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**PENZA STATE UNIVERSITY**

|                                           |                                                                       |
|-------------------------------------------|-----------------------------------------------------------------------|
| Institute of Economics and Administration | Department of Sociology, Economics Theory and International Processes |
| Field of study                            | 38.04.01 Economics                                                    |
| Master's degree programme                 | International Economics and Business                                  |

**GRADUATION THESIS**

**on**

**Analysis of Russian-Chinese trade structure**

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Penza 2024

**FSBEI HE Penza State University**  
**Institute of Economics and Administration**  
**Department of Economic Theory and International Relations**  
**Field of study 38.04.01 Economics,**  
**Master's degree programme International Economics and Business**

APPROVED BY:  
Head of the Department  
Doctor of Social Sciences,  
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« \_\_\_\_\_ » \_\_\_\_\_ 20 \_\_\_\_\_

**ASSIGNMENT**  
**FOR THE GRADUATION THESIS OF**

Master's degree student He Liangxian, group 22ЭЭBma1, full-time mode of study

1 The topic of the graduation thesis: "Analysis of Russian-Chinese trade structure"  
was approved by the university order  
dated « \_\_\_\_ » \_\_\_\_\_ 20 \_\_\_\_ no. \_\_\_\_\_

2 The deadline for the Master's degree student to complete the graduation thesis is  
11.06.2024.

3 The input data for the graduation thesis is the regulatory and legal framework,  
scientific literature and reference books, and Internet data.

4 The list of issues to be studied includes the current situation, trends and  
countermeasures of Sino-Russian trade.

5 The list of visuals contains tables and figures.

6 The date of setting the assignment is 28.11.2023.

Academic adviser \_\_\_\_\_ / Dubina A. Sh. /  
(signature) (full name)

The assignment was accepted by Master's degree student \_\_\_\_\_ / He Liangxian /  
(signature) (full name)

## Schedule for completing the graduation thesis

| №<br>п/п             | Content of the thesis                                                                | Deadline for<br>completion | Due date,<br>signature of the<br>academic adviser |
|----------------------|--------------------------------------------------------------------------------------|----------------------------|---------------------------------------------------|
| First year of study  |                                                                                      |                            |                                                   |
| 1                    | Substantiating of the research topic and methodology, subject and object of research | 1.09.2022 – 31.10.2022     |                                                   |
| 2                    | Framing the scientific concept of research                                           | 1.11.2022 – 18.12.2022     |                                                   |
| 3                    | Collection of scientific literature for the thesis                                   | 19.12.2022 – 15.01.2023    |                                                   |
| 4                    | Substantiating the relevance, concept, and novelty of the research                   | 16.01.2023 – 19.02.2023    |                                                   |
| 5                    | Framing of a detailed plan and layout of the research                                | 20.02.2023 – 12.03.2023    |                                                   |
| 6                    | Studying new literature sources within the topic of the thesis                       | 13.03.2023 – 26.03.2023    |                                                   |
| 7                    | Conducting theoretical research within the first chapter of the thesis               | 27.03.2023 – 30.04.2023    |                                                   |
| 8                    | Preparing the first chapter of the thesis                                            | 1.05.2023 – 30.06.2023     |                                                   |
| Second year of study |                                                                                      |                            |                                                   |
| 9                    | Conducting analytical research within the second chapter of the thesis               | 1.09.2023 – 22.10.2023     |                                                   |
| 10                   | Preparing the second chapter of the thesis                                           | 23.10.2023 – 24.12.2023    |                                                   |
| 11                   | Conducting analytical research within the third chapter of the thesis                | 25.12.2023 – 25.02.2024    |                                                   |
| 12                   | Preparing the third chapter of the thesis                                            | 26.02.2024 – 21.04.2024    |                                                   |
| 13                   | Preparing the introduction and conclusion                                            | 22.04.2024 – 12.05.2024    |                                                   |
| 14                   | Completing the graduation thesis                                                     | 13.05.2024 – 26.05.2024    |                                                   |
| 15                   | Handing in the thesis for compliance control and antiplagiat                         | 27.05.2024 – 9.06.2024     |                                                   |
| 16                   | Getting acquainted with the feedback and review                                      | 10.06.2024                 |                                                   |
| 17                   | Presenting the written thesis                                                        | 11.06.2024                 |                                                   |

Academic adviser \_\_\_\_\_ / Dubina A. Sh. /  
(signature) (full name)

The assignment was accepted by Master's degree student \_\_\_\_\_ / He Liangxian /  
(signature) (full name)

## Summary

The graduation thesis comprises 75 pages, 3 chapters, 8 figures, 8 tables, 62 sources. CHINA-RUSSIA TRADE, TREND FORECAST, COUNTERMEASURE RESEARCH, TRADE STRUCTURE

The target of research is a comprehensive study of international and economic cooperation between Russia and China at the level of international organizations and interstate level.

The methodological basis of the work is a set of theoretical and practical methods, such as analysis, synthesis, a systematic approach, statistical and comparative legal methods.

The results of the study include:

- the priority directions and forms of economic cooperation between Russia and China in the XXI century are investigated;
- it is proved that international cooperation between Russia and China is becoming increasingly important in the context of the globalization of the world economy and the growth of international trade;
- problems in the development of international cooperation in the field of trade and economic relations have been identified and substantiated;
- the main directions and recommendations for the development of international cooperation in the field of customs activities are proposed.

The theoretical basis of the research was the works of leading experts in the field of international and international economic relations. Russian researchers occupy a special place among them: Borodavkin A. N., Voskresensky A. D., Galenovich Y. M., Gelbras V. G., Devyatov A. P., Zhulin Yu. A., Ishaev V. I., Kozlovsky E. A., Komissina I. N., Kuznetsov V. N., Kuzyk V. N., Mikheev V. A., Naumov I. N., Nikolaeva L. G., Ostrovsky A. N., Popov V. V., Rogachev I. A., Rybalkina V. E., Selishchev A. S., Selishchev N. A., Titarenko M. L., Yakovets Yu. V., Yasin E. L. and others. For The disclosure of the topic was also studied and used the works of foreign researchers: Lin Yifu, Cai Fan, Li Zhou, Zhou Xincheng and Feng Shaolei.

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## **Introduction**

Since 2014, Western countries have been escalating sanctions against Russia, prompting Russia to seek closer integration into the Asia-Pacific economic circle, particularly strengthening its cooperation with China. The Ukrainian crisis in 2022 led to further sanctions by the United States and the West against Russia, potentially accelerating this trend. China and Russia announced the development of a comprehensive strategic partnership in the new era in 2019, leading to a rapid expansion of bilateral economic and trade cooperation. By 2023, the China-Russia trade volume reached a record high of US\$240.11 billion, surpassing the 2024 goal of US\$200 billion in bilateral trade agreed upon by the two countries' leaders in 2019 [39, p. 4].

China has been Russia's largest trading partner for 14 consecutive years by the end of 2023, with bilateral trade volume exceeding US\$100 billion for four straight years [13, p. 4].

Cooperation in areas such as energy, aerospace, and infrastructure are progressing steadily. In recent years, the evolving China-Russia relationship, particularly in trade, has garnered significant attention due to their vast territories, abundant resources, and economic potential. This deepening economic cooperation is reshaping the Eurasian economic landscape and impacting global trade dynamics. The economic collaboration between China and Russia has intensified since the 1990s, reflecting their increasing economic strength and openness to the global market. The development of Sino-Russian trade is crucial for the economic growth and competitiveness of both nations in the global trade arena. The structure of Sino-Russian trade revolves around energy, raw materials, machinery, equipment, and agricultural products, benefitting from the mutual complementarity between the two economies. This trade relationship not only optimizes resource allocation but also facilitates industrial structure upgrades. Moreover, the bilateral economic and trade ties have geopolitical significance, contributing to enhancing mutual trust, fostering friendly cooperation, maintaining regional stability, and promoting global

peace between China and Russia as important members of the United Nations Security Council.

Through an in-depth study of the current status, trends and issues of Sino-Russian trade, this paper aims to achieve the following goals: First, analyze and evaluate the current status of Sino-Russian trade. By collecting and sorting out relevant data and statistical information, we can understand the scale, structure and characteristics of Sino-Russian trade, as well as their respective investments in each other's countries. Through comparative analysis of Sino-Russian trade data, we can identify existing problems and provide a basis for formulating subsequent policies and measures. Secondly, explore the trends and development directions of Sino-Russian trade. By studying changes in the international trade environment and the dynamics of economic development between the two countries, we predict the future trend of Sino-Russian trade. Focus on factors affecting bilateral trade, including policy adjustments, changes in market demand, technological progress, etc., to provide reference for formulating strategic planning for Sino-Russian trade cooperation. Finally, countermeasures and suggestions for the development of Sino-Russian trade are put forward. Based on the previous research results and combined with relevant domestic and foreign research results, solutions to the existing problems and challenges in Sino-Russian trade are proposed. Analyze and propose feasible specific measures and policy suggestions to promote Sino-Russian trade cooperation from various aspects such as policy, law, and marketing. Through the study of Sino-Russian trade, we can better understand its importance and potential in bilateral relations, and provide theoretical and theoretical guidance for promoting a healthier, more stable and sustainable development of economic and trade relations between China and Russia.

