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Key words: Russia, China, partnership, trade relations, geopolitical alliance.

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Перспективы экономического сотрудничества между Россией и Китаем

Недавние изменения, произошедшие в российско-китайских отношениях, довольно четко продемонстрировали намерение сторон укреплять всестороннее партнерство и стратегическое взаимодействие. Нет сомнений в том, что набирающий силу альянс Китая и России следует рассматривать в качестве одной из ключевых тенденций современных международных отношений, которая в определенной степени может осилить доминирование западных стран. Однако, несмотря на стремление Москвы и Пекина всесторонне развивать стратегическое сотрудничество, ввиду субъективных и объективных причин практическая реализация подписанных документов и совместных инициатив находится на недостаточно высоком уровне. Исходя из этого, своевременным является проведение исследования, касающегося вопросов экономического взаимодействия двух наиболее крупных региональных игроков Евразии, результаты которого позволят понять, какое именно направление является более предпочтительным для дальнейшего развития отношений между Москвой и Пекином. Более того, необходимо более четко обозначить политические барьеры, препятствующие дальнейшему углублению взаимного доверия, а также развитию взаимовыгодного и прагматичного партнерства между сторонами. Несмотря на то, что между ожидаемыми и практическими уровнями сотрудничества между Москвой и Пекином все еще сохраняется значительный разрыв, стороны все же продолжают искать возможности для координации своих внешнеполитических курсов, совместно выступая за реформу международной финансово-экономической архитектуры. В свете данных обстоятельств весьма важным представляется разработка более прагматичного подхода к пониманию особенностей динамики развития экономических и политических отношений между Россией и Китаем.

Ключевые слова: Россия, Китай, партнерство, торговые отношения, стратегический союз.

Introduction

Recent developments in the Russian-Chinese relations could clearly demonstrate the parties’ intention to strengthen comprehensive partnership and strategic interaction. Both countries are permanent members of the UN Security Council and major emerging-market economies, which established a close cooperation within the framework of the Shanghai Cooperation Organization (SCO), BRICS and other multilateral backgrounds. The intensity of meetings between Russia’s and China’s Presidents indicates a high-level political trust between the two neighboring countries increasing the influence of Moscow and Beijing in regional and international affairs. Actually, in 2016 the Chinese President, Xi Jinping, and the Russian President, Vladimir Putin, held bilateral meetings on the sidelines of the Goa Summit of BRICS on October 15, the 11th Summit of the Group of 20 in Hangzhou on September 4, the Beijing consultations on June 25 and the Tashkent Summit of the SCO on June 23. As for 2017, the two leaders have high-ranking consultations during the Belt and Road International Forum in Beijing on May 14-15 and Heads of State Council Meeting the Shanghai Cooperation Organization Summit held in Astana June 8. Moreover, the President of China visited Moscow on July 3-4, 2017. Therefore, it appears that the rise of the politically and militarily confident Russia and an economically and institutionally influential China (Savic, 2016) could cause dramatic geopolitical and geoeconomic shifts not only in the Eurasian region but also in the rest of the world.

Nowadays, there is no doubts that the growing international significance of the China-Russia partnership should be considered as one of the key trends in the global policymaking that could challenge the Western countries. Despite the fact that the parties have not yet formulated the joint strategic vision towards current geopolitical agenda, they definitely developed certain core principles to follow. Since Xi Jinping came to power in 2013, the relations between Moscow and Beijing intensified even further. In 2014, the Ukrainian crisis and economic sanctions imposed by the EU against Russia accelerated the process of the Russian-Chinese rapprochement.

