

Foreign Trade Cooperation Technologies: Prospects and Opportunities (With China and Russia as Examples)



Chzhou Genshen

Abstract: *The article has analyzed the benefits and barriers of creating the Sino-Russian free trade based on the legal documents governing the formation of the Silk Road taking into account features of the economies' development at the current stage. The main trading partners of the Russian Federation among the far-abroad countries have been identified. The structure of exports-imports of the Russian Federation with the foreign trade partners among the APEC countries has been analyzed, including the structure of the trade between China and Russia, and the volume of bilateral trade between countries. The article has analyzed the state of trade cooperation between Russia and China by industries, and also assessed the competitiveness of the trading environment of the Silk Road countries. The authors have compared the parametric characteristics of Russia and China, and also forecasted the changes in the commodity structure of imports and exports for the Russian-Chinese foreign trade relations.*

Keywords: *Free trade, Silk Road, foreign trade cooperation, Eurasian economic cohesion, commodity circulation, competitiveness, trading environment, imports, exports, Russian economy, Chinese economy.*

I. INTRODUCTION

In recent years, several agreements have been reached aimed at intensifying economic cooperation between China and Russia in various areas.

In 2016, trade grew by 2.7%, for the first time after 2013, showing a positive trend. The years of 2017 – 2018 can also be characterized as the period of positive dynamics and structuring of foreign trade relations between China and Russia. As the BRICS members, China and Russia play an important role in the development of the global economy and foreign trade relations. China is the world's largest trading country and the Russia's largest trading partner. Against the background of the economic globalization and regional economic integration, the promotion of the Sino-Russian free trade zone enshrines equality and mutual trust, mutual support, and the improvement of the Sino-Russian strategic partnership also plays an important role. The economic cooperation between China and Russia has excellent potential for development. The fact that the countries border each other, the structure of the trade relations between them greatly complement each other, the development of technology in each country makes the trade and economic

situation a win-win one for both countries, has a beneficial effect on organizing foreign trade cooperation between China and Russia. Many scientists, such as T.M. Aliev, R.K. Alimov, E.Yu. Vinokurov, V.G. Lobyrev, A.A. Tikhomirov, T.V. Tsukarev, N.F. Demidova, V.S. Myasnikov, I.T. Moroz, A.Yu. Ognev, E.V. Savkovich, D.S. Markova, D.A. Smolyakov, I.Yu. Frolova, L. Fu, I.Ma, F.Hu, S.V.Sharko, T.K.Shafranovskaya and others studied the state of foreign trade cooperation between Russia and China, as well as issues of interaction between the countries. The article presents a phased analysis of the advantages and barriers of creating Sino-Russian free trade as a theoretical model allowing to assess the prospects and trends in the development of interaction between Russia and China. The chronological scope of the study. The study was limited in chronological terms to the period from 2013 to 2023. The choice of the lower limit is due to the fact that in 2013 the leaders of the Russian Federation and China signed a cooperation agreement between the Russian Federation and the People's Republic of China in the framework of the development of the Silk Road that created additional opportunities for further strengthening of relations between the two countries. The signing of this document became the starting point of a new stage in the history of the Russian-Chinese relations development. The 2023 milestone serves as the upper chronological limit since the China representatives have published an action plan for the implementation of initiatives to develop the "Silk Road Economic Belt" and the "Sea Silk Road of the 21st Century" with the forecasted cash flow values up to this point. The study of the formation of fundamentally new areas of the Russian-Chinese foreign trade cooperation aimed at the modernization and the more dynamic development of the Russian economy, including taking into account the resource potential of specific regions, acquires special research interest. The working hypothesis of the study is based on the assumption that the imperfection of the modern commodity structure of the Russian exports and imports, its role as a supplier of raw materials to world commodity markets have been caused by the imbalances in the sectoral structure of the country's GDP and the low competitiveness of manufacturing, services, and agriculture. It is impossible to make a technological breakthrough in solving this problem of Russia without the support of an economically developed strategic partner – China which is interested in developing its foreign trade cooperation with Russia.

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II. PROPOSED METHODOLOGY

A. General description

The research methods based on the requirements of an objective and comprehensive factor analysis of the condition of foreign trade cooperation between Russia and China in an aggressive external environment were used for this article taking into account the features of the development of economies in the modern period. The research was conducted using a set of methods and the means of scientific knowledge. The abstract-logical method allowed revealing the theoretical aspects of assessing the current advantages and barriers to creating Sino-Russian free trade. The system-structural method was used to analyze the state of trade cooperation between Russia and China by industries. The use of the economic-mathematical and economic-statistical methods allowed assessing the competitiveness of the trading environment of the Silk Road countries [1]-[3].

B. Algorithm

The study consisted of solving several problems, as follows:

- to explore the historical background, political content, features of the formation and development of modern foreign trade Russian-Chinese relations. Accordingly, in this part the laws, legal acts, and strategic documents regulating the socio-economic development of the Russian Federation and the People's Republic of China, the current legal framework of Russia and China regulating the foreign trade served as the regulatory framework of the study;

- to characterize the modern phase of the Sino-Russian strategic partnership and to analyze the current situation of the country's foreign trade structure of cooperation between Russia and China, as well as to justify the choice of such a priority partner based on the Asian vector of development of the world economy. Accordingly, in this part, the information and empirical base of the study has been represented by the results of the analysis of a number of monographs, printed and electronic periodical scientific publications; the official statistics from the World Bank, the International Monetary Fund, and the World Trade Organization; data from the Federal State Statistics Service, the Federal Customs Service, and the Central Bank of Russia; data of the State Statistical Office and the Main Customs Administration of the PRC; the materials of Russian and foreign literature and the press, as well as the publications on the Internet; and

- to develop and substantiate the prospects of development of the Sino-Russian strategic partnership in foreign trade. The information of the declaration of the two countries' Silk Road development, the relevant protocols and agreements, as well as the official documents on the strategic development of the Russian Federation and China in foreign trade have been used in this part.

