

# Sino-Russian Economic and Trade Cooperation under "the Belt and Road Initiative"

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**Abstract**—China and Russia are close to each other and have established good cooperative relations. However, due to the long-term "political hotness and economic coldness", the potential for economic and trade cooperation is underdeveloped. With the choice of Russia's "Eastward Strategy" and the advent of "the Belt and Road" and other new domestic and international developments of the Chinese economy, it has posed new challenges to the economic and trade cooperation between China and Russia. Based on the current situation of the economic and trade cooperation between China and Russia under "the Belt and Road" initiative, this article explores the new problems we are facing and puts forward suggestions on deepening the economic and trade cooperation between China and Russia under "the Belt and Road" initiative.

**Keywords**—Sino-Russian; economy and trade; cooperation

## I. INTRODUCTION

China and Russia have long border lines, and they have great geographical advantages in cooperation. They are also important strategic partners, and the cooperation between China and Russia has extensive and profound significance. In March 2015, the Chinese government released "Vision and Action for Promoting the construction of the Silk Road Economic Belt and Maritime Silk Road in the 21st Century", which set out the scope, objectives and specific areas of "the Belt and Road". In May, China and Russia released "Joint Statement on the Construction of the Economic Belt along the Silk Road and the Euro-Asia Economic Alliance". It said that it had injected impetus in sustained and high-level development of Sino-Russian cooperation through the docking and cooperation between the two major projects. Also, it has also become an effective platform for strengthening economic and trade cooperation between China and Russia.

## II. THE STATUS QUO OF SINO-RUSSIAN ECONOMIC AND TRADE COOPERATION UNDER "THE BELT AND ROAD INITIATIVE"

### A. The Total Bilateral Trade between China and Russia Continues to Grow, and They Are Important Trading Partners

In recent years, the economic and trade cooperation between China and Russia has maintained good momentum, and bilateral trade in goods has rapid growth. According to statistics of China Customs, the import and export volume between China and Russia in 2016 was 69.5 billion dollars, up 2.2% over the same period of last year. Among them, China exported 37.297 billion dollars to Russia, up 7.3% over the same period of previous year. The volume of import from Russia was 32.228 billion dollars, down 3.1% year-on-year. At present, China is largest trading partner for Russia, second largest export market and the largest source of imports.

### B. Sino-Russian Trade in Goods Concentrate in the Secondary Industry

From 2014 to 2016, the trade volume between China and Russia in the secondary industry accounted for more than 90% of the total trade volume each year. In 2016, China's exports to Russia mainly include: boilers, machinery and equipment, electrical machinery, audio-visual equipment and spare parts. The total share of these manufacturing products is about 52.9%. China has imported many mineral products from Russia, accounting for about 68.3%. Russia has rich resources. And rich minerals and energy has contributed to the massive export of raw materials and finished industrial products in related industries.

### C. The Rapid Development of Sino-Russian Border Trade Is an Important Part of the Trade between China and Russia

With the continuous promotion of economic and trade cooperation between China and Russia, the border trade between the two countries has developed rapidly. The border ports to Russia are mainly distributed in the eastern part of Inner Mongolia Autonomous Region and the northeast of Heilongjiang province in our country. And these ports have always occupied an important position in the economic

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cooperation between China and Russia. For example, Manchuria Port is located in the eastern part of Inner Mongolia. At the same time, it is close to three provinces in the northeast of China. In the process of economic development, it has close relationship with the northeast old industrial base and the Bohai economic rim. According to statistics from Manchuria Customs, the volume of import and export of Manzhouli ports to Russia amounted to 15.22 billion yuan by means of frontier petty trade in 2016, accounting for 98.9% of the total import and export of border trade of Manchuria port in the same period. The volume of import and export of border ports is 15.29 billion yuan, up 12.7% over the same period last year, accounting for 55.8% of the total import and export of Manzhouli port at the same period. Thus, the rapid development of Sino-Russia border trade has created favorable conditions for regional economic development and employment of the labor force.

