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## Opportunities and Challenges of Sino-Russian Economic and Trade Cooperation Under the Background of COVID-19 Epidemic

FENG ANQUAN\*

Heilongjiang Academy of Social Sciences, Harbin, China

### Abstract

**Objective.** Development Trend of Sino-Russian Economic Cooperation Under the Background of COVID-19 Epidemic.

**Method.** This paper uses interdisciplinary research methods and comparative research methods.

**Results.** In 2019, the trade volume between the two countries exceeded \$110 billion for the first time. China is Russia's largest trading partner, while Russia is China's 10th largest trading partner. In recent years, the trade quota has grown strongly, and the potential for cooperation between the two sides is huge. Energy machinery and electricity are dominant, and the trade structure tends to be stable. Agricultural cooperation goes deep and practical, and effectively responds to challenges and risks. Service trade has been accelerated and the economic and trade fields have been continuously expanded. Solidly promote the construction of large projects and lay a solid foundation to help development. Sign the future cooperation plan to ensure the practical advancement of the project.

**Conclusions.** With the impact of the COVID-19 epidemic, Sino-Russian trade in the first half of 2020 was \$49.2 billion, down 4.3% year-on-year, but in July the bilateral trade resumed its rapid growth momentum. In July 2020, China-Russia trade volume was \$9.7 billion, an increase of 5.4% year-on-year. Cross-border E-commerce trade has developed rapidly. Agricultural product trade has become a new bright spot in bilateral trade.

**Keywords:** China, Russia, Trade, Cooperation.

### Introduction

Since 2018, the world political situation has been ups and downs, and international economic and trade relations have changed dramatically. Under this background, Sino-Russian economic cooperation has made rapid progress, bilateral trade has been expanding, trade structure has been improving, and important areas of cooperation have been deepening. This report objectively describes and deeply studies the Sino-Russian economic cooperation in this period from different angles, and analyzes and forecasts the opportunities, challenges, problems and prospects of future Sino-Russian economic cooperation, providing intellectual support for promoting Sino-Russian economic cooperation to achieve new breakthroughs and faster development in the new era of bilateral relations. Since President Xi Jinping put forward the "the belt and road initiative" initiative in September 2013, the connection between "the belt and road initiative" and "Eurasian Economic Union" has gradually changed from idea to action and from vision to reality. The cooperation mechanism between China and the Eurasian Economic Union countries has been continuously improved, the areas of cooperation have been continuously expanded, the potential of cooperation has been continuously deepened, and the results of cooperation have been continuously expanded. Among them, a major breakthrough has been made in economic cooperation with Russia. In 2019, the trade volume

between China and Russia exceeded US \$100 billion, reaching US \$110.7 billion, which was about 18 times higher than that in 1991 [1]. China has been Russia's largest trading partner for seven consecutive years since 2011. In 2019, China's exports to Russia accounted for 21.9% of Russia's total imports, and China's imports to Russia accounted for 12.5% of Russia's total exports [2]. In terms of trade volume, there is still much room for development in Sino-Russian commodity trade. However, in terms of trade proportion, especially the proportion of China's exports to Russia to Russia's imports, Chinese goods have accounted for more than 1/5 of Russia's imports, and the space for development is limited, which indicates that it is possible to get twice the result with half the effort by relying solely on bilateral trade. Increasing mutual investment and expanding cross-border industrial cooperation will not only greatly increase the trade volume between the two countries, but also avoid some trade barriers and promote local employment, which is conducive to the upgrading of economic and trade cooperation between the two countries and the sustainable economic development of the two countries.

**Foundation of Sino-Russian Economic and Trade Cooperation**

**Political high mutual trust.** On June 5, 2019, Chinese President Xi Jinping pointed out during his talks with Rus-

\* anquanf@hotmail.com

sian President Vladimir Putin in Moscow that the current Sino-Russian relations are developing continuously, stably and healthily at a high level, and are in the best period in history [3]. The two sides firmly support each other in safeguarding their core interests, and their political and strategic mutual trust is solid and firm; Actively promote cooperation in various fields, the endogenous driving force of bilateral relations is constantly emerging, and the integration of interests is deepening; Actively participating in international affairs and global governance has played an important and constructive role in safeguarding world peace and stability and international fairness and justice. Putin said that since the establishment of diplomatic ties 70 years ago, with the joint efforts of both sides, Russia-China relations have reached an unprecedented high level, and all-round exchanges and cooperation have been fruitful. Russia and China have established a truly comprehensive strategic cooperative partnership, which not only benefits the two peoples, but also becomes an important force in maintaining global security and strategic stability. We can't satisfy the achievements we have made, and we need to develop bilateral relations even better. Russia and China should continue to strengthen coordination and cooperation on major international and regional issues, jointly address the challenges brought by unilateralism and protectionism, and safeguard world peace and stability.