This Master's thesis aims to conduct a comprehensive analysis of the current status, trends and challenges of Sino-Russian trade relations. Research contents include:

Research the historical background and evolution of China-Russia trade relations and track the key milestones and developments that shaped the bilateral economic relationship between the two countries. Analyze the pattern and dynamics of bilateral trade between China and Russia, including trade flow composition, sectoral trends and geographical distribution. Identify the driving factors and determinants of Sino-Russian

trade, and explore the economic, political and strategic factors that affect the pattern and volume of bilateral trade. Assess the impact of Sino-Russian trade on the Chinese and Russian economies and its impact on regional and global economic dynamics. Propose policy recommendations and strategic measures to strengthen Sino-Russian trade cooperation and address challenges and obstacles that hinder its further development.

Through an in-depth study of the current status, trends and issues of Sino-Russian trade, this paper aims to achieve the following goals: First, analyze and evaluate the current status of Sino-Russian trade. By collecting and sorting out relevant data and statistical information, we can understand the scale, structure and characteristics of Sino-Russian trade, as well as their respective investments in each other's countries. Through comparative analysis of Sino-Russian trade data, we can identify existing problems and provide a basis for formulating subsequent policies and measures. Secondly, explore the trends and development directions of Sino-Russian trade. By studying changes in the international trade environment and the dynamics of economic development between the two countries, we predict the future trend of Sino-Russian trade. Focus on factors affecting bilateral trade, including policy adjustments, changes in market demand, technological progress, etc., to provide reference for formulating strategic planning for Sino-Russian trade cooperation. Finally, countermeasures and suggestions for the development of Sino-Russian trade are put forward. Based on the previous research results and combined with relevant domestic and foreign research results, solutions to the existing problems and challenges in Sino-Russian trade are proposed. Analyze and propose feasible specific measures and policy suggestions to promote Sino-Russian trade cooperation from various aspects such as policy, law, and marketing.

In summary, through the study of Sino-Russian trade, we can better understand its importance and potential in bilateral relations, and provide theoretical and theoretical guidance for promoting a healthier, more stable and sustainable development of economic and trade relations between China and Russia.

The research methodology used in this study will be primarily based on a combination of qualitative and quantitative methods. Qualitative methods such as literature review and case studies will be used to gain a comprehensive understanding of

the historical background, policy framework and bilateral agreements of China-Russia trade relations. Quantitative analysis methods such as statistical data analysis and econometric models will be used to examine trade patterns, identify key determinants, and assess the impact of Sino-Russian trade on the economies of China and Russia. Quantitative analysis will involve the analysis of trade data, while qualitative methods such as expert interviews and case studies will provide nuanced insights into the complexities of China-Russia trade relations. Additionally, the study will employ econometric modeling and scenario analysis to assess the potential future trajectory of the bilateral trade relationship.

Primary data sources for this study will include official statistics from government agencies, international organizations and academic research institutions, as well as academic publications, policy reports and media sources. Special attention will be paid to the most recent and up-to-date data to ensure the accuracy and relevance of the analysis. By employing a rigorous research methodology and drawing on a diverse range of data sources, this study aims to provide valuable insights into the dynamics, challenges, and opportunities of Sino-Russian trade relations, contributing to the existing body of knowledge in the field of international economics and geopolitics.

## Chapter 1 Analysis of the Current Situation of Sino-Russian Trade

### 1.1 Overall Situation of Sino-Russian Trade

In 2023, China-Russia trade volume hit a record high of US\$240.11 billion, a year-on-year increase of 26.3%, ahead of schedule and exceeding the trade target of US\$200 billion set by the leaders of the two countries from 2019 to 2024, as shown in Table 1.1.

Table 1.1 – China-Russia trade volume (USD/ billion) [3, p.78]

|      | FEB   | APR   | JUN   | AUG   | OCT    | DEC    |
|------|-------|-------|-------|-------|--------|--------|
| 2023 | 53.84 | 93.8  | 134.1 | 176.4 | 218.17 | 240.11 |
| 2022 | 26.43 | 51.09 | 80.67 | 117.2 | 153.93 | 190.27 |

Source: China Customs

In the Sino-Russian trade in 2023, Russia imported US\$110.97 billion from China, an increase of 46.9%, and exported US\$129.13 billion to China (Figure 1.1).

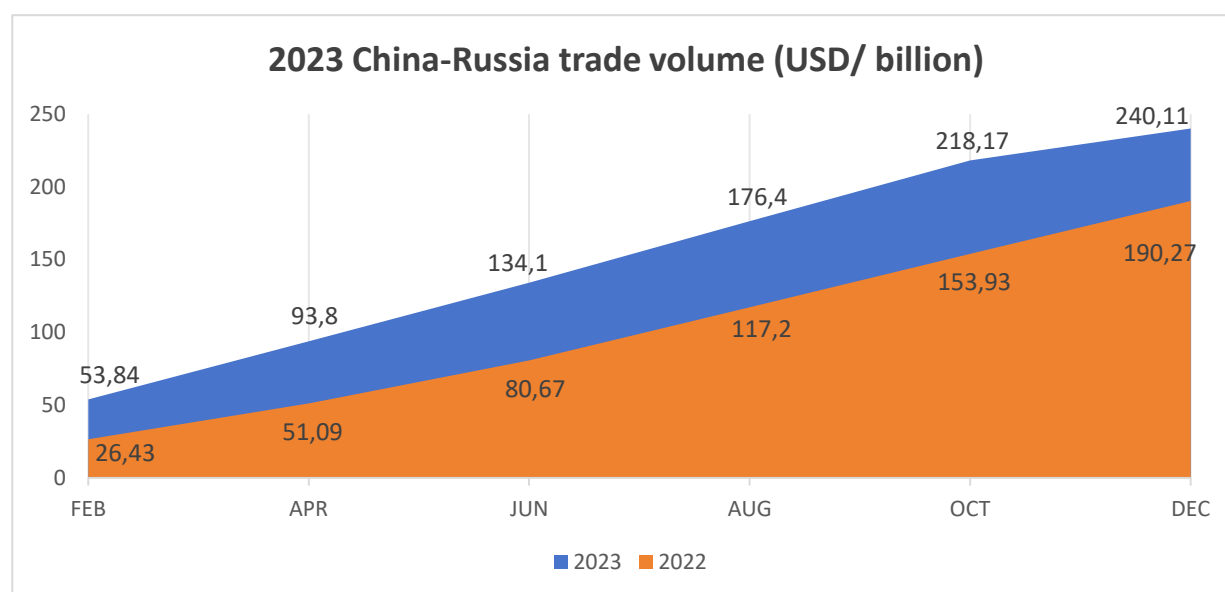


Figure 1.1 – China-Russia trade volume (USD/ billion) [2, p.121]

The import and export volume between China and Russia accounted for 4% of China's total import and export volume, ranking sixth among China's trading partners [39, p. 38].



Figure 1.2 – List of China TOP10 trading partners in 2023 Trade Volume (USD/ billion) [2, p.125]

In 2023, among China's top 10 trading partners (Figure 1.2)., only Russia, Brazil, Mexico, Australia and India will achieve positive growth. Among them, Russia has grown rapidly, with a year-on-year growth rate of 26.3% (Figure 1.3), rising from china tenth largest trading partner in 2022 to china sixth largest trading partner.