#### *D. The Rapid Growth of Bilateral Direct Investment between China and Russia*

Since "the Belt and Road Initiative" was launched in 2013, it has been widely popular. All parties participated in this activity. Nearly 40 countries have signed the "Agreement on Co-construction and Cooperation" with Chinese businessmen. Over the past three years, Chinese enterprises have invested over 50 billion dollars in countries along "the Belt and Road". It has not only led to the development of local economy, but also has created a lot of local employment opportunities. According to data released by the Ministry of Commerce, Chinese enterprises directly invested 14.53 billion dollars in countries along "the Belt and Road" in 2016. Chinese enterprises established 56 large-scale cooperation zones in the countries along "the Belt and Road", and the total investment was 18.55 billion dollars. In 2016, Chinese non-financial direct investment in Russia reached 14.02 billion dollars, and maintained its position as the fourth largest source of investment in Russia. It can be seen that Russia plays an important role in the "Belt and Road" strategy.

### III. THE NEW PROBLEMS OF SINO-RUSSIA ECONOMIC AND TRADE COOPERATION

#### *A. The Trade Scale Is Relatively Small with the Low-level Trade Structure*

At the beginning of 21st century, the economic and trade cooperation between China and Russia developed rapidly. However, its trade scale was relatively small and could not be compared with the trade volume between China and the United States. Also, the volume was lower than the volume of Sino-Japan trade, and Sino-Korea trade. In 2016, the bilateral trade volume between China and Russia reached 69.5 billion dollars, up 2.2% over 2015. Among the top ten trade partners of China, Sino-Russia trade took the lead in achieving positive growth. However, the volume only accounted for 1.9% of China's total foreign trade. The volume of Sino-US trade, Sino-Japan trade, Sino-South Korea trade respectively accounted for 14%, 7% and 5.7% of the total trade. The trade structure of the two countries is

underdeveloped. Compared with the structure of export commodities, China is clearly superior to Russia. Russia mainly exports energy and resource products (crude oil, coal, logs) to China. For Russia, the fundamental reason for the energy structure and low-grade export structure is the deformity of the domestic economic and industrial structure. From the point of China, the main exports to Russia are mechanical equipment, electrical machinery, electrical equipment, audio-visual equipment and agricultural products. In recent years, China's exports of electromechanical products to Russia have increased rapidly, playing an active role in optimizing the structure of China's exports to Russia.

#### *B. The Cooperation Issue between Silk Road Economic Belt and Eurasian Economic Union*

Russia-led Eurasian Economic Union, a program of economic integration within the CIS, was officially launched on January 1, 2015. At present, it has five member states of Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan. The alliance aims to free the flow of goods, services, capital and labor, and the ultimate goal is to build an economic union similar to the EU. It is obviously different from the goal set by China in building the "Silk Road Economic Belt" and building a new mode of regional cooperation. Two major strategies involving different countries and regions need to go through a long and complex process of construction. The cooperation between the two strategies involves multi-level and various types of economy. Its complexity, arduousness and persistence can be imagined. During this period, many problems are bound to be encountered, which will directly restrict the two major strategic constructions and their cooperation. In the current, the international political and economic relations are complicated. Individual countries give priority to their own interests. They would seek and intensify the conflicts in the planning of "the Belt and Alliance", and obstruct the progress of the cooperation.

#### *C. Russian Economy Is Close to the Brink of Recovery, Delaying the Process of Bilateral Economic and Trade Cooperation*