**Economic and Trade Interdependence.** The economic and trade cooperation between China and Russia is highly complementary, covering forestry, building materials, light industry, energy, minerals, commerce and many other fields besides agricultural cooperation. In recent years, local exchanges between the two countries have become closer, especially the cooperation between China and Russia in the "Yangtze River-Volga River" region, Northeast China and Russia's Far East region, as well as border crossings. Enterprises from both sides actively participated in the China-Russia Expo, the Eastern Economic Forum and China International Import Expo, and signed a number of cooperation agreements. The bilateral trade structure continued to be optimized, and agricultural trade and cross-border e-commerce developed rapidly, promoting pragmatic economic and trade cooperation between the two countries.

Energy cooperation is the key area of Sino-Russian economic and trade cooperation. From 2016 to 2018, Russia maintained its position as China's largest source of crude oil supply for three consecutive years. In 2019, Russia exported 77.64 million tons of crude oil to China, ranking second after Saudi Arabia (83.32 million tons). It accounts for more than 15% of Russia's crude oil exports and China's crude oil imports, forming a stable energy interdependence. On May 21, 2014, Gazprom and PetroChina signed the Sino-Russian Gas Supply Agreement, which will be implemented in 2020. It is estimated that the gas supply will be 5 billion cubic meters in the first year and 38 billion cubic meters in 2024 [4]. In 2018, the two countries discussed the "West Line" natural gas cooperation, and planned to supply 30 billion cubic meters of natural gas to China every year from the natural gas producing areas in Western Siberia. CNOOC won the YAMAL (Yamal) project, the largest LNG project in Russia, and it is estimated that China will purchase at least 3 million tons of LNG every year after the project is completed [5].

Agricultural cooperation has become a new bright spot in Sino-Russian cooperation. In 2017, China has become Russia's

largest food importer. In the first quarter of 2020, agricultural products and food became the second largest category of Russian exports to China, of which exports of animal and vegetable oils and fats to China tripled to 180 million US dollars; Russia has the largest export value of fish products to China, which is 570 million US dollars. In addition to agricultural trade, agricultural development and agricultural industrial chain cooperation are also actively carried out.

In the field of service trade, in 2018, the service trade volume between China and Russia reached US \$17.6 billion, a year-on-year increase of about 100%. The cross-border e-commerce trade volume between China and Russia exceeds US \$5 billion, and China has become Russia's largest e-commerce trading partner [6]. In the field of infrastructure, the Sino-Russian Tongjiang-Nizhnelenskoye Railway Bridge and Heihe-Blagoveshchensk Highway Bridge were completed in the first half of 2019. Financial cooperation has developed rapidly, and positive progress has been made in cooperation mechanism, local currency settlement, cash transfer, cross-border financing, UnionPay card payment, etc. RMB has entered the Russian reserve currency basket. China and Russia are also strengthening the docking in institutional arrangements. In May 2018, the two sides signed the Agreement on Economic and Trade Cooperation between China and Eurasian Economic Union, which laid an important foundation for the establishment of high-level economic and trade arrangements in the Eurasian region in the future [7].

**Social Order is Stable.** The two miracles of China's rapid economic development and long-term social stability are universally recognized. No matter how the international situation changes, the Chinese government has always insisted on combining current interests with long-term interests and unifying local interests with overall interests, effectively coordinating various interest relations and resolving various social contradictions, thus achieving long-term social harmony and stability, enabling the people to live and work in peace and contentment, and continuously improving the people's sense of acquisition, happiness and security. Achieving social stability reflects China's national governance capacity and level, and also provides favorable social security for Sino-Russian economic and trade cooperation.