III. RESULT ANALYSIS

A. The analysis of the benefits and barriers of creating the Sino-Russian free trade based on the legal documents governing the formation of the Silk Road taking into account features of the economies' development at the current stage

Economic cooperation between China and Russia has excellent potential for development. The unique geographic position and the sizes of Russia contribute to the organization of the Sino-Russian foreign trade and hide the excellent potential for cooperation not only with Europe, but with Asia, and primarily with China which, as it is known, being the Russia's neighbor, is its most important economic partner. It is believed that the time has come to reasonably assess the possibility of using this resource from the point of view of mutually beneficial trade and economic development of the countries.

China and Russia have a land border of more than 4,300 km. The motorway, railway, and port distribution represents very favorable geographical conditions and contributes significantly to the development of cross-border trade.

The structure of trade relations between Russia and China is highly complementary. In terms of trade and economic structure, the complementarity of the two markets provides a strong guarantee of further economic and trade cooperation between the two countries.

Let us consider the Sino-Russian bilateral trade commodity structure.

To assess the possible directions of development of the Sino-Russian trade and economic relations, the authors consider the current goods exchange of these countries (see Figures 1 and 2).

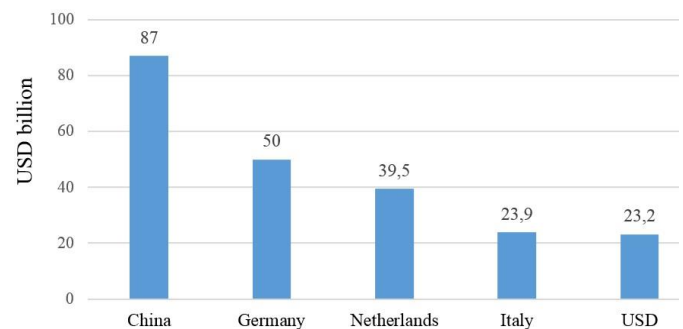


Fig. 1. The main trading partners of the Russian Federation among the far-abroad countries (the data are presented for 2017).

Source: compiled by the authors according to [4]

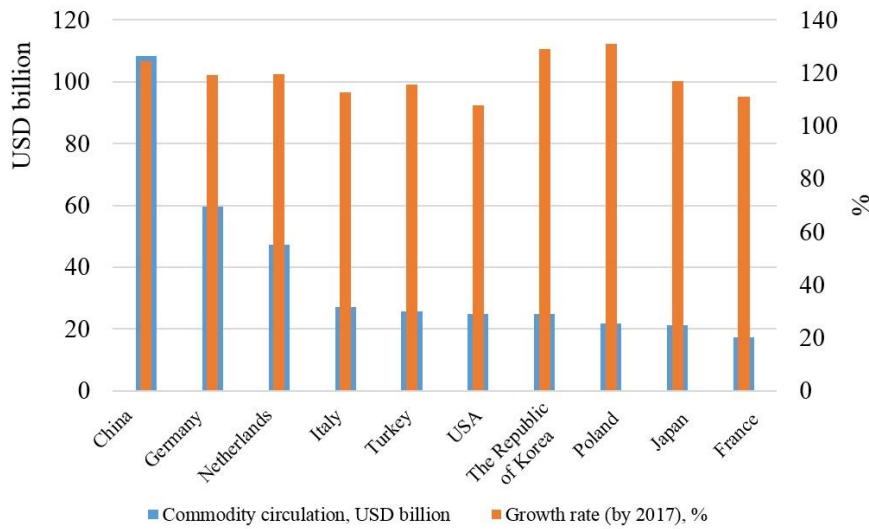


Fig. 2. The main trading partners of the Russian Federation among the far-abroad countries (the data are presented for 2018).

Source: compiled by the authors according to [4]

As it follows from Figures 1 and 2, China was the main trading partner of Russia in January – December 2018 among far-abroad countries. Germany and the Netherlands (due to the large volumes of reexports of Russian hydrocarbons) take the lead among the EU member states. Such APEC (Asia-Pacific Economic Cooperation) countries as China, the USA, and the Republic of Korea, which at the end of 2018 accounted for 84.1 % of the foreign trade turnover, are the most important foreign trade partners.

The structure of exports-imports of the Russian Federation with the above countries for 2018 is presented in Fig. 3.

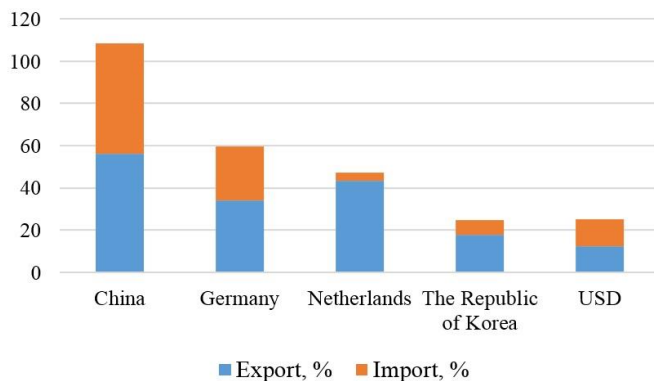


Fig. 3. The structure of exports-imports of the Russian Federation with foreign trade partners among APEC countries

Source: compiled by the authors according to [4]

Russia has been traditionally exporting commodities to the PRC as follows: fuel and electricity supplies accounted for 67 % of all Russian exports in value terms, timber exports (7 %) ranked second, and nonferrous metals (copper, nickel and aluminum) were in the third place (5 %). The exporters are mainly represented by large state-owned companies or small firms controlled by local administrations. Finished products are the basis of the Russian imports from China where machinery and equipment account for 40 %, clothing, footwear, and other textile products – 20 %, and chemical goods – 10 %. [5]

Structural data on the import of goods from China to Russia are presented in Fig. 4.