Affected by the U.S. and European sanctions and the drop in international oil prices, the Russian economy has been in a slump. In 2015, the Russian economy recorded a negative growth of 3.7% and a nominal GDP of 1.31 trillion dollars, only about 100 billion dollars more than Guangdong, the most economically viable province in China. In addition, the wage income plunged 10%. And it would further curb the consumption. 2016 economic data revised by the Russian Ministry of Economic Development shows that the annual GDP of Russia has dropped by only 0.2%. According to the data released by the Russian Federal Statistical Office, GDP data in the second quarter of 2017 shows that Russian economy keeps its steady rebound. After deducting the price factor, the actual growth is 2.5% over the same period of previous year, an acceleration of 2.0% than the previous quarter. In the first half of 2017, the growth of Russian economy has increased by 1.5% over the same period of last year, an acceleration of 1.0% than that of the first quarter. It can be seen that Russian economy is approaching the brink

of recovery, and is expected to achieve faint growth in 2017. From the above data, it can be seen that the economic situation in Russia is gradually getting better. However, in the process of expanding economic and trade cooperation with Russia, China should fully recognize the multiple risk factors and delay the process of bilateral economic and trade cooperation.

#### IV. SUGGESTIONS ON DEEPENING SINO-RUSSIAN ECONOMIC AND TRADE COOPERATION UNDER "THE BELT AND ROAD INITIATIVE"

##### A. *To Promote the Transformation and Upgrading of Sino-Russian Economic and Trade Cooperation by Means of Innovative Cooperation*

The economic and trade cooperation between China and Russia is proceeding steadily. However, there still exists the issue of low-level trade structure, which requires both two countries to make innovation and cooperation on the basis of traditional economic and trade cooperation. Also, two countries should seek the growth point of transformation and upgrading of bilateral cooperation. These two countries should make use of the priority areas for cooperation and development, and actively carry out innovative cooperation to build the platform for cooperation in the emerging industries between the two countries with the help of the advantages of the Sino-Russian information industrial park. At the same time, the mode of innovation and opening up in the economic and trade cooperation among the neighboring regions of China and Russia can propel the development of service trade in the border areas, and improve the opening up of the fields such as tourism and logistics, and promote the inter-industry cooperation between China and Russia from traditional cooperation to new fields. At present, the new formats of cross-border e-commerce between China and Russia are developing rapidly. These two countries should seize the favorable opportunity to expand cross-border logistics and transport cooperation, promote the completion of cooperation projects such as railways, highways and bridges, and gradually strengthen the cooperation in the trade of electromechanical and agricultural products and communications products and other fields. In the Sino-Russian forestry cooperation, it is necessary to give full play to the advantages of the Sino-Russian timber trading center. And it also should continuously extend the industrial chain of cross-border timber deep-processing.

In October 2013, during the regular meeting between the prime ministers of China and Russia, the two sides agreed to change the name of "Harbin Association of Trade" to "China-Russia Expo". Up to now, China and Russia have successfully held four expositions. And they have covered 15 key business activities such as resource development, trade promotion, mechanical and electrical innovation, e-commerce, customs, youth exchange, tourism, measurement, cadastral surveying and other fields. As an open exchange platform, Expo has become an important platform for pragmatic cooperation and total communication between China and Russia in the politics, economics, trade, science

and technology, culture and other key areas. It has actively promoted the cooperation of SMEs of China and Russia.

##### B. *To Promote Effective Docking between Silk Road Economic Belt and the Eurasian Economic Union on the Basis of Free Trade Area*

Starting from the intersection of the interests of China and Russia, the two countries would use a new type of cooperation mode to promote the effective connection between the Silk Road Economic Belt and the Eurasian Economic Union. Under the new situation, China and Russia are facing new problems of domestic economic development. To achieve the goal of coordinated development of regional economy, the economic and trade cooperation should be the focus of the connection of Silk Road Economic Belt and the Eurasian Economic Union. We can gradually promote the effective docking of the two strategies by establishing free trade zone as follows:

First, we should take Russia as an entry point, actively promote the establishment of free trade zone between China and Russia, and achieve direct docking of the two major strategies. At present, Russia has not established with China. However, it does not mean that it wouldn't build free trade zone in the future. In particular, under the unprecedented dilemma of Russian domestic economy, we should seize favorable opportunities, actively fight for the will of Russia, start the negotiation process timely, and speed up the formation of free trade zone between China and Russia. And then, we can better make the docking and convergence with Russia in the special relevant systems and mechanisms of development zones. Then, it would achieve the interaction of regional development strategy between China and Russia.