**Cultural tolerance.** Culture is the most important soft power, with frequent cultural exchanges and smooth communication between China and Russia. According to Russian media reports, the number of Chinese citizens receiving education in Russian universities increased from 47,900 in 2016 to 76,400 in 2019 [8]. At present, the diplomas of 542 Russian universities have been recognized by China. On April 1, 2019, Russia held the Chinese subject examination for the first time, and the Far East region bordering China held the foreign language subject examination in advance. The 11th grade students in the 2018-2019 school year will take the Chinese subject examination of the national unified examination for the first time. Chinese has become the fifth foreign language subject in Russia after English, German, French and Spanish.

According to a poll conducted by the All-Russia Public Opinion Center, China ranks first among countries that have established stable and friendly relations with Russia. In the polls, 45% of Russian respondents believe that China is

the friendliest country. The results of this poll show that the non-governmental relations between China and Russia are getting closer and closer, and a state of “official and non-governmental enthusiasm” is gradually forming. Cultural inclusion will undoubtedly contribute to the future economic and trade development of the two countries.

#### **Sino-Russian Economic and Trade Cooperation Faces Opportunities and Challenges**

Sino-Russian strategic cooperative relations have entered a new era and promoted Sino-Russian economic and trade cooperation to a new level. The important content of Sino-Russian strategic cooperative partnership in the new era is to strengthen pragmatic cooperation and realize the goal of “advancing with the times, upgrading quality” in Sino-Russian relations. This requires China and Russia to build a “community of human destiny” as the concept, innovate the cooperation mode through the joint efforts of both sides, achieve mutual benefit and win-win results, advance the level of economic cooperation and political cooperation simultaneously, and constantly consolidate the economic foundation of Sino-Russian strategic cooperative relations through the high-quality development of economic cooperation [9]. Promoting Sino-Russian economic and trade cooperation to a new level is also an important symbol of the best historical level of Sino-Russian relations and a model of contemporary relations between major powers.

**The approval of China (Heilongjiang) Free Trade Zone will vigorously promote the pragmatic cooperation between China and Russia to achieve new breakthroughs.** On August 26, 2019, the state approved the establishment of China (Heilongjiang) Pilot Free Trade Zone, which is the only free trade zone in China's border provinces with Russia, and further highlights the strategic position of expanding regional cooperation with Russia from the national level. Among them, Harbin will focus on developing a new generation of strategic emerging industries such as information technology, new materials, high-end equipment and biomedicine, modern service industries such as science and technology, finance and cultural tourism, and ice and snow economy in cold regions, focusing on building comprehensive cooperation with Russia and Northeast Asia. Carrying highlands and national logistics hubs in China Unicom and radiating Europe and Asia, creating a growth pole and demonstration zone that is fully revitalized and revitalized in all directions; Heihe District will focus on the development of cross-border energy resources comprehensive processing and utilization, green food, trade logistics, tourism and health care, border finance and other industries, build cross-border industrial clusters and border city cooperation demonstration zones, and build border port logistics hubs and Sino-Russian exchanges and cooperation. Important base; Suifenhe area will focus on developing import processing industries such as timber, grain and clean energy, and service industries such as commerce, finance and modern logistics. It will focus on building distribution centers for import, export, storage, transportation and processing of commodities and national logistics hubs facing international land and sea passages, thus creating an important platform for Sino-Russian strategic cooperation and open cooperation in Northeast Asia.

**The completion of a series of major Sino-Russian in-**

**frastructure projects has added new impetus to the development of Sino-Russian trade in goods.** In 2019, Heihe Highway Bridge across Heilongjiang and Tongjiang Railway Bridge across Heilongjiang have been closed and passed the acceptance test, which is expected to be opened to traffic in 2020. The completion of the two cross-border river bridges is an important symbol of the continuous strengthening of political mutual trust between China and Russia, and will play a great role in promoting the interconnection between China and Russia. The bridge will be connected with Trans-Siberian railway. It will go west to the hinterland of Europe by using China-Russia and China-Europe freight train, east to the Pacific Ocean estuary, north to Baikal-Amur Railway, reach Gongqingcheng and further extend northward, radiating the vast areas in northeastern Far East such as Sakha Republic and Magadan. At present, the construction of Qiaotou Economic Zone, which is based on the two bridges, has started. While striving to attract investment, the construction of parks in both countries has been intensified.