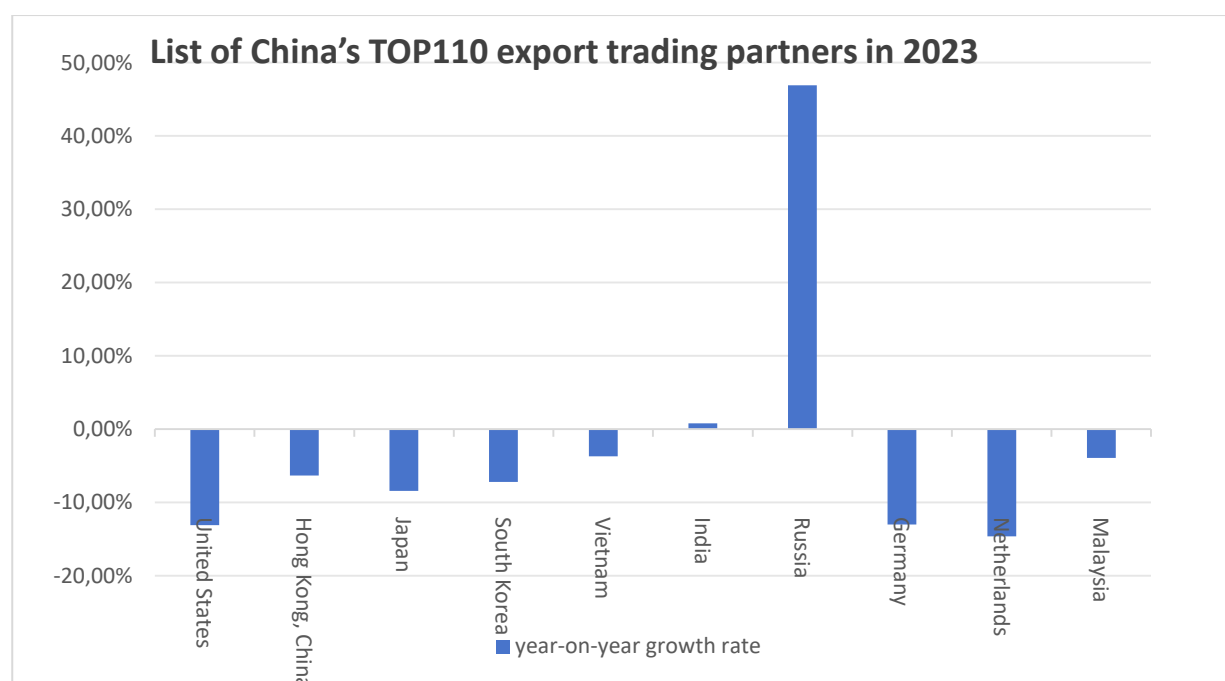


Figure 1.3 – List of China's TOP110 export trading partners in 2023 (USD/ billion) [7, p. 67]

Among the goods exported by Russia to China, mineral resources, namely oil, coal and petroleum products, account for 73%, accounting for nearly 40% of the bilateral trade volume. China's exports to Russia are mainly electromechanical products, home appliances, automobiles and their accessories, accounting for nearly 40% of the total exports to Russia. In 2023, more than 90% of China-Russia trade was settled in local currency, of which 33% was in ruble, 60% was in RMB, and 7% was in other currencies [44, p. 87].

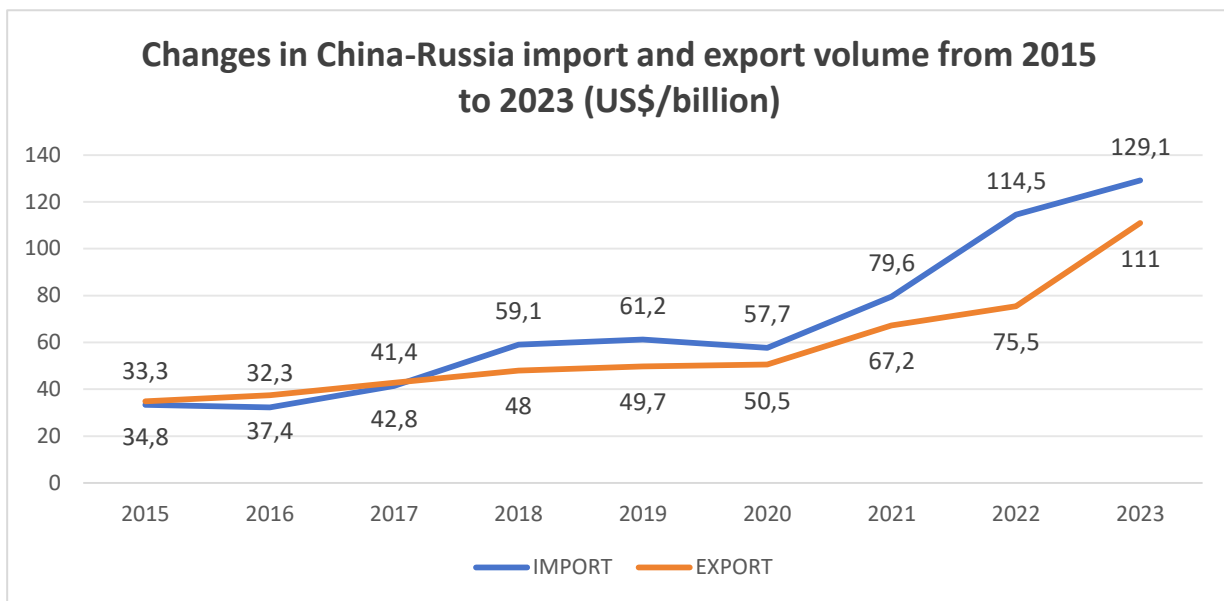


Figure 1.4 – Changes in China-Russia import and export volume from 2015 to 2023 (USD/ billion) [36, p.125]

In 2023, China's exports to Russia were US\$110.972 billion, a year-on-year increase of 46.9%; China's imports from Russia were US\$129.139 billion, a year-on-year increase of 12.7% (figure 1.4). China has been in a trade deficit in bilateral trade for six years. In the past twelve months, China's trade deficit has been reduced by about half compared with 2022 to US\$18.17 billion [32, p. 22–26].

Since the outbreak of the Russian-Ukrainian conflict in 2022, Europe and the United States have imposed large-scale extreme sanctions on Russia [44, p. 56]. Industries in Russia's economic structure that rely heavily on imports of Western technology and products have suffered severe blows, and the supply chain and industrial system are in urgent need of adjustment. Russia is forced to transfer trade. China has a wide range of

industries and has become an important partner for Russia to ensure the security of its supply chain.

In the ten years since the Belt and Road Initiative was proposed, Russia has always been an important trading partner of China, and the economic and industrial structures of the two sides are "complementary" to a certain extent through trade imports and exports [31, p. 63]. Energy and raw material exports account for a high proportion of Russia's exports to China, reaching 70% of the total exports to China in 2023. Among them, the top three in terms of trade volume are petroleum and its extracts, coal and natural gas, accounting for 47%, 11% and 9% respectively. Since 2016, Russia has ranked first in China's energy imports.

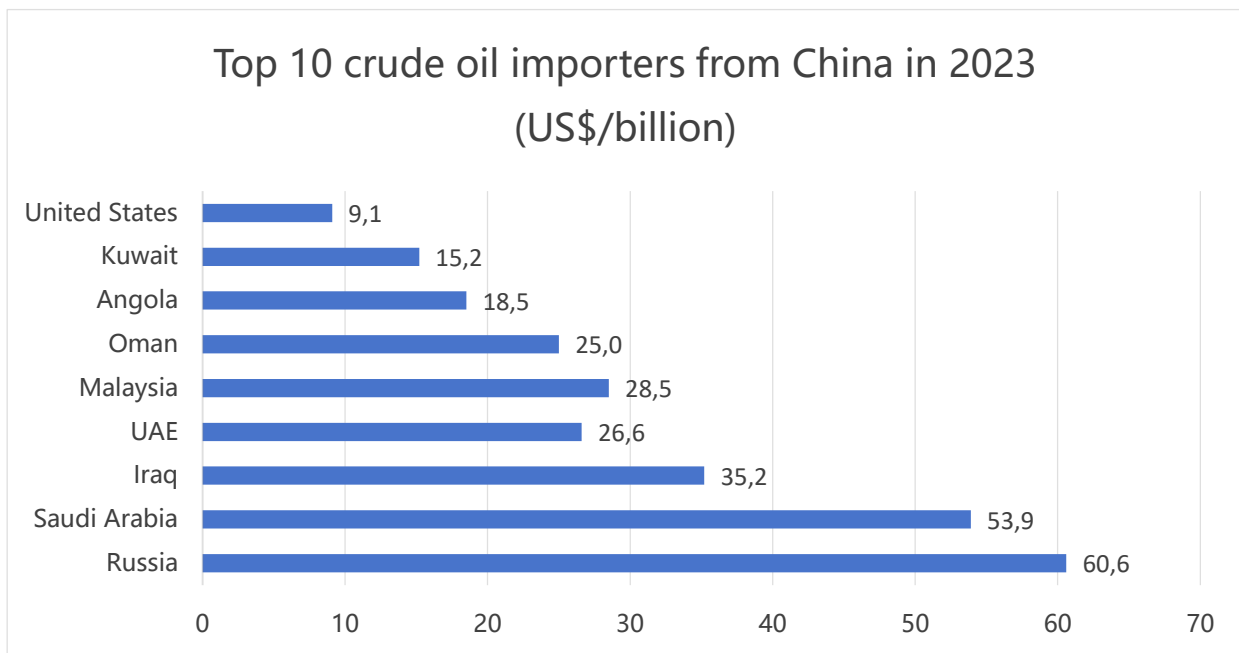


Figure 1.5 – Top 10 crude oil importers from China in 2023 (US\$/billion) [44, p. 127]

In 2023, Russia surpassed Saudi Arabia to become China's largest supplier of imported crude oil, and its crude oil exports to China increased to 100 million tons, 17.49 million tons more than Saudi Arabia (figure 1.5). An important external factor is that Western countries have imposed a seaborne crude oil embargo on Russia and set a price cap. Starting from December 5, 2022, the European Union began to implement a price cap of \$60 per barrel on Russian seaborne crude oil, and Russia's energy trade had to shift further eastward. According to data from Gazprom, in 2023, Gazprom supplied 22.7

billion cubic meters of natural gas to China, 700 million cubic meters higher than the export volume stipulated in the contract and 1.5 times the supply in 2022.