Since that time, Russia-China relations have become a popular subject of discussion among the expert community. Taking into account the fact that after each meeting the parties consistently reaffirmed that their relationship is at its highest level in history, it is quite natural that these discussions mainly focused on the geopolitical aspects of the issue giving less weight to real economic situation.
In fact, leading Russian and Chinese experts concurred with the view that Moscow and Beijing would push forward their comprehensive strategic cooperative partnership in order to promote the bilateral relationship to a new level. Expressions of that type give little space for a more pragmatic and concrete approach to understanding current Russia-China economic dynamics. Despite the fact that the parties continuously work to develop and expand their legal basis for cooperation, the practical implementation of the signed documents is hampered by subjective and objective reasons. Therefore, there is a necessity to conduct research on the issue of economic interaction between the two most powerful regional players in Eurasia in order to understand what direction is more preferable for further development of relations between Moscow and Beijing. Consequently, the main aim of this research is to define current trends in economic cooperation between China and Russia. In order to reach the goal, there is need to meet the following objectives: (i) to focus on trade dynamics, (ii) to specify the composition of trade, (iii) to analyze the prospects for further economic cooperation between the parties.

Secondary analysis of existing statistical data collected from official Russian and Chinese sources will provide the necessary background for conducting research. Since the following study could be classified as applied empirical research, there is need to follow the quantitative approach, which involves the generation of data in quantitative form. Therefore, the research methods will include the analysis of document, statistical compilations and manipulations. However, in order to gain understanding of the Russia-China relations issue the author will implement a combination of both quantitative and qualitative research methods, which will help to perform analyses and make recommendations. In particular, there is a necessity to apply the comparative-historical methods, which could offer important tools for analyzing the concept and achieving measurement validity.

The key research hypothesis is based on observations that current economic cooperation between the parties does not correspond to the level of their political cooperation hindering the joint project implementation and barring Moscow and Beijing from further deepening of mutual trust and mutually beneficial and pragmatic partnership.

In fact, there is no lack of information on the substance of the two countries’ relations. Russian scholars, observers and experts who are interested in various aspect of the Chinese studies continue to produce the high-quality research and analysis aimed to improve the effectiveness of Russian-Chinese relations. For instance, the legacy of the Soviet Oriental studies originated from the academicians such as Alekseyev V., Tikhvinsky S., Sladkovsky M., Myasnikov V. and Yuryev M. made a significant contribution to the development of the Chinese studies worldwide proving the U.S. and European scientists with trustworthy archival documents and secondary source materials. Indeed, supported by the government the Soviet scholars established momentous background for the detailed comprehensive study of China history, the Chinese language and the foreign policy of the country. After the collapse of the Soviet Union, the Russian scientists concluded that the fundamental national interests of Russia and China do not contradict each other and often coincide. The emergence of the Russia-China relations at the level of comprehensive strategic cooperation triggered further development of the Oriental studies in Russia. Moreover, the Russian scholars started to focus on the prospects for a long-lasting cooperation with China. As a result, a number of research, which cover the issues of the strategy of co-development between the parties, started to increase. There are different points of view among

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1 A total of 40 bilateral documents was signed as a result of the Chinese President Xi Jinping’s visit to Russia in July 2017. The parties inked a Joint Statement on further deepening of relations and endorsed an Action Plan for the implementation of the Treaty of Good-Neighborliness and Friendly Cooperation for 2017-2020.

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Russian scholars on the issue of cooperation with China, however, there is no doubt that Moscow and Beijing are of great importance for strengthening the Eurasian identity and countering Westernization.

On the other hand, Russian studies are the important part of regional studies in China. The modern Russian studies in China have been oriented to the needs of the Chinese foreign policy and the ideology of the ruling Communist Party of China. Since the foundation of the People’s Republic of China, the Russian Studies developed in following three stages: 1) 1949 – 1965; 2) 1965 – the first half of the 1990s; 3) from the mid-1990s to the present. The current phase is characterized by increase of the quantity and the quality of Russian studies in the country contributing to the emergence of a large number of researchers who have started to deal with the problems of Russia in various aspects.