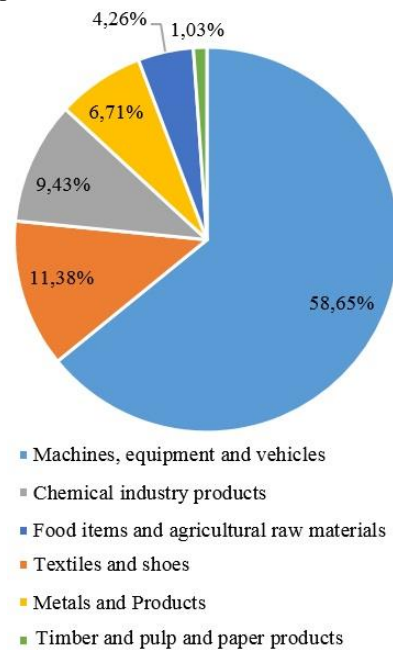


Fig. 4. The structure of the import of goods from China to Russia

Source: compiled by the authors according to [4]

As part of the Silk Road strategy implementation, the volume of bilateral trade between China and Russia as a whole showed a growth trend from the end of 2014 to 2017. The scale of construction of the Sino-Russian free trade zone also expanded during this period. By 2015, the volume of bilateral trade between China and Russia had reached USD 96.02 billion, reaching a peak in the history of foreign trade relations development between the two countries. In 2015, the volume of bilateral trade dropped by more than 30 % due to the development of the financial crisis in Russia.

[6] After 2016, international crude oil prices gradually recovered, and the Sino-Russian bilateral trade relations began to be steadily built again. In 2016, bilateral trade between China and Russia grew by 3 %. At the end of 2017, the bilateral trade showed the growth by 30 %, and reached USD 103.49 billion. This clearly shows that after the gradual recovery in crude oil prices, the economic situation in Russia has improved, but, objectively speaking, the Sino-Russian trade relations are still in their infancy, and there are enormous opportunities for the development of trade and economic cooperation between the two countries (see Table-1).

Table- I: The volume of bilateral trade between China and Russia by years [7]

Year	Exports volumes (billion USD)	Imports volumes (billion USD)	Imports-exports volumes (billion USD)
01.01.2015	454	416.2	960.2
01.01.2016	399	410.8	809.8
01.01.2017	404.3	398.1	802.4
01.01.2018	506	528.9	1,034.9

As the data in Table 1 show, after the Russian economy had begun to recover after the economic crisis, the country showed unlimited potential for the trade development under the influence of the Chinese Silk Road initiative, and the volume of trade increased significantly. Therefore, it is impossible to understate the importance of economic and trade cooperation and the further development of relations between the two countries.

As regards the structure of trade and economic cooperation between the two countries, it expanded to the railway, aviation equipment, medical equipment, and services.

During this period China imported from Russia a large number of natural resources such as rubber, crude oil, and natural gas. Russia, in turn, imported a large number of appliances, automobiles, basic commodities, and medicines. [8]

In its commercial relations with Russia, China is primarily interested in strengthening its energy security. According to the International Energy Agency (IEA), in 2010, China ranked first in the world in terms of energy consumption. In 2013, the country became the world's largest oil importer, surpassing the United States that had held this position since the 1970s. [5] Taking into account this circumstance, as well as a decrease in energy supplies to Europe, China's share in the Russian oil exports has grown.

It should be noted that Russia is one of the major oil-importing countries to China. In 2016, Russia replaced Saudi Arabia in terms of oil supply and became the largest supplier to China for the first time. In 2016, the volume of oil imported from Russia grew by almost 1/4, to 1 million 50 thousand barrels per day, representing an increase by almost 910 thousand barrels per day compared to 2015. [9]

Since Russia is developing in terms of sanctions of the price or nonprice nature, the trading system between China and Russia on the exchange of natural resources is developing very slowly. For instance, so that the country's economy could quickly get out of the crisis, in 2016, Russia raised exports duties on oil by 24 %, and in November 2018, exports duties on the Russian oil increased by USD 14.5 per ton and reached USD 152 per ton. [10]

These barriers directly impede the development of trade and economic cooperation between the two countries. In order to break tariff barriers from 2019, Russian oil exports tariffs would gradually drop to zero, which is good news for the Chinese economy. [11]

China has an additional labor force. Labor shortages in Russia have become an important factor restricting the development of the Russian Far East, meanwhile, China's population exceeded one billion four hundred million people [12], and is rich in labor resources, whereas Russian Far East adjoins Northeast China. This has helped to resolve the issue of shortage of labor force in Russia, and now a large number of Chinese workers are employed in the forestry construction and other areas in the Russian Far East.