**The Russian government has continuously increased the construction of transportation infrastructure in the Far East.** Corresponding to China's cross-border infrastructure construction along the border, Russia's transportation infrastructure construction is also actively promoted. According to the Russian Far East Development Department, in 2019, the Russian government invested 26.8 billion rubles to develop and build the eastern railway network. The Russian Far East Railway Bureau plans to renovate 39 railway infrastructures, including rebuilding 4 stations and 3 concession stations, building 4 concession stations, building a double-track extension line, building a number of locomotive yards and other facilities, and building railway facilities and a number of marshalling stations in the Mahalino-Kameshova section of the Sino-Russian border [10]. At the same time, in order to cooperate with the construction of the Far East Advanced Development Zone, the Russian government has also intensified its highway construction in this area. The promotion of a series of transportation infrastructure construction projects will effectively guarantee the operation of Sino-Russian cross-border industrial parks and Russian Far East advanced development zones, and promote the upgrading of Sino-Russian cooperation.

**The administrative region of the Far East Federal District of Russia has undergone important changes, and its volume and strength have been strengthened.** According to Presidential Decree No. 632 of the Russian Federation issued on November 3, 2018, the Republic of Buryatia and the Outer Baikal Territory, which were originally part of the Siberian Federal District, were merged into the Far East Federal District, which now includes 11 federal subjects. This historic regional layout change will further expand the overall strength of the Far East Federal District, and thus increase the number of Far East advanced development zones to 20, which is of great significance for further exerting the driving effect of the advanced zones. By relying on Trans-Siberian railway's “China–Mongolia–Russia Economic Corridor”, connecting “the belt and road initiative” with Eurasian Economic Union will have a great impact on regional economic development and Eurasian economic connectivity [11]. This measure will further strengthen the coordination ability of international



transportation and energy projects in the Far East, accelerate the overall economic and social development of the Far East, and push the Russian Far East into a new era of rapid development. Undoubtedly, this will also promote the greater development of Sino-Russian economic cooperation.

### Challenges Faced

**The impact of the COVID-19 epidemic.** In the first quarter of 2020, affected by the COVID-19 epidemic, China's GDP decreased by 6.8% year on year, while Russian GDP increased by 1.6% year on year. According to the data released by the Russian Federal Customs Administration, from January to May 2020, Russia's total imports and exports to other countries were US \$224 billion, a decrease of US \$25.8 billion compared with the same period last year, a decrease of 17.0%, of which exports were US \$135.8 billion, a year-on-year decrease of 22.3%. The import value was US \$88.2 billion, down 7.1% year-on-year, and the trade surplus was US \$47.7 billion, a year-on-year decrease of US \$32.3 billion, a decrease of 40.4% [12]. With China's economy taking the lead in responding, the COVID-19 epidemic in Russia has not been effectively controlled, and the Russian economy will fall sharply, which will further affect the growth of Sino-Russian trade, especially the import from China.

**Western Economic Sanctions Against Russia.** After the Ukrainian issue and the Crimean crisis, the West launched several rounds of economic sanctions against Russia. American sanctions against Russia include individuals and Russian enterprises [13]. In particular, sanctions against Russia's economic sectors cover Russia's major industries such as finance, energy, minerals and military industry. The United States also imposed many rounds of sanctions on Russia on the grounds of "Russia's intervention in the US election" and "Stu Ripart poisoning case", which led to a serious outflow of Russian capital, a sharp fall in the ruble exchange rate and the stock market, and a downturn in the economy. Although Russia is partly in Europe, it is difficult to really integrate into Europe, and even some Soviet Union allies and CIS countries joined NATO to restrain Russia's development.

**The World Economy is Slowing Down.** In 2019, the growth rate of the world's major economies slowed down, while the growth rate of some emerging economies declined, resulting in a slowdown in global economic growth. The International Monetary Fund predicts that the world economic growth rate will be lowered to 3.3% in 2019, the lowest level since the outbreak of the international financial crisis in 2008, and that 70% of the world's economies will face a slowdown in economic growth. The World Trade Organization (WTO) drastically lowered the forecast of global trade growth in 2019 from the previous 3.7% to 2.6%, the lowest value in the past three years.