Moreover, after World War II, the United States started to actively develop the Chinese studies cooperating closely with Chinese colleagues, especially those living in the U.S., Hong Kong and Taiwan. The U.S. leading scientists in the Oriental studies such as Bodde D., Keightley D., Creel H., Watson B. and Shaughnessy E. laid the foundation for a detailed analysis of China’s internal and foreign strategy, which allowed the United States to occupy the leading position in the Chinese studies in the Western world. However, despite the U.S. scholars’ domination the European researchers continued to work on the issues of China studying its relations with regional partners, especially with Russia. In fact, during the last decade the Western experts published a large number of research papers on the subject, which demonstrates increasing interest by Western scientific community to further deepen the understanding of the complex process of Russian-Chinese interaction under the new world order. With newly available academic studies made by Chinese and Russian scholars with special access to the archives that provided Western scholars with important new opportunities to deepen understanding of this case. However, despite the fact that now many sources and archive materials were identified, collected, and translated there is still missing points that experts cannot fill with empirical

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Russia-China current political rapprochement

Since Russia and China established a strategic partnership 20 years ago, the parties reject suggestions that they plan to form an alliance or develop their relations along anti-Western lines. (Kashin, 2016) However, calling for a new stage in the comprehensive strategic partnership of cooperation, Russia’s and China’s high-ranking officials share belief that the two sides could reach an even bigger breakthrough in future. Indeed, Moscow’s and Beijing’s foreign strategies are not mutually exclusive, quite the contrary, both countries maintain policies that to a growing extent directly and indirectly support each other, which make it possible to follow commonly-defined interests.

As of today, Russia and China share a belief in the need for transformation of the existing global financial and economic architecture and development of new approaches to ensuring global security. Therefore, it is hardly surprising that Moscow and Beijing coordinate their actions in order to develop a common vision towards the contemporary international challenges. For instance, the recent official visit of the Russian President to China in 2016 was one of the most successful Russia-China top-level meetings in terms of practical results. (Kashin, 2016) According to the joint statement of the Presidents, the parties expressed their intention to strengthen bilateral economic cooperation by launching a more extensive Eurasian partnership on the basis of the Eurasian Economic Union (EAEU) countries, China, India, Pakistan and Iran, as well as ASEAN and CIS member states and others partners willing to join.(Official Internet Resources of the President of Russia, 2016)

It is quite understandable that the future of a China-Russian relationship depends largely on relations these two countries have with the West, especially the United States. In fact, under the U.S. and EU pressure in relation to Ukraine crisis, Crimea annexation, Taiwan case and the South China Sea disputes Russia and China may indeed move towards a formal alliance, even if that may not have been what they originally wanted. A large number of experts perceive that since China consider itself as an Asian power, while Russia has historically defined itself as a European power, there is a little room for the parties to find common ground, which would allow them to establish a strategic partnership. As a result, the so-called strategic partnership between China and Russia is rather symbolic then practical and should be mainly considered as geopolitical tool for bargaining with the West. Under these circumstances, it is more likely that China and Russia remain competitors rather than true partners. (Feng, 2015)

However, there is clear evidence that Moscow is investing greater effort into the Asia-Pacific region. Russia’s «Go East» strategy that was firmly entrenched in the Concept of the Foreign Policy (Ministry of Foreign Affairs, 2013) demonstrates that Kremlin is looking for China’s economic and political support. In fact, Russia remains a peripheral actor in the region. Being located in Asia, Russia is far from being of Asia. Nevertheless, it does not mean that Moscow does not have an Asia policy toward the major Asian power – China. (Lo, 2014) As a result, Russia’s involvement in Asia has a goal to «catch the Chinese wind in the sales of Russian economy» for promoting the further development of Siberia and the Russian Far East. (Putin, 2012) Putin-Xi tandem in certain extend could cause the geopolitical shifts counterbalancing American power. In fact, the US-run FTA with Asia Pacific countries and FTA with Europe were projected to exclude China and Russia, respectively. The antagonistic implications of exclusive economic partnerships and others problematic issues forced Russia to become the symbol of non-Western policy (Karaganov, 2016) facilitating the rapprochement with China in order to adjust to new realities in searching alternative partnerships.