Second, it should take the five countries of Central Asian as a starting point, and build free trade zone between China and Central Asia. In the end, China and Russia will achieve indirect docking between two major strategies. At present, Russia does not have the strong will to establish free trade zone with China. At the same time, the conditions for its establishment are not mature. China could adopt other tactics to sidestep free trade with Russia directly. Through the establishment of the China-Central Asia Free Trade Area, it will create conveniences for China's goods and services in the Central Asian market. And it could adopt the mode of operation of Chinese goods in Central Asia. And then, we could enter the Russian market through the Eurasian Economic Union. It would indirectly achieve the free trade between China and Russia.

Third, the effective docking between the Silk Road Economic Belt with the Eurasian Union would involve enormous challenges in areas such as infrastructure construction, energy and finance. China and Russia should actively establish relevant mechanisms for effective docking. For example, we could organize international academic forums on related topics, and give play to the role of think tanks of experts and scholars from all countries. And we should establish a regular dialogue mechanism among leaders of China and Russia and relevant ministries and commissions. We should actively seek national policy

support, and steadily promote the effective docking between the two strategies.

### *C. To Establish Stable Cooperation Mechanism to Achieve Political Mutual Trust and Common Aspiration of the People*

China and Russia should establish an exchange mechanism and jointly play the leading role of both countries. We can rely on the existing cooperation mechanisms. For example, we could study the reasonable tactics of the cooperation mechanism of the Eurasian Economic Union. And we could establish long-term and stable cooperation mechanism that is in line with the economic and trade development of both countries. In the end, it could achieve the goal of political mutual trust and common aspiration of the people. We could adopt the following tactics. First, we must give full play to the advantages of the international leaders' meeting mechanism. With national conditions, we could innovate cooperation modes and further deepen economic and trade cooperation. The members of the SCO (Shanghai Cooperation Organization), the observer countries and the dialogue partners have already included the members of the Eurasian Economic Union. At the same time, these countries are in prominent position of the Economic Belt of the Silk Road. It can be seen that the SCO (Shanghai Cooperation Organization) would play a key role in promoting the docking of "the Belt and Alliance" and the Sino-Russian economic and trade cooperation. China and Russia can give full play to the important role of SCO (Shanghai Cooperation Organization) in promoting and exploring the economic and trade cooperation between the two countries. Second, we should establish an effective mechanism for negotiation and consultation, and put in place the cooperation intention reached by the leaders at the meeting, and form virtuous circle of bilateral and multilateral levels. Third, we should set up a business information exchange platform, enhance corporate reputation and visibility, promote exchanges and cooperation among enterprises, and truly implement the economic and trade cooperation. Fourth, we should establish dialogue mechanism between the two countries. We could communicate and settle problems in time. Then, we could create a favorable environment for economic and trade cooperation between the two countries. Fifth, it should form non-governmental exchange mechanism, and actively carry out various forms of cultural exchange activities. And then, it would prompt the people of the two countries to deepen mutual understanding, enhance friendship and seek cooperation and common development. Sixth, we would improve the mechanism of regional cooperation, and take the frontier ports and free trade zones as the basis for cooperation. And then, it could promote the coordinated development of northeast old industrial base of China and Russian Far East. In the end, it would achieve effective cooperation at the regional level.

## V. CONCLUSION

However, there are some local problems in the process of economic and trade cooperation between China and Russia.

On a long view, Sino-Russian economic and trade cooperation would complement each other's advantages. And the basic pattern of mutual development opportunities and support wouldn't be changed. China and Russia would take the docking and cooperation of "the Belt and Alliance" as the lead. And they would continue to stabilize trade in bulk commodities such as energy and resources, speed up the implementation of strategic large-scale project cooperation, conduct more joint research and development, production and joint ventures, and expand the added value and technology of cooperation and industrial chain.

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