Besides, Russia is expanding rapidly enough in the high-tech areas, and its machinery, equipment and technologies are widely used in military, petrochemical, aerospace and other fields in the Chinese market. In turn, the production of household appliances, foodstuffs, the production and processing of building technologies, communication and other technologies in China also have high levels of consumption in the Russian Federation and fill the deficiency of civil technologies in Russia. [13]

The cooperation between China and Russia in the field of technology characterizes the trade and economic situation as a win-win one for both countries.

B. Analysis of the state of trade cooperation between Russia and China by industries

Let us consider the trade and investment cooperation between Russia and China in the fuel and energy sector. The share of mineral fuels, oil and oil products showed a fall due to lower prices for resources and the devaluation of the ruble. Crude oil and crude oil products are the main exports items. In 2016, Russia ranked first in terms of oil supplies to China. The China's share in Russian oil supplies also grew by 20 % in 2016, and by 21.3 % in 2017.

Over the past four years, the Russian exports of wood and pulp and paper products to China have grown by 15 %, and reached USD 3.4 billion in 2016. The decline was observed only in 2015, which is explained by a collapse in prices as a result of a decrease in demand in China for both raw wood and processed products. [14]

Despite the steady decline in foreign trade prices for timber, the China's share in the Russian exports increased from 30 % to 40 % due to the increase in supply. Moreover, the four leading regions by the supply of timber to China (Irkutsk Oblast, Khabarovsk Krai, Krasnoyarsk Krai, and Primorsky Krai) export to this country 97 % of the unprocessed and 63 % of the processed timber in total. In the commodity structure of exports, the share of unprocessed timber was reduced from 37 % to 28 % due to primary processing timber (the growth was from 37 % to 49 %). It is worth noting that the share of products of a sufficiently deep degree of processing (mainly wood pulp) remained at the level of 20 – 23 %. [14] As regards the difficult situation with illegal cutover and illegal trade with timber, the results of the work were summarized at the meetings of the permanent Russian-Chinese working group. The first and second stages of the program are implemented in Tomsk Oblast and Jewish Autonomous Oblast.



The Chinese Union of Timber Enterprises was created, planning to certify Chinese companies to work in Russia. Let us consider trade and investment cooperation in mechanical engineering. Turbojet engines represent about half of all Russian exports of engineering products to China, however, their share fell by almost a quarter. Four regions are leading in these deliveries:

- the Republic of Bashkiria,
- the Republic of Buryatia,
- Moscow; and
- Yaroslavl Oblast.

It should be noted separately that the share of electrical products has been gradually growing in the structure of exports to China.

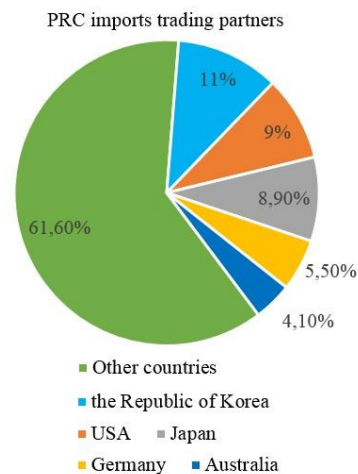
Chinese automakers are interested in organizing the assembly or production of cars in Russia, both for sale on the domestic market and abroad. The companies plan to gradually increase the level of production localization up to 50 % over five years. In addition to the investments in the automotive industry, the production of oil and gas equipment in the Kurgan Oblast is developing, and it is planned to build a machine-tool plant in the Moscow Oblast. [15] It is expected that the efforts undertaken at the federal and regional levels to increase the investment attractiveness of the Far East, as well as new interaction formats (PDA (priority development area) and VFP (Vladivostok Free Port) regimes, the holding of the Eastern Economic Forum, and mutual visits of delegations) would contribute to a qualitative shift in the Russian-Chinese cross-border cooperation. On September 8, 2017, the first meeting of the Russian-Chinese Commission took place at which the implementation of infrastructure projects was discussed, namely, the Primorye-1 and Primorye-2 ITCs, the construction of the Nizhneleninskoye-Tongjiang railway bridge and the Blagoveshchensk-Heihe road bridge, and the construction of the expressway between Vladivostok and the cities of the northeastern provinces of China. Investment projects in the industry were also considered, including the creation of an exports-oriented cluster for deep processing of steel with an investment volume of about USD 2 billion. The employees of the Ministry for Development of Russian Far East are developing a program of the Russian-Chinese cooperation between the border regions. [16] A good example of interregional interaction is the cooperation in the Volga-Yangtze format, within the framework of which 21 joint investment projects are being implemented in the field of production of building materials, agriculture, engineering, high technology, etc. In July 2017, the Management Company of the Russian-Chinese Regional Development Fund was established to stimulate investment cooperation.

C. Relations between the PRC and other countries of the world as exemplified by the partner countries for the implementation of the One Belt, One Road project

At the moment it is possible to observe the transition of global economic leadership from the US to China, which poses a challenge to China to enhance its influence in the world, including through global projects.