Strengthening of personal ties between the leaders of Russia and China triggered broadening of bilateral relations beyond merely focusing on economic interests. The parties started to seek opportunities to establish close coordination in foreign policy jointly advocating for reform of the international financial and economic architecture. Both Putin and Xi reiterated the significance of their growing bilateral political relations within the framework of global and regional multilateral institutions such as the BRICS and SCO. Moreover, the parties announced their planes to integrate the Chinese-led the Belt and Road Initiative (BRI) with Russia’s Eurasian Economic Union (EEU) by signing an appropriate agreement.
Economic cooperation dynamics

The case of Russia-China trade clearly shows that despite close cooperative relations there is a significant gap between the level of political contacts and the scope of economic cooperation. (Russian International Affairs Council, 2016) The bilateral trade remained subdued for a long time despite two-digit growth in China after entry into the WTO in 2001 and robust growth in Russia in early 2000s. (Malle, 2017) The 2008-2009 crisis and the following collapse of commodity and energy prices were a turning point for Moscow to start fundamental changes for the economic structure diversification considering Beijing as a privileged partner for trade and investment.

In fact, until 2008 the bilateral trade turnover constantly increased from $15.8 billion in 2003 to $95.3 billion in 2014. However, despite the fact that China had become Russia’s first country trade partner in 2016 the EU countries still counted for over 45.8% of total Russian exports and 38.2% of total imports, while China reached only 9.8% of Russian exports and 20.9% of imports. (WTO, 2017)

Indeed, for a second time in the past decade the Russian-Chinese trade turnover witnessed a dramatic decline. The total bilateral trade reduced by 33.3% from $95 billion in 2014 to $66 billion in 2016. Actually, there has been a positive dynamics of growth of the Russian-Chinese bilateral trade in the period from 2010 to 2014. In fact, in June 2011, at a meeting in Moscow, then Presidents of Russia and China, Dmitry Medvedev and Hu Jintao, set targets of achieving $100 billion in bilateral trade by 2015 and $200 billion by 2020. The partners could manage to overcome trade turnover decline in the crisis 2009 rapidly recovering the turnover in the three post-recession years (tab. 1). The two countries were on track to meet these goals, however, because of falling energy prices, currency devaluations, and Western sanctions on some Russian industries this task has become impossible. (Djankov, 2015) It should be admitted that the decline in mutual turnover in 2015 was even more damaging for the Russian-Chinese economic cooperation than the 2009 crisis that cause a 31% reduction in bilateral trade from $56.8 billion to $38.7 billion.

Table 1 – The Russian-Chinese trade turnover 2007-2016 (million/USD)

| Indicator | 2007    | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    |
|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Trade Volume | 48165.37 | 56830.54 | 38796.72 | 55448.79 | 79249.3 | 88158.03 | 89206.06 | 95284.98 | 63563.14 | 66111.87 |
| dynamics, % | 44.27   | 17.99   | -31.73  | 42.9    | 42.9    | 11.24   | 1.19    | 6.81    | -33.29  | 4       |
| Export | 19676.89 | 23825.11 | 21282.95 | 25836.26 | 40345.47 | 44100.51 | 39599.72 | 41607.41 | 28602.32 | 28021.25 |
| dynamics, % | 12.09   | 21.08   | -10.67  | 21.39   | 56.16   | 9.31    | -10.21  | 5.07    | -31.25  | -2.03   |
| Import | 28488.48 | 33005.43 | 17513.77 | 29612.52 | 38903.83 | 44057.53 | 49606.32 | 53677.57 | 34960.84 | 38090.62 |
| dynamics, % | 80      | 16      | -47     | 69      | 31      | 13      | 13      | 8       | -34.86  | 8.95    |

Source: Ministry of Economic Development of Russia

According to the Eurasian Economic Commission (EEC) of Russia, in January-June 2017 the trade turnover with China increased by 35.4% and reached $38.3 billion compared to $28.3 billion at the same period of 2017 (tab. 2). Moreover, the EEC indicated that in the reporting period the Russian import from China grew by 31.9% from $15.3 billion to $20.1 billion, while Russia’s export increased by 39.5% from $13 billion to $18 billion. (Eurasian Economic Commission, 2017) On the other hand, China’s General Administration of Customs currently stated that import and export turnover between Russia and China in January-July 2017 amounted to $46.82 billion dollars, an increase of 21.8% year-on-year. Therefore, it could be expected that the parties could reach the commodity turnover of $80 billion dollars by the end of 2017 if current trends in commodity and currency markets are maintained. (Xinhua, 2017) As a result, Russia ranks 12th in the Top 20 major trading partners of
China. (Trade Representative Office of Russia in China, 2017).