The share of non-resource commodities in Sino-Russian trade is steadily increasing in 2023. The large-scale export of Chinese automobiles is undoubtedly a highlight of this year's Sino-Russian trade. According to data from the General Administration of Customs of China, in 2023, Russia became China's largest automobile export destination, with the trade volume of automobile exports to Russia reaching US\$11.655 billion, as shown in Table 1.2.

Table 1.2 – Top 10 sales figures of various brands in the Russian automobile market in 2023 (USD/ billion)

| Ranking | Brand   | Sales in 2023 | Sales in 2022 | Year-on-year growth % |
|---------|---------|---------------|---------------|-----------------------|
| 1       | Lada    | 324446        | 174688        | 85.70%                |
| 2       | Chery   | 118950        | 39256         | 203%                  |
| 3       | Haval   | 111720        | 34128         | 227.40%               |
| 4       | Geely   | 93553         | 26693         | 250.50%               |
| 5       | Changan | 47765         | 2550          | 1773.10%              |
| 6       | Exeed   | 42152         | 12127         | 247.60%               |
| 7       | Omoda   | 41983         | 1239          | 3288.50%              |
| 8       | Kia     | 33580         | 65691         | -48.90%               |
| 9       | Hyundai | 24658         | 54017         | -54.40%               |
| 10      | Toyota  | 23318         | 28596         | -18.50%               |

Source: MarkLines

Russian data shows that in 2023, six Chinese auto brands will enter the top ten sales in Russia, and the share of Chinese brand passenger cars in the Russian new car market will increase from 19% in 2022 to 51% in 2023 (figure 1.6).

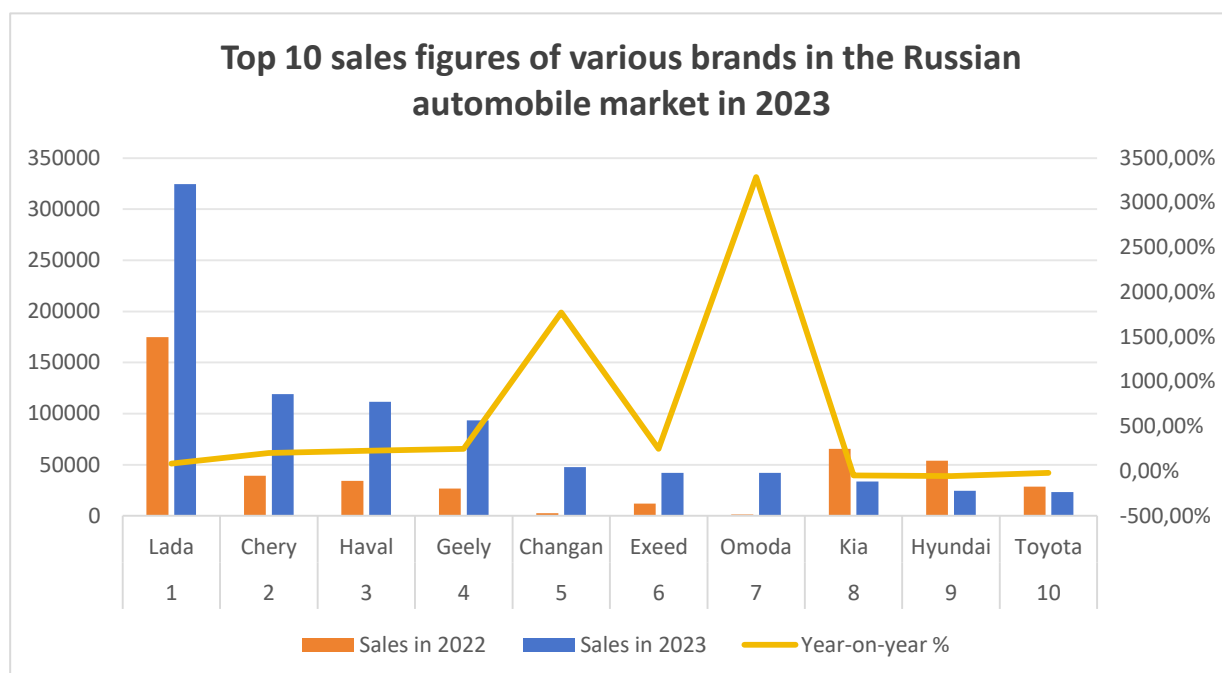


Figure 1.6 – Top 10 sales figures of various brands in the Russian automobile market in 2023 (USD/ billion) [18, p. 70]

According to data from Russia's Foreign Trade Bank, the total amount of loans issued for car purchases in Russia in 2023 more than doubled from 2022 to 1.6 trillion rubles, of which nearly 60% of new car loans were issued to Chinese brand buyers.

Table 1.3 – Top 10 sales of various models in the Russian automobile market in 2023

| Ranking | Models                | Sales in 2023 | Sales in 2022 | Year-on-year groth % |
|---------|-----------------------|---------------|---------------|----------------------|
| 1       | Lada Granta           | 195910        | 87987         | 122.70%              |
| 2       | Haval Jolion          | 55550         | 17,447        | 218.40%              |
| 3       | Lada Niva Travel      | 46,896        | 19,389        | 141.90%              |
| 4       | Lada Vesta            | 41,070        | 32,790        | 25.30%               |
| 5       | Chery Tiggo 7 Pro Max | 41,057        | 0             | 0.00%                |
| 6       | Lada Niva Legend      | 39,008        | 16117         | 142.00%              |
| 7       | Geely Coolray         | 38220         | 12,999        | 194.00%              |
| 8       | Omoda C5              | 35841         | 1239          | 2792.70%             |
| 9       | Chery Tiggo 4 Pro     | 32,936        | 2098          | 1469.90%             |
| 10      | Geely Monjaro         | 20423         | 0             | 0.00%                |

Source:MarkLines

In 2023, Lada remained the best-selling car brand in Russia, with a total of four models in the top ten sales, and Lada's share of the Russian market increased from 27.9%

to 30.7%.

The best-selling model in Russia in 2023 is Lada Granta (195,910 units), followed by Niva Travel SUV (46,896 units), with a market share of 4.4%, ranking third in the TOP 10, followed by Lada Vesta and Niva Legend. The most popular foreign brand in Russia in 2023 is Chery. As of the end of last year, its share of the Russian market was 11.2%, with two models in the top ten sales. Tiggo 7 Pro Max (41,057 units, a share of 3.9%) became the most popular Chery car in Russia. Tiggo 4 Pro also entered the top ten (ranked ninth, with sales of 32,936 units). The third best-selling brand is Haval, with a share of 10.6% in the Russian market. The brand only has one model in the top ten of the year - Jolion (Haval First Love), but it ranks second with sales of 55,550 units, a year-on-year increase of 218.4%. The fourth best-selling brand in 2023 is Geely, which has a market share of 8.8% in Russia. The best sellers are Coolray SUV (3.6% share, sales of 38,220 units) and Monjaro. Geely Monjaro entered the top ten sales, with sales of 5,070 units in Russia in December. The fifth and sixth place in brand sales are Changan (4.5% market share in Russia in 2023) and Exeed (4.0% share), none of which entered the top ten.