It is useful to consider the relations between the PRC and other countries of the world as exemplified by the partner countries for the implementation of the One Belt, One Road project starting with the trade relations analysis. In 2016, China's main exports trading partners were developing countries (52 % of the exports of goods), primarily developing countries of East and Southeast Asia (20.4 % and

12.2 % of the exports, respectively), and developed countries (47 % of the exports). The latter included the United States (largest trading partner, 18.4 % of the exports), and the developed countries in Europe (16.5 % of the exports). The same geographical structure was characteristic of the China's imports: 49 % of the imports came from developing countries under the One Belt, One Road project, and 41.9 % came from developed countries (in addition, there may be the "unclassified" imports and exports). [17] In 2016, among all transition countries (including the CIS and countries of Southeast Europe that are not members of the European Union – Serbia, Montenegro, Albania, etc.), each accounted for 3 % of the China's exports and imports. The Russia's share in the China's exports was 1.8 %, and in imports – 2.0 %. However, both the imports from the Russian Federation to the PRC and the exports of the PRC to the Russian Federation exceeded many times the relevant figures of the CIS countries. [17] In 2016, the China's exports to the Russian Federation reached USD 37.3 billion, to Kazakhstan – USD 8.3 billion, to Kyrgyzstan – USD 5.6 billion, to Ukraine – USD 4.2 billion, to Uzbekistan – USD 2 billion, and to Tajikistan – USD 1.7 billion. Today it is difficult (rather, impossible) to find a country with the market without Chinese goods, especially since those goods that could not be sold in the markets of rich countries could be sold on the markets of countries with low GDP per capita. For China, the percentage of post-Soviet countries' markets in official exports is the minimum one ("grey" imports also exist). However, this trade is very significant for host countries. China is also interested in cooperation with these countries. For the counterparties of China, the China's share in foreign trade was more significant than trade with them for China itself. In 2016, 49 % of the Turkmenistan's exports, 11.4 % of the Kazakhstan's exports, 9.8 % of the Russia's exports, 8.1 % of the Georgia's exports, 7.1 % of the Kyrgyzstan's exports, 4.9 % of the Ukraine's exports, and 1 % of the Moldova's exports were directed to China. [17] At the present stage, it is necessary to characterize the changed structure of the main trading partners of the PRC (see Fig. 5).



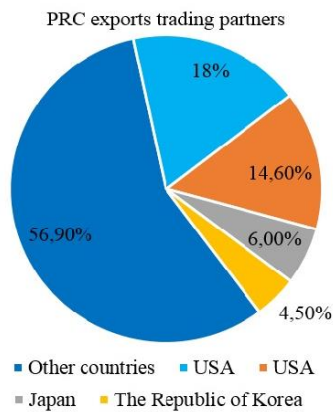


Fig. 5. The main trading partners of China
Source: compiled by the authors according to [18]

The main trading partners of the PRC are:

- for imports – the Republic of Korea (11 %), the USA (9 %), Japan (9 %), Germany (5 %), and Australia (4 %);
- for exports – the USA (18 %), Hong Kong (15 %), Japan (6 %), Republic of Korea (4 %). [18]

Thus, the United States, Japan and the Republic of Korea can be called the main trading partners of the PRC, and the EU economy is only 5 % in the structure of the China's exports. With regard to the trade relations between China and the EU, it is natural to assume that a significant share in the exports and imports of EU countries falls on the PRC, but with a closer look, the following indicators of the Chinese imports and exports among EU countries can be distinguished:

- in the following EU countries, less than 5 % of the imports structure falls on Chinese goods and services: Slovakia, Malta, Ireland, Belgium, Romania, Cyprus, and Estonia;
- from 5 to 10 % – France, Slovenia, Greece, Germany (7.3 %), Italy, Spain, Poland, Czech Republic, and Hungary; and
- more than 10 % – Great Britain, Luxembourg, and the Netherlands (14.5 %).

In the exports geography of EU countries, the PRC appears only in Britain (6 %), Germany (6 %), Finland (4.7 %), and Denmark (4.2 %). In addition, less than 4 % fall on China in the geography of the imports and exports of Portugal, Austria, Lithuania, Latvia, Croatia, and Bulgaria.

As a result, it can be stated that the Chinese "trade and economic expansion" is partly exaggerated for Europe, since Chinese goods in the EU are mainly represented in the consumer sector and are "visible" to the consumer, but they are few in the niche of the high-tech products, which are mostly hidden from the eye of the average citizen.

In addition, at analyzing the geography of imports and exports of China's main trading partners, the following points can be identified: the PRC is the key one for the Republic of Korea (20.7 % of the imports and 20 % of the exports), as well as for Australia (23 % of the imports and 32.2 % of the exports); for the USA and Japan, the PRC is a key partner in the field of imports – 21.5 % and 24.8 %, respectively, however in the exports, the Chinese market for the USA ranks third (7.7 %), and for Japan it ranks second (17.5 %). At the same time, for Germany as a key EU country, China ranks third (7.3 %) and fifth (6 %) in the imports and exports geography, respectively. The place of the People's Republic of China in the exports and imports of the countries participating in the Central Route of the Belt and Road

project is different. Thus, the Chinese manufacturer ranks first in the imports of Kyrgyzstan (56.4 %), Tajikistan (42.3 %), Pakistan (28.1 %), Uzbekistan (20.8 %), and Turkey (12 %). In the exports structure, the Chinese market ranks first in the exports from Turkmenistan (68 %), Iran (22.2 %), and Kazakhstan (15.1 %). However, for the above countries, the PRC takes the 2nd – 3rd places in the imports structure. China ranks fifth in the imports to Afghanistan with 6 %, while Chinese imports to Azerbaijan make up less than 5 %.

[19] An interesting situation has developed in trade between China and Georgia, where the Celestial Empire ranks third (7.6 %) in imports and sixth (5.7 %) in exports [19], which indicates the balance of Georgian trade concerning China. However, this situation is determined not by the strong economy of Georgia, but rather by the geopolitical position of Georgia in the Caucasus. Turkmenistan, Kyrgyzstan, Tajikistan, Australia, Pakistan, Japan, Iran, the United States, Uzbekistan, and the Republic of Korea are critically "tied" to the Chinese economy (exports or imports are more than 20 %). In the most ambitious and global project led by the PRC in the 21st century the main route can be distinguished, and namely the Northern route, which runs mainly through the territory of Russia. The shortest route is located along the line "China – Russia – Belarus – Poland – Germany" line. The central route runs through the countries of Central Asia (Central Asian post-Soviet countries), South Asia (Pakistan), the Near and Middle East (Iran, Iraq, Turkey), and the Caucasus (Azerbaijan, Georgia).