**Trade Protectionism Has Risen.** The U.S. government frequently adopts tough trade protection and restriction

measures, and vigorously promotes the unilateralism and protectionist trade policy of "America first", which not only points to emerging economies such as China, Mexico and South Korea, but also points to allies such as the European Union, Canada and Australia. From July, 2018, the United States initiated several rounds of tariff increase on imported goods from China according to the unilateral determination result of the 301 investigation. On May 10, 2019, the U.S. side raised the tariffs on 200 billion U.S. dollars of Chinese goods exported to the United States from 10% to 25% [14].

### Conclusion

On the whole, the foundation of Sino-Russian trade volume moving towards the goal of 200 billion U.S. dollars has been consolidated. The huge policies and financial support given by the two governments to the development of Sino-Russian economic and trade are gradually in place. Some major infrastructure projects will be put into use one after another in 2020. There is no suspense that Sino-Russian trade volume will reach a new high on the basis of 100 billion U.S. dollars. However, it should be noted that it will take several years for major transportation infrastructure projects to reach the planned operation targets, or for free trade zones and cross-border industrial parks to reach the production targets, which may be delayed due to various uncertain factors. Since the oil and gas projects in the eastern section of China and Russia have started to operate, and China's exports of mechanical and electrical equipment, light industrial textiles, household appliances and other products to Russia have increased, the Sino-Russian trade in 2020 should increase slightly under normal circumstances.

Affected by the COVID-19 epidemic that swept the world since the beginning of 2020, the tourism and service trade between China and Russia have declined sharply, and other trades have also been affected to some extent. According to the statistics of China's Customs, the bilateral trade volume between China and Russia in the first half of 2020 was US \$49.2 billion, down 4.3% year-on-year. Among them, China's exports to Russia were 20.9 billion US dollars; China's imports from Russia were US \$28.3 billion [15]. This shows that the bulk energy products imported from Russia have not been greatly affected, and the amount in the first quarter is usually lower than that in other quarters. Therefore, the trade volume between China and Russia in 2020 may remain the same as last year or decline slightly. When the unprecedented COVID-19 epidemic hit, China and Russia supported each other, looked out for each other, and stood firmly together in dealing with the major public security crisis, indicating that the political and economic relations between the two countries have indeed become a model of contemporary relations between major powers. Therefore, after the epidemic, the trade volume between China and Russia will maintain a rapid upward trend, and it is expected to reach the Second half of 2020.

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# Возможности и проблемы китайско-российского торгово-экономического сотрудничества на фоне эпидемии COVID-19

ФЭН АНЦЮАНЬ\*

Хэйлунцзянская академия социальных наук, Харбин, Китай

## Аннотация

**Цель.** Тенденции развития китайско-российского экономического сотрудничества на фоне эпидемии COVID-19.

**Метод.** В данной статье используются междисциплинарные методы исследования и методы сравнительного исследования.

**Результаты.** В 2019 г. объем торговли между двумя странами впервые превысил 110 млрд долларов. Китай является крупнейшим торговым партнером России, а Россия – десятым крупнейшим торговым партнером Китая. В последние годы торговые квоты сильно выросли, и потенциал сотрудничества между двумя сторонами огромен. Доминируют сферы производства энергетического оборудования и электроэнергия, а торговая структура имеет тенденцию к стабильности. Сельскохозяйственное сотрудничество является глубоким и практичным и эффективно реагирует на вызовы и риски. Торговля услугами была ускорена, а сфера экономики и торговли постоянно расширялась. Сильно продвинулось строительство крупных проектов, был заложен прочный фундамент для содействия развитию. Сформирован план будущего сотрудничества, чтобы обеспечить практическое продвижение проекта.

**Выводы.** Из-за эпидемии COVID-19 китайско-российская торговля в первой половине 2020 г. составила 49,2 млрд долларов, что на 4,3 % меньше, чем в предыдущем году, но в июле двусторонняя торговля возобновила стремительный рост. В июле 2020 г. объем китайско-российской торговли составил 9,7 млрд долларов, увеличившись на 5,4 % по сравнению с аналогичным периодом прошлого года. Электронная коммерция быстро развивалась, торговля сельскохозяйственной продукцией стала новым ведущим направлением в двусторонней торговле.

**Ключевые слова:** Китай, Россия, торговля, сотрудничество.

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