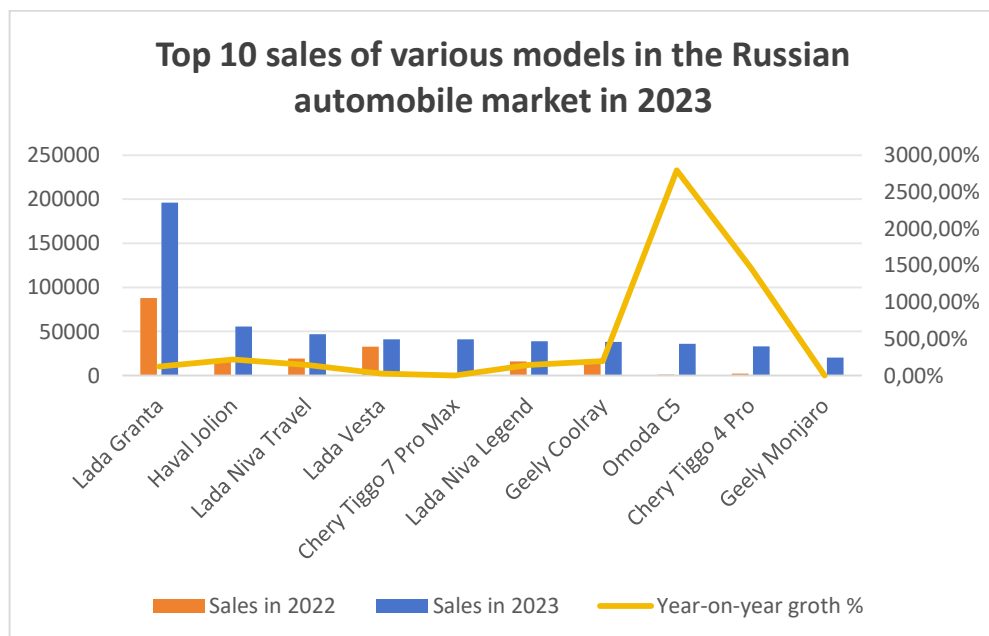


Figure 1.7 — Top 10 sales of various models in the Russian automobile market in 2023  
(USD/ billion) [28, p. 34]

Omoda (Chery), a subsidiary of Chery (4.0% share), ranked seventh, and its C5 entered the top ten sales, ranking eighth with sales of 35,841 units. Others include Kia (share - 3.2%), ranked eighth, Hyundai (share - 2.3%), ranked ninth, and Toyota (share - 2.2%), ranked tenth, as shown in Table 1.3.

Russia is an important market for China's new energy vehicles to go overseas in 2023 (figure 1.7). According to data from Autostat, a Russian automobile market analysis agency, the Chinese brand Zeekr won the title of electric vehicle sales champion in the Russian market in 2023. In addition, electronic products such as mobile phones exported from China occupy a large share of the Russian market (figure 1.8).

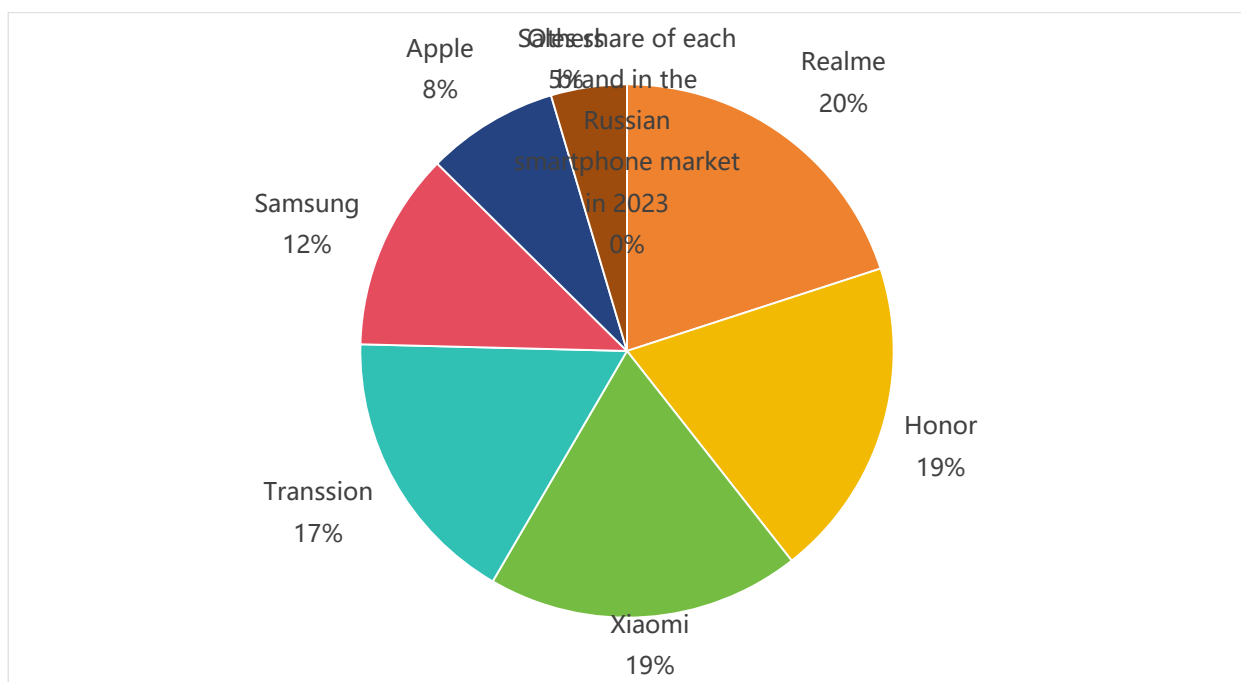


Figure 1.8 – Sales share of each brand in the Russian smartphone market in 2023 (USD/ billion) [28, p. 39]

In 2023, China's Haier jumped to the top of the Russian TV market in terms of sales volume and sales, surpassing Korean brands Samsung and LG. Xiaomi TV and Hisense TV's sales share in Russia increased from 6.7% to 6.8% and from 3.9% to 8.8% respectively. In the first eight months of 2023, Chinese smartphone brands accounted for 75% of the total sales of the Russian smartphone market. Russian mobile operators said that in 2023, Chinese brands ranked first in the smartphone sales list of the joint business hall of MegaFon and Yota. In 2023, the share of the US dollar and the euro in Russia's

international settlements decreased significantly, while the share of the renminbi and the ruble increased.

In the past two years of 2022 and 2023, the share of the renminbi in Russia's export settlements has increased by 85 times, currently accounting for 34.5%, compared with only 0.4% two years ago. The use of the renminbi in Russia's import settlements has also risen sharply, with the share increasing by more than 7 times and now reaching 36.4%. At present, 90% of the settlements in the trade between the two countries are carried out in local currency, which helps to reduce the risks brought by third-party currencies, reduce dependence on the global currency market, and promote more direct economic ties between the two countries [46, p. 6].

The proportion of RMB in Russia's foreign exchange reserves has further expanded. In September 2023, the share of RMB in Russia's foreign exchange reserves rose to 35%. Moscow has become an important offshore RMB center after Hong Kong and London. At the same time, the amount of RMB deposits in Russian banks has doubled to tripled in a year. In addition, the issuance of RMB bonds in the Russian securities market has become an asset class popular with investors.

Another factor in the growth of China-Russia trade in 2023 is the improvement of China's transportation capacity. With the deepening of the "Belt and Road" initiative, the China-Europe Express has gained more and more favor and support. As an important part of the China-Europe Express, the China-Russia Express plays an important role in the entry of Chinese goods into the Russian market [8, p. 119].

At present, the China-Europe Express departing from Chengdu, Zhengzhou, Chongqing, Wuhan, Harbin and other cities in China passes through Moscow. Among the 55 China-Europe Express routes in operation, 18 have Russia as the departure and arrival station. In 2023, 5,001 China-Europe trains passed through the Manzhouli railway port, transporting 540,000 standard containers of goods, up 3% and 16% year-on-year respectively. Since the outbreak of the Russian-Ukrainian conflict in 2022, the number of China-Europe trains to Europe has decreased, while the number of trains to Russia has increased significantly, and the Russian line (Russia and Belarus) has become the main destination of China-Europe trains. In order to enter the Russian sales market, more and

more Chinese businessmen have gone abroad to participate in business exhibitions in Russia. In 2023, the proportion of Chinese exhibitors in various international exhibitions in Moscow has never been less than 30%, and even often exceeded 50%.

In 2023, the import and export trade volume between Heilongjiang and Russia reached US\$29.9 billion, ranking first among all trading countries of Heilongjiang for nine consecutive years. At the same time, according to Russian reports, the trade volume between the Amur Oblast adjacent to Northeast China and China increased by 75% in the first nine months of 2023, nearly twice the average of all Russian federal subjects [16]. On September 21, 2023, Heihe City, Heilongjiang Province, resumed the visa-free group tourism business between China and Russia. The interesting scene of Russians crossing the Heilongjiang River to eat breakfast and go to the market appeared in the morning market of Heihe. Since the establishment of the Heihe section of the China (Heilongjiang) Pilot Free Trade Zone in August 2019, Heihe City has played the advantages of interconnected channels to accumulate momentum for the development of border trade between China and Russia. From 2019 to 2022, the total import and export volume of Heihe City's foreign trade increased from 3.87 billion yuan to 16.54 billion yuan, and reached 17.05 billion yuan in the first seven months of 2023, achieving rapid growth. Heihe City is only one river away from Blagoveshchensk City, Russia. In order to better strengthen regional interconnection, on June 10, 2022, the Heihe-Blagoveshchensk Highway Bridge, the first Sino-Russian cross-Heilongjiang highway bridge, was officially completed and opened to traffic. The opening of the bridge has opened up a new international transportation channel for Northeast China and the Russian Far East. Currently, a permanent port is being built on the bridge, and freight and passenger transportation are scheduled to open in stages in 2024 [7, p. 67].