D. Assessment of the competitiveness of the trading environment of the Silk Road countries

Based on the existing studies [20]-[22], in accordance with the actual level of economic development of the countries implementing the Silk Road development strategy, a global characterization of the competitiveness of the Silk Road trading environment can be provided taking into account the specifics of the development of the economies of countries at the present stage. The macroeconomic indicators included the following: value chain, degree of international division of labor, the labor productivity level, production process management, expense and cost management, as well as marketing management.

Economic and technological aspects are characterized by the quality of the education system, the dynamics of foreign direct investment, the availability of the latest technology, innovative component technology and the possibility of technology transfer, the availability of vocational training services, training of staff (qualifications), accessibility of financial services (separate access to credit resources), and development of funding through the regional stock market. [23] Infrastructure development assessment indicators reflect the general level of the infrastructure quality, the air transport infrastructure quality level, the port infrastructure quality level, the road infrastructure quality level, and the railway infrastructure quality level. Regulatory indicators make it possible to assess transparency of managerial decision-making at the country-region-company level, the effectiveness of using the legal framework for dispute resolution, the corruption aspect, the level of judicial independence in the country.



These indicators by countries [24] were brought to a single range through the use of the standard normalization method [25] and calculated by the following formula (1):

$$Xi=(X-Min)/(Max-Min), \quad (1)$$

where Max, Min were the maximum and minimum indicator values.

The closer the country's trading environment competitiveness index to indicator "1" was, the stronger the competitiveness of the country's trading environment was and vice versa.

It can be said that Singapore, as the new-type industrialized country, is the most economically developed one because the capital market and the technology development level is significantly higher than in other countries. Malaysia's commodity and labor markets are more perfect. Israel is characterized by a high national level of industrialization. The overall human development index is the highest one in the Middle East. Europe has the most developed legal system, and the scientific and technological environment is at the leading level in the region. China occupies a confident position above the average due to both the developed labor market and the technology market. The Russian Federation, as well as the CIS countries in general rank poorly due to their economic and technological aspects. China should accept these indicators in shaping the strategic task of helping individual Silk Road countries in terms of improving the logistics infrastructure, forming a network for the transportation of goods, and ensuring the efficiency of customs services.

At the same time, China should strengthen cooperation with the regional authorities of these countries, promote economic understanding, deepen foreign trade relations, and increase the level of market efficiency to achieve mutual benefits.

From the agreements signed between the PRC and the Russian Federation, it can be concluded that China pursues the goal of expanding its influence outside the country, while Russia is primarily interested in economic cooperation (in particular, Chinese investments). An important aspect is that China is the main foreign trade partner of Russia (about 15 % of the total trade turnover in 2017), and for China, Russia is not among the five largest trading partners (see Fig. 6).

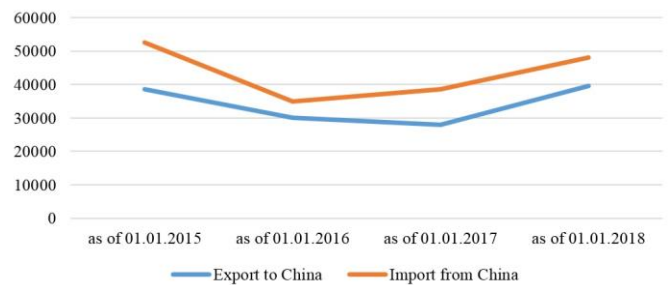


Fig. 6. Trade of the Russian Federation with China (in USD million)

Source: compiled by the authors according to [25]

However, Russia and China seriously differ in many respects (see Table- II).

Table- II: Parametric characteristics of Russia and China [26]

	Russia		China	
Population, people	146,880,432	9th place	1,392,364,000	1st place
Area, sq. km	17,125.19	1st place	9,598,962	3rd place
Population density, people/sq.km	8.58	181st place	145.05	56th place
GDP, USD bln.	1,527	12th place	12,015	2nd place
GDP per capita (by PPP)	27,834	48th place	16,660	78th place
Exports, USD bln.	336.8	16th place	2,157	1st place
Imports, USD bln.	212.7	21st place	1,731	2nd place
Average salary, USD	670	-	850	-

As it follows from data in Table 2, visualized through a heat diagram, having the largest population in the world and leadership in terms of GDP (PPP), as well as in terms of exports value, the Chinese economy is one of the strongest in the world. Also, in China, the salary level is higher than the Russian one. The low remuneration of labor of Chinese workers was the driver of the China's economic growth, along with government policies and cheap loans, but now the situation is changing. A significant part of foreign trade is tied to the Chinese direction for Russia (see Fig. 7).