Actually, the increase of the Russian-Chinese foreign trade largely depends on the global price dynamics of energy resources. Due to the changes of the structure of the bilateral trade caused by China’s economic growth slowing down and country’s steelmaking and chemical industries on the rise the Russia’s exports to China consist mainly of hydrocarbons supplies. For instance, the share of mineral fuels, oil and oil products has accounted for more than two-thirds of Russia’s exports to China in value terms since 2013. (Russian International Affairs Council, 2016) On the contrary, Russian imports from China predominantly constitute of high value added products, in particular, machinery and equipment. For instance, the share of the mineral fuels, oil and oil products in Russia’s exports to China increased from 67.8% in 2013 to 71.6% in 2014, while in 2015 it decreased to 60.7%. Furthermore, despite the fact that the share of machinery and equipment in Russia’s imports from China is gradually reduced, namely, from 37% in 2013 to 36.1% in 2014 and 35.9% in 2015, mentioned commodities still constitute the keystone of China’s exports to Russia. (Ministry of Economic Development of Russia, 2015) Therefore, while Russia-China economic collaboration would be based mainly on cooperation in the large-scale projects in energy and mineral resources, the only option for Russia to increase the bilateral trade turnover is to increase its oil and gas supplies to China.

Table 2 – Russian foreign trade with China (million/USD)

| Country | January-June 2016 | January-June 2017 | Growthrate (%) |
|---------|-------------------|-------------------|----------------|
|         | Turnover | Export | Import | Turnover | Export | Import | Turnover | Export | Import | Turnover | Export | Import |
| China   | 28344.2 | 13035.6 | 15308.6 | 38381.5 | 18186.2 | 20195.3 | 135.4 | 139.5 | 131.9 | 14.79 | 15.6 | 13.71 |

Source: Eurasian Economic Commission

Actually, despite the fact that both Russia and China reduced their trade with the majority of its key partners in 2015, the parties manage to follow an upward trend on their way to reach the target of raising trade volume to $200 billion by 2020. According to predictions, the Russia-China trade would resume its growth in 2017, especially, in case of the oil prices recovery. As of today, the number of large projects in energy, infrastructure and industry between Russia and China is limited. Moreover, each project involves years of negotiations and approvals. (Kashin, 2016) Therefore, it becomes more obvious that the parties should revise the bilateral cooperation model suggesting new areas of cooperation. For instance, the priority should be given to the import and export of agricultural, manufacturing, hi-tech and service products.

It should be also admitted that China would strongly support efforts towards signing the Agreement on trade and economic cooperation with the EEU. In fact, the parties have already launched the negotiation phase for the agreement drafting by signing the related statement during the official visit of the Russian President to Beijing in June 2016.

Therefore, while in 2015 China’s economic experts expressed views that Russia had fallen into a systemic crisis, in early 2016 authoritative economists affirmed that the worst for Russia is over. (Soloveva, 2016) However, taking into consideration the fact that to date the major trade partners of China are the U.S. for exports and South Korea for imports it will take a long time for Russia and China to become strong commercial partners. (Malle, 2017)

Conclusions

To conclude, there is still a significant gap between expected and practical levels of economic cooperation between Moscow and Beijing. Therefore, the parties should make every effort in order to overcome existed asymmetry. It is too early to categorize China-Russia relations as either a strong strategic partnership or a geopolitical alliance, because Beijing and Moscow are still suffering from lack of mutual trust and common identity. Therefore, it is not surprisingly that a common threat from the West could push China and Russia to move closer economically and militarily. Xi-Putin tandem has set an ambitious goal to increase the bilateral trade to $200 billion per year, which is, in fact, is not an impossible one. However, in order to reach the mentioned task a number of conditions must be met. For
instance, China should reorient its macroeconomic and sectoral policies towards strengthening economic ties with Russia, which should enter at least the Top 5 key trading partners of Beijing. Moreover, Chinese and Russian officials should clearly demonstrate their intention to confront the hegemonic Western-oriented system, which is now ruling over international relations. Nevertheless, provided that the parties still do not quite understand exactly what they want from each other the establishment of political and military alliance is a very distant reality.

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