In addition to land transportation, on May 15, 2023, the General Administration of Customs of China added the Russian Port of Vladivostok (Vladivostok) as a transit port for cross-border transportation of domestic trade goods. Since Jilin Province is not in the coastal area, goods need to be transported by land to seaports such as Dalian, and then transported by water. Now, as a domestic trade port, goods from Vladivostok can be exported to Vladivostok through Suifenhe and Hunchun, and then transferred to South

China by sea without paying tariffs. The transportation cost and time from Northeast China to South China will be reduced, and each container can save about 2,000 yuan in freight, and the transportation time will be 2-4 days. From January to November 2023, the Port of Vladivostok sent nearly 230,000 standard containers to China and more than 153,000 standard containers to Russia, an increase of 31% and 39% year-on-year respectively.

## **1.2 Analysis of the Structure of Goods in Sino-Russian Trade**

After the collapse of the Soviet Union, Russia took over most of the Soviet Union's trade share. However, due to some political and international influences, Russia's early development was not smooth. In the early 20th century, with the continuous advancement of China's foreign trade, the trade between the two countries entered a period of rapid development. Although affected by the financial crisis, it once shrank. However, with the recovery of the world economic crisis, Sino-China trade entered a period of rapid development. Russian trade is also constantly recovering and developing. It improved in 2009, but affected by the financial crisis, it was in deficit again in 2009. By 2010, the surplus momentum returned, and the surplus continued to expand thereafter. From 1992 to 2011, the overall development trend of China's commodity trade with Russia showed an upward trend. From the perspective of commodity structure, leather products, mineral products, textiles, and mechanical products are the varieties with the largest growth in total trade volume. Textile and leather exports have grown rapidly since 2003, reaching US\$13.7 billion in 2007. However, the financial crisis in 2008 severely affected the export of textiles and leather, and mechanical parts were also affected. Since 2005, the export of mechanical parts has soared [53, p. 79].

At the same time, the total export of mineral products and chemical products has exploded nearly 10 times. The transaction volume of mineral products and chemical products exceeded 10 billion US dollars in 2008 and 2009. But by 2010, the trade volume will drop to 2.5 billion US dollars. Comparison with Russian import and export classification from 1992 to 2022, China's trade surplus with Russia was textiles, leather

and other brands. Textile products have always been an important export product of our country because our country has abundant labor resources and relatively developed light industry. The same is true for trade with Russia. Minerals and chemical raw materials have maintained a trade surplus for more than 20 consecutive years. As the country with the largest land area in the world, Russia has a variety of resources represented by mineral resources. Therefore, Russia's export trade volume of mineral products and chemical products to China is large. The same is true for food. Due to the large area of arable land, China has been in a deficit and expansion state in other periods except the period when Russia was just founded. The import of Sino-Russian mechanical products also showed a trend from deficit to surplus. From 1992 to 2008, Sino-Russian import and export trade has generally increased year by year. However, the sudden outbreak of the global financial crisis in 2008 caused China's imports and exports to Russia to decline from 2009, and only one year later in 2010, it showed an upward trend. Since 1992, China's total trade in services with Russia has been in a trade deficit, showing a trend of first increasing and then decreasing. From 1992 to 2008, China's imports and exports to Russia increased year by year. However, the sudden outbreak of the global financial crisis in 2008 caused China's imports and exports to Russia to decline from 2009, and only one year later in 2010, it showed an upward trend. Since 1992, China's total trade in services with Russia has been in a trade deficit, showing a trend of first increasing and then decreasing.

In 2007, there was a surplus for the first time, and the positive balance was much higher than the previous negative balance. In 2008, mineral products and chemical products accounted for 75.23%. In addition, the share of other categories of products has also basically shown a downward trend. With the development of my country's economy, the demand for mineral resources such as oil and natural gas has continued to increase. Russia itself is rich in mineral resources, geographically close, and its transportation infrastructure has also been greatly improved. Therefore, mineral products and chemical products have become the largest component of China's import trade structure of Russian products.

In recent years, China-Russia bilateral trade has grown rapidly, reflecting the continuous expansion of China-Russia trade and the deepening of bilateral trade relations.

The main problem of China-Russia trade is the single trade structure. From the previous analysis, it can be seen that the complementarity of China-Russia trade is one of the driving forces for the development of trade between the two countries, but it is precisely this complementarity that has led to structural problems in trade and hindered the further development of trade between the two countries.

From 2015 to 2021, the main categories of Russia's exports to China and imports from China remained relatively stable as shown in Table 1.4 and Table 1.5. Analyzing the data in Table 1 reveals that mineral products and wood and pulp and paper products were the top two commodities exported from Russia to China during this period. Mineral products, including fossil fuels and petroleum products, consistently held the first position, comprising 60-70% of exports.

Table 1. 4 – Main shares of Russia’s exports to China from 2015 to 2021 [22, p. 87]

| Custom<br>s<br>classific<br>ation | HS     | Product group                                                           | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  |
|-----------------------------------|--------|-------------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| 5                                 | 25-27  | mineral products                                                        | 68.98 | 66.72 | 67.8  | 76.19 | 73.09 | 65.45 | 74.37 |
|                                   | 27     | Mineral fuels,<br>mineral oils and<br>products of their<br>distillation | 66.12 | 63.75 | 64.91 | 73.53 | 69.71 | 60.31 | 67.99 |
| 9, 10                             | 44-49  | Wood and<br>master’s thesis<br>of wood; wood<br>charcoal                | 10.64 | 12.15 | 10.71 | 8.62  | 7.66  | 8.75  | 7.62  |
| 15                                | 72-83  | Iron and steel                                                          | 1.33  | 0.75  | 1.65  | 2.38  | 2.94  | 6.07  | 5.74  |
| 9, 10                             | 01-24  | Food and<br>agricultural<br>products                                    | 4.83  | 5.78  | 4.56  | 4.5   | 5.62  | 8.07  | 4.98  |
| 6, 7                              | 28-40  | chemical<br>industry products                                           | 6.46  | 5.13  | 4.35  | 2.83  | 3.4   | 3.83  | 3.69  |
| 16, 17                            | 84- 90 | Machinery,<br>equipment and<br>vehicles                                 | 6.33  | 6.94  | 6.86  | 3.26  | 4.77  | 4.6   | 3.44  |

Source: China Customs

Wood and its products secured the second spot, while metals and their products saw a notable rise in share, climbing from the sixth to third position. Food and agricultural raw materials also featured prominently, ranking fourth and accounting for 8.07% of exports.

These four categories collectively represented 92.71% of Russia's exports to China, underscoring their dominance in the trade relationship. Furthermore, it is evident that Russia predominantly exports resource-intensive goods such as timber, mineral products, and other raw materials to China, reflecting the country's strategic focus on these sectors. Conversely, China's exports to Russia were centered around machinery and equipment, chemical products, textiles, footwear, metals and their products, and food and beverages. Among these categories, machinery and equipment displayed a notable increase in import share from 54.7% in 2015 to 60.77% in 2021, highlighting Russia's growing reliance on these products from China. Textile shoes and food and agricultural raw materials, as labor-intensive products, witnessed a decline in import share over the years. The diminishing proportion of these products can be attributed to factors such as Russia's prioritization of domestic manufacturing, restrictions on labor-intensive imports, and evolving export structures in China. In summary, Russia's import structure from China has undergone significant transformation, driven by China's technological advancements, enhanced international competitiveness, and evolving industrial landscape. The shifting dynamics of trade between Russia and China underscore the complex interplay of economic factors shaping their bilateral relations [53, p. 105].

As of 2021, China and Russia have been trading for more than 30 years, but the trade has always been unbalanced. Russia's trade with China has been in deficit for 26 consecutive years and in surplus for 5 years. The average trade surplus accounts for only 5% of the trade volume, while the average trade deficit accounts for 26% of the trade volume. Although the proportion of trade deficit to trade volume has been declining in recent years, the deficit still exists and expands. Long-term trade imbalance will affect the healthy development of bilateral trade.

For many years, China has been Russia's number one trading partner. By 2023, Russia ranked sixth among China's major trading partners, behind the United States, Japan, South Korea and other countries. The trade volume between China and Russia increased from US\$635.6 billion in 2015 to US\$2,401.1 billion in 2023, a year-on-year increase of 26.3%.