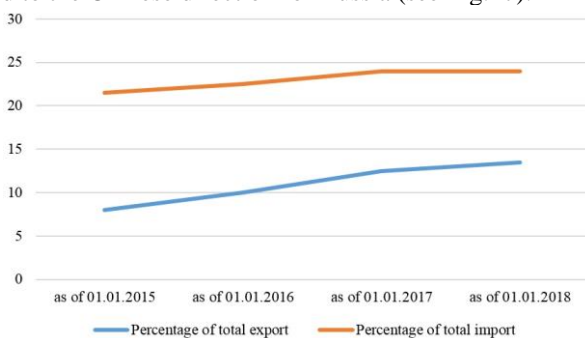


Fig. 7. The share of trade with China in the total foreign trade of Russia, %

Source: compiled by the authors according to [4]

In addition, it must be stressed out that the importance of China for Russia is growing, not least because of the sanctions by the Western countries (most of which are not supported by the PRC).

The expansion of the Chinese capital is related to the need to obtain at least a minimum yield, however, the projects within the country cannot always provide it. The construction within the country has huge scale being ahead of demand for housing and new infrastructure. Investing abroad is a way to leverage free capital. Therefore, for China, the goal of economic expansion is to ensure the return on capital. The policy of the investors (primarily the state) is focused on strategic investment in which the investor obtains control over the investee.

For China, Russia is of particular interest since the average profitability is quite high (for construction it was 6.7 %, and for wholesale trade – 10.5 % in 2017). However, due to sufficiently high risks, the growth rate of investments from China is not so high. Investors are deterred by the different factors, such as complex legislative regulation, unstable exchange rates the fluctuations of which can be much more than the return on investment. Therefore, the main investment projects are coordinated at the level of national governments and are more political than economic ones.

Taking into account the difficulties with investing in the Russian economy, Chinese companies are focusing on the purchase of natural resources – oil, gas, timber, and express interest in buying fresh water. However, here Russia is not exclusively an important partner of China since gas is also purchased in Turkmenistan, and most of the oil comes from OPEC countries.

Consequently, at the moment, the threats from China in the economic sphere are unlikely, since Russia is not that attractive as an object for investment, and the supply of natural resources to China is diversified.

In 2018, it became known that Chinese banks had supported the Western sanctions against Russia. In particular, Chinese institutions began to block the operations of Russian companies on the sanctions list. There were also problems with opening and maintaining correspondent accounts, and Chinese banks are reducing their participation in guaranteeing trade operations with the Russian Federation.

The future of Russian-Chinese relations: in general, the economic cooperation between the countries will develop both within the framework of the BRICS and through trade agreements. The countries are already actively trying to switch to settlements in rubles and yuan.

At the globalization stage, China very consistently used the opportunities of this period of structural adjustment of the world economy. It has built a phased strategy:

- Firstly, due to a focused and lengthy negotiation effort that had extended for several years, when entering the WTO, China achieved the relevant status of a developing state and the corresponding customs privileges for the exports of its textile products. As a result, China has squeezed out of the markets of many countries, including the United States, their national producers, that is, suppressed competitors in their field.

- Secondly, considering that due to its market with a low-paid population, China would not be able to develop national products, it followed the path of post-war Germany and Japan with the exports as the main direction. For this purpose, it developed the best in the world state marketing strategy. According to this strategy, China studied the ranks of all countries of the world, all regions, all consumer groups in these regions based on professional skills (simple tool), age (toys), gender (dishes, flowers), nationality (Tatar skullcaps), confession (Orthodox icons), and other signs. The

results of the analysis of total global demand have formed the basis of plans for the national Chinese industry of both public and private sector.

- Thirdly, given that at the initial stage, China had an extensive, but low-skilled labor force, it has placed the low price of its products at the center of the competition. Therefore, poor foreign buyer went toward cheap Chinese products. This way, China has simultaneously solved two strategic tasks: professional training of its workforce and substitution of competitors in the global market.

- Fourth, when exporting products, China makes the most extensive use of the brand of leading world companies that had transferred to China not only their technologies but also the right to use their brand.

- Fifth, large-scale exports need an appropriate transport exports network, both land and sea one.

In the land sector, it proposed to implement the North-West China-Western Europe transport project through Kazakhstan and Russia. Here, China has two strategic objectives. The first one is conquering the foreign market, the second is rapidly developing the Xinjiang Uygur Autonomous Region. This means that the industrialization wave in China is moving from East to West, from highly developed to less developed areas.

For maritime transportation, China followed the recommendations of Western geopolitics, who had divided the whole world into the "Land and Sea countries", it took the opportunity of sea communications with other countries.

As a result, China's ports are world leaders in cargo handling; China's shipping container companies are world leaders. The overall result is that China is the world leader in GDP and the world leader in exports, by GDP, etc., and we can learn from China in this regard.

Let us analyze the balance of pros and cons for China, falling under this project:

- the laying and expansion of new routes, the coverage of large territories expands the foreign market for Chinese goods and, accordingly, strengthens the Chinese economy, raises the standard of living in China, and promotes the further development of the industry;

- accelerating the delivery of goods from China to Europe accelerates the capital turnover of the commodity producer and, accordingly, increases the economic and production potential of Chinese commodity producers; and

- the implementation of the previous actions makes Chinese products cheaper, better, more competitive as compared to similar products from other manufacturers, including national ones.

The total volume of trade between China and the countries along the Silk Road route is shown in Fig. 8.

