs requirements. Therefore, under the framework of the "China-Mongolia-Russia Economic Corridor", the two sides should seize the opportunity of connecting national development strategies, increase investment in infrastructure, and strengthen the construction of power and communication facilities. At the same time, we will speed up the construction of roads and Bridges at border ports and improve the transportation capacity of roads, railways and waterways. [12] In time, we will break the transport bottleneck between China and Russia and achieve trade facilitation hardware standards.

Second, we will improve the business environment. In order to achieve free trade and investment facilitation, China and Russia should fully fulfill their commitments under the Trade Facilitation Agreement, modernize and upgrade their port construction in strict accordance with the WTO Trade Facilitation Agreement standards, improve the management level and administrative efficiency of port departments, and effectively reduce non-tariff trade barriers. The Customs administrations of China and Russia should strive to harmonize relevant systems and standards to ensure the safe and smooth flow of goods in global trade and supply chains. It can start from the improvement of electronic customs declaration, transparent and standardized management operation, simplified law enforcement procedures and information sharing among countries to create a convenient and efficient customs clearance environment. [12] China and Russia should also try to reduce excessive government interference in trade and give full play to the leading role of the market to reduce the burden of government regulation, improve

¹ China and Russia are brewing to jointly build the Eurasian Free Trade Zone, reference news, 2016-3-5.

enterprise efficiency and promote trade facilitation. The key to developing the digital economy is to create a sound business environment. China and Russia have promoted the formulation of economic governance rules in emerging areas, actively participated in the formulation of international rules and standards in the digital field, and worked together to create an open, fair, just and non-discriminatory digital development environment.

Third, we need to strengthen institutional building. The "China-Mongolia-Russia Economic Corridor" has achieved some success and accelerated the process of connectivity. Therefore, on the one hand, experts and scholars from China and Russia can be organized to update their study on bilateral trade and investment agreements. On the other hand, experiences accumulated in the pilot free Trade Zone can be fully utilized. We will take small cross-border free trade zones and free trade zones as pilot projects to conduct feasibility studies on the establishment of the free trade zone, reduce tariffs and customs clearance procedures, and realize "unimpeded trade", so as to lay a material and institutional foundation for the signing of a comprehensive free trade zone between China and Russia. As for a network of free trade zones, in addition to speeding up the traditional arrangements for liberalizing trade in goods and service, it is also necessary to accelerate the arrangement of digital free trade zones.

Fourth, exploring cooperation in the digital economy. The epidemic has had a profound impact on the world landscape, and the digital economy has highlighted its huge potential in the global joint response to the epidemic. The epidemic has given birth to new industries and new forms of business. China and Russia should work together to seize the opportunity of the new round of scientific and technological revolution and industrial transformation, leverage their complementary advantages and focus on win-win cooperation. We will accelerate the exploration of digital transformation, improve the existing digital platform for business connectivity and build a China-Russia Information Port to provide strong impetus to our digital economic cooperation, facilitating unimpeded bilateral trade by promoting cross-border e-commerce, financial inclusion, cloud computing, eWTP and other digital economy sectors.

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