Table 1.5 – Main shares of Russia’s imported goods from China from 2015 to 2021 [29, p. 34]

| Customs classification | HS    | Product group                                                                 | 2015  | 2016  | 2017  | 2018  | 2019  | 2020   | 2021   |
|------------------------|-------|-------------------------------------------------------------------------------|-------|-------|-------|-------|-------|--------|--------|
| 16,17                  | 84-90 | Machinery, equipment and vehicle                                              | 54.7  | 58.65 | 58.95 | 57.12 | 57.04 | 59.035 | 60.77  |
|                        | 84    | Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof | 23.51 | 29.14 | 28.4  | 23.13 | 22.98 | 23.92  | 25.36  |
|                        | 85    | Electrical machinery and equipment and parts thereof                          | 25.25 | 23.82 | 24.47 | 23.13 | 22.98 | 23.92  | 25.362 |
| 6,7                    | 28-40 | chemical industry products                                                    | 9.56  | 9.43  | 8.96  | 9.91  | 10.14 | 10.66  | 11.03  |
| 11,12                  | 50-67 | Textiles and footwear                                                         | 13    | 11.38 | 11.13 | 11.17 | 10.81 | 11.32  | 9.19   |
| 15                     | 72-83 | Metals and metal products                                                     | 7.34  | 6.71  | 7.09  | 7.75  | 8.22  | 7.09   | 7.44   |
| 1, 2, 3, 4             | 01-24 | Food and agricultural products                                                | 4.41  | 4.26  | 6.86  | 3.26  | 4.77  | 4.6    | 3.44   |
| 9, 10                  | 44-49 | Wood and master’s thesiss of wood; wood charcoal                              | 1.11  | 1.03  | 0.86  | —     | —     | —      | —      |

Source: China Customs

For many years, China has been Russia's number one trading partner. By 2023, Russia ranked sixth among China's major trading partners, behind the United States, Japan, South Korea and other countries. The trade volume between China and Russia increased from US\$635.6 billion in 2015 to US\$2,401.1 billion in 2023, a year-on-year increase of 26.3%.

Despite this, the scale of China-Russia trade is still relatively large in China's foreign trade, mainly due to the small starting base and small trade scale, which also shows that there is still room for development in bilateral trade relations.

### **1.3 Analysis of the Structure of Services in Sino-Russian Trade**

China and Russia, two of the largest neighboring countries, have significant economic complementarity. With support from economic and trade policies, bilateral trade has maintained rapid growth.

In 2012, Russia joined the WTO as its 156th member. With commitments such as lowering tariffs and enhancing trade facilitation fulfilled, enterprises from both China and Russia have increased mutually beneficial cooperation, resulting in a significant increase in market activity, and bilateral trade has maintained stable growth.

According to Uncomrade data, in 2012, China exported \$44.14 billion to Russia and imported \$44.06 billion from Russia. According to Chinese customs data, in 2023, China's exports to and imports from Russia were \$110.97 billion and \$129.14 billion, respectively, with an average annual growth rate of 8.7% and 10.3% over the past 11 years. Against the backdrop of global economic turbulence and significant increases in supply chain restructuring, bilateral trade between China and Russia has played a positive and important role in enabling both countries to fully utilize their industrial, market, and resource advantages, conduct mutually beneficial cooperation, and stabilize global economic and trade development.

In 2022, the Chinese Ministry of Commerce and the Russian Ministry of Economic Development jointly signed the "Joint Statement on the Development of a Roadmap for the High-Quality Development of China-Russia Trade in Goods and Services". This roadmap was jointly led by the Chinese Ministry of Commerce and the Russian Ministry of Economic Development, attracted the participation of multiple government departments, localities and institutions of the two countries, and was confirmed by the heads of state of the two countries. It aims to provide a specific path for achieving the goal of US\$200 billion in trade volume in 2024. The roadmap includes more than 200 cooperation initiatives and projects in more than 20 fields, covering oil and gas, chemicals, electromechanical, agriculture and forestry, high-tech industries and other fields [32, p. 94].

In addition, the roadmap also includes transportation customs clearance, financial services, trade and investment facilitation, intellectual property rights, regional cooperation and other contents, which will provide help and support for promoting the high-quality development of China-Russia trade. At the same time, during the "Winter Olympics Summit" between the leaders of China and Russia, the two sides clearly stated that they would implement the recent roadmap for the high-quality development of trade in goods and services, deepen cooperation in agriculture, green trade, health care, digital economy and other fields, promote the interconnection of the two countries' transportation infrastructure, and promote the smooth logistics of the Eurasian continent to maintain the stability of the global industrial chain and supply chain.

In 2022, China-Russia relations entered a stage of high-quality development. The high level of political mutual trust and the potential for economic and trade cooperation between the two countries have laid a good foundation for the high-quality development of bilateral trade cooperation. Compared to 2022, China-Russia trade showed significant growth in 2023. Chinese imports from Russia were distributed across 90 major commodity categories. According to Chinese customs data, the monthly average import value from Russia increased from 638.7 billion yuan in 2022 to 757.7 billion yuan in 2023, a growth rate of 18.6%. Among them, the three largest categories of imports in 2023 were mineral fuels, ores, and copper and its products, with import values of 666.67 billion yuan, 30.86 billion yuan, and 22.76 billion yuan, accounting for 73.3%, 3.4%, and 2.5% respectively [3, p. 67].

Compared with 2022, the proportion of mineral fuels in imports decreased by 1.6 percentage points, while the proportion of ores increased by 0.2 percentage points, and copper and copper products replaced wood and wood products as the third largest imported goods.

China's exports to Russia were more diversified, involving 98 major categories of goods in 2023. From January to December 2022, China's monthly export value to Russia averaged 39.02 billion yuan. In 2023, the average monthly export value increased to 60.66 billion yuan, a growth rate of 55.5%. The top three product categories exported to Russia remained the same in both years, but the order changed slightly. In 2023, the export values

of machinery, vehicles, and electronic machinery were 177.83 billion yuan, 159.13 billion yuan, and 120.38 billion yuan, accounting for 22.7%, 20.3%, and 15.3% respectively. Compared with 2022, electronic machinery ranked second in exports, and vehicles accounted for only 8.3%. It can be seen that vehicle exports to Russia have become an important commodity in China-Russia trade, with exports in 2023 achieving a year-on-year growth of 273.9% [39, p. 90].

In the field of service trade, China's service trade development momentum remains strong, with the proportion of service trade volume to total foreign trade volume increasing year by year, and the role of service trade in driving economic growth and promoting the optimization and upgrading of industrial structure becoming more prominent [42].

After Russia's accession to the WTO, it continuously adjusts the shortcomings and limitations of relying solely on traditional energy exports, and in recent years has begun to increase investment in the service industry, leading to a certain degree of optimization of its trade structure.

First, Russia's accession to the WTO has forced the opening of the service trade market, and it has advantages in industries such as transportation, tourism, and construction services. After joining the WTO, Russia has actively participated in international trade in services, and the scale of imports and exports of service trade has continued to expand. In Russia, commercial services such as transportation services, tourism, and construction services occupy an important position in the main service items provided and needed. These services account for about 90% of Russia's service exports and 85% of service imports. In terms of service exports, transportation ranks first (accounting for 37% of service exports), followed by tourism, other commercial services, and construction services. Tourism ranks first in service imports (accounting for 45% of service imports), followed by other commercial services, transportation services, and construction services.

Second, China's free trade zones lead the development of service trade, and the service industry will continue to expand to Russia. Affected by various factors such as the new crown pneumonia epidemic, the development of my country's service trade still faces major challenges. However, the continuous expansion of the opening of the service

industry will still be the main theme of China's new round of reform and opening up. Under the leadership of the free trade zone, China's service trade has ranked second in the world for six consecutive years, the service trade development index has ranked 20th in the world for three consecutive years, and the comprehensive competitiveness of service trade ranks second among developing countries [42, p. 80].

China's free trade zones lead the development of service trade, and service industry cooperation with Russia will continue to expand. Affected by various factors such as the COVID-19 epidemic, the development of my country's service trade still faces major challenges. However, the continuous expansion of the opening up of the service industry will continue to be the main theme of China's new round of reform and opening up. Under the leadership of the free trade zone, China's service trade scale has ranked second in the world for six consecutive years, and the service trade development index has ranked 20th in the world for three consecutive years. The comprehensive competitiveness of China's service trade is developing.

China will continue to reduce and reduce special management measures related to the service industry, including the negative list for foreign investment access. Especially in the field of Russian service trade, Heilongjiang Free Trade Zone has continuously issued a number of documents and measures to facilitate Russian service trade. In the fields of cross-border logistics, traditional Chinese medicine, cross-border tourism, etc., Russia's service trade has gradually deepened. For example, in the Suifenhe area of the Heilongjiang Free Trade Zone, traditional Chinese medicine services have become the highlight of Russia's service trade [50, p. 112].

Third, China's service trade competitiveness is stronger than that of Russia, and there is a service trade deficit between the two countries. China is the world's largest service trade deficit country, and Russia's total foreign service trade accounts for only one-third of China's. The service trade deficit between the two countries continues to expand. China is in a surplus state, mainly concentrated in traditional labor-intensive industries, and emerging capital and technology-intensive industries account for a small proportion.

Fourth, the "quasi-free trade agreement" has hindered the high-quality development of service trade in the Central European Economic Union. The Eurasian Economic Union,

led by Russia, was officially launched in 2015. Common tariff policies and many preferential conditions will inevitably promote trade among member states, thereby promoting the development of service industries such as transportation, tourism, construction, and communications. Provide good development opportunities for Russia's service trade.

However, the existing trade agreement between China and the Eurasian Economic Union is a "quasi-free trade agreement" that does not involve tariff reductions, and issues such as service trade have not yet been resolved.

In 2024, the development of Sino-Russian trade is closely related to the international and domestic economic and trade situations of both countries. Globally, despite ongoing geopolitical conflicts and the persistence of unilateralism and protectionism, voices advocating cooperation and mutually beneficial outcomes remain predominant. The backlash against witch-hunt-style repression and non-compliance with commitments under the guise of "fairness" has begun, highlighting the importance of international cooperation based on market principles and commitment adherence, which aligns with fundamental economic laws [17, p. 89].

China and Russia share extensive consensus on addressing climate change, poverty reduction, strengthening economic development, and enhancing supply chain resilience. The market has responded positively to these initiatives.

The development of the Russian market will provide strong support for the medium to long-term Sino-Russian trade. President Putin outlined the economic and social development plans for 2024 in his State of the Nation Address. To address the pressure of low birth rates, Russia will focus on expanding prenatal clinic networks, constructing perinatal centers and children's clinics, and promoting hospital modernization. Over the next six years, more than 1 trillion rubles will be allocated for the construction, maintenance, and modernization of medical infrastructure. Additionally, Russia plans to allocate an extra 65 billion rubles for the construction of sports complexes and prefabricated playgrounds, and over 400 billion rubles for the refurbishment of kindergartens and schools. Russia also plans to update and iterate its educational programs for aviation, shipbuilding, pharmaceuticals, electronics, defense, and other industries,

aiming to train one million skilled blue-collar workers in these fields by 2028, while also focusing on developing education, healthcare, service industries, tourism, cultural institutions, and creative industries [2, p. 60].

Putin believes that by 2030, Russia should more than double the total amount of government and corporate research and development expenditures, reaching over 2% of GDP. He also noted a continuous decline in the proportion of imported goods to GDP in recent years, with domestic production of daily consumer goods, medicines, equipment, machinery, and vehicles steadily increasing. However, Russia cannot and does not need to produce all types of goods, and labor shortages remain a major constraint.

Of course, there may still be significant disparities between expectations and reality. However, Russia's ongoing industrialization efforts could potentially alter the scale and structure of Sino-Russian trade. Chinese companies still possess strong comparative advantages in providing daily consumer goods in Russia. Goods such as new energy vehicles and intermediate goods and components necessary for the development of Russian manufacturing may facilitate the emergence of new growth points in Sino-Russian trade.

Meanwhile, cross-border e-commerce cooperation between China and Russia is rapidly developing, and the digital economy plays a significant role in bilateral economic and trade development. Smart industries are particularly important for the development of both sides. Continuing to promote high-quality bilateral trade will drive changes in demand and supply, while economies of scale will further reduce the logistics and transaction costs of Sino-Russian trade, creating more favorable conditions for stable and sustainable bilateral trade, as well as meeting consumer and industrial demands.

## **Chapter 2 Prediction of the Future Trends of Sino-Russian Trade**

### **2.1 Analysis of Future Trends in Sino-Russian Trade**

As certain countries continue their attempts to isolate Russia on the world stage, Russia seeks to strengthen economic, military, and political ties with China, Russia's strategic partner. In 2022, the two countries intensified and increased their economic cooperation. China, as the world's leading economy, has long been Russia's largest trading partner. The complementarity of the two countries' economies, a common border, large-scale transportation projects, cooperation in key industries, participation in BRICS and the SCO, and a number of other factors all serve as major incentives for current and new bilateral initiatives. The possibility of unlocking the potential of these relations is largely determined by their current content and current trends [1, p. 68].

Russian fertilizers, timber and food products are no less valuable to China than raw materials. China's rapid economic and social development over the past few decades has led to an exponential increase in the demand for raw materials and food products, which China buys on foreign markets. Russia has become China's largest supplier in such products as frozen fish (29.6% of Chinese imports in 2021), fertilizers (28%), wood products (16.7%) and fuel (coal, oil, petroleum products and gas combined; 13%). Russia also plays a leading role in China's import market for asbestos, electricity, magnesium hydroxide, buckwheat, newsprint, linseed, sunflower oil, etc. In 2023, China's demand for Russian goods, including non-raw goods such as semi-finished unalloyed steel products, synthetic rubber, frozen fish, and rapeseed oil, increased significantly.

The diversification of exports and increase in added value in Russian exports to China remain top priorities today. The importance of the further development of services exports, particularly in the field of information technology, finance, tourism, and telemedicine, is growing rapidly.

Regional optimization of logistics plays a key role in the expansion of exports; in particular, existing routes for the delivery of goods from the central regions of Russia and Western Siberia to the provinces of Central and Western China are being improved.

Infrastructure for new rail routes through Kazakhstan is currently under construction. The attractive idea of turning the Northern Sea Route into part of the Polar Silk Road and the need to integrate it with the existing Eurasian land routes offer ample opportunities for cooperation between Russia and China in the coming decades.

In the current geopolitical environment, deepening strategic cooperation with China is in Russia's interest. In 2023, Russia will continue to develop its partnership with China.

In 2023, Russia has increased its energy exports to China. In November 2022, the Russian Federation overtook Saudi Arabia as the main supplier of crude oil to China and became one of the leading gas exporters to China, as shown in Table 2.1. The Power of Siberia-2 pipeline, which could provide China with nearly 50 billion cubic meters of gas per year, is currently in the contract process.

Table 2.1 – Top 10 crude oil importers from China in 2023 (US\$/billion) [40, p. 58]

| Ranking | nation        | value US\$/billion |
|---------|---------------|--------------------|
| 1       | Russia        | 60.6               |
| 2       | Saudi Arabia  | 53.9               |
| 3       | Iraq          | 35.2               |
| 4       | Malaysia      | 28.5               |
| 5       | UAE           | 26.6               |
| 6       | Oman          | 25.0               |
| 7       | Brazil        | 23.0               |
| 8       | Angola        | 18.5               |
| 9       | Kuwait        | 15.2               |
| 10      | United States | 9.1                |

Source: China Customs

Yet even the existing energy infrastructure connecting the two neighboring countries has allowed Russia to increase its natural and liquefied gas supplies to China. Meanwhile, Chinese coal imports from Russia have reached a five-year high, and daily trading volumes for the yuan-ruble exchange rate have increased significantly in 2023. Therefore, Russian-Chinese bilateral relations, especially in the economic and energy fields, will continue to expand and grow in the future.

In 2022, the bilateral trade volume between Russia and China reached 190.271 billion U.S. dollars, a year-on-year increase of 29.3%.

The trade volume between China and Russia in 2023 hit a new record high of 240.11 billion U.S. dollars, a year-on-year increase of 26.3% [39, p. 67].

The goal set by the leaders of China and Russia to reach 200 billion U.S. dollars in trade by 2024 was completed ahead of schedule. Achieving this goal not only meant that the total trade volume between the two countries exceeded \$200 billion for the first time but also that the \$200 billion trade target set by the heads of state was achieved ahead of schedule. According to data from the General Administration of Customs of China, in 2023, China's exports to Russia increased by 46.9%, totaling approximately \$110.97 billion, while Russian goods imports increased by 12.7%, totaling \$129.14 billion. Russia's trade surplus in 2023 decreased by about half compared to 2022, to \$18.17 billion. In December alone, the bilateral trade volume between China and Russia was \$21.906 billion, with China exporting \$10.71 billion worth of goods to Russia and importing \$11.196 billion worth of goods from Russia. The Federal Customs Service of Russia predicts that the total annual trade volume between the two countries may reach \$220 billion. The continuously rising trade volume lays a solid foundation for the continued deepening of economic and trade cooperation between China and Russia.

The main achievements of Russia-China trade in 2023, according to Vitaly Mankevich, Chairman of the Russian-Chinese Business Council, include an increase in the share of high value-added goods, as well as improvements in logistics and financial payment mechanisms. While energy and raw material exports still account for a high proportion of Russian exports to China, the share of high value-added goods has significantly increased, including food, chemicals, manufactured products, timber, equipment, and machinery. In the energy trade structure between the two countries, energy trade continues to play a pivotal role, with continuous growth in both oil and gas imports and exports. Significant progress has been made in building a high-level energy partnership between the two countries, with the resilience of the energy industry supply chain continuously increasing. On one hand, bilateral energy cooperation between China and Russia has steadily progressed, leading