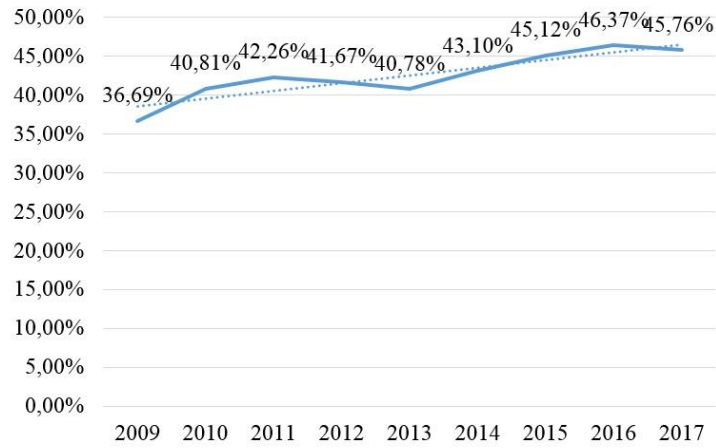


Fig. 8. Dynamics of China's trade volumes (in %) with countries along the Silk Road in world tradeSource: compiled by the authors according to [27]

As follows from Fig. 8, over the past 10 years, China's total trade and its share in world trade, its imports and exports have increased. The countries and regions along the Silk Road are increasingly becoming China's important exports markets and sources of imports.

Fig. 9 shows the forecast of changes in six categories of the China's imports by 2023, and Fig. 10 shows the forecast of the China's exports by 2023.

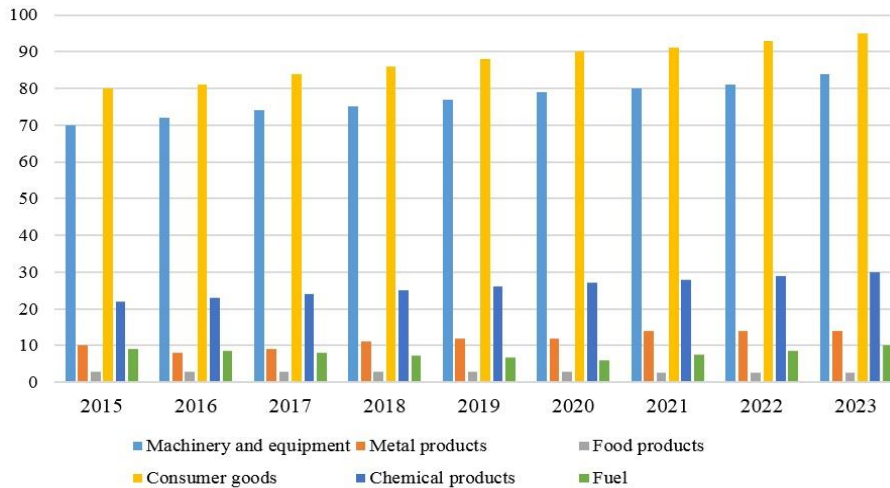


Fig. 9. Forecast of changes in the commodity structure of imports
Source: compiled by the authors according to [28]

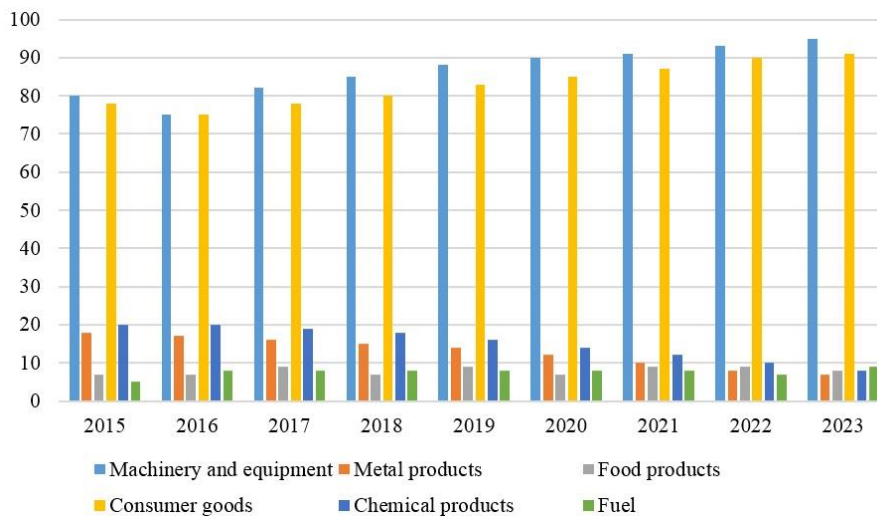


Fig. 10. Forecast of changes in the commodity structure of exports
Source: compiled by the authors according to [28]

According to statistics, by 2017, the China's total trade with the Silk Road countries had exceeded USD 3 trillion, and China's total investment in countries along the route had exceeded USD 50 billion. Chinese enterprises had already created 56 zones of trade and economic cooperation in more than 20 countries. This made it possible to generate almost USD 1.1 billion as taxes in the budgets of interested countries and create more than 180,000 jobs. [28]

IV. CONCLUSION

Changes in the structure of China's foreign trade operations will lead to a decrease in the share of machinery and equipment, an increase in fuel and energy products, and the reduction in food imports. Concerning exports, the structure of the China's foreign trade operations will experience an increase in technological exports (machinery and equipment) and consumer goods, a reduction in chemical products and metal products.

In general, it is necessary to note the growth of the Sino-Russian economic relations. The bilateral trade volume had been growing and in 2017 it increased by 20 % and exceeded USD 80 billion. In 2018, the Sino-Russian trade volume grew by another 31 %. At the end of 2018, China was the Russia's largest foreign trade partner (15.7 % of the Russia's trade turnover, or USD 108.3 billion). By 2017, the Russia's exports to China had increased by 44.1 %, and amounted to USD 56.1 billion indicating the unconditional potential of trade relations between the two countries.

However, since natural resources prevail in the structure of the Sino-Russian exports, and China's capacities are limited, there is no reason to expect a significant increase in their volumes in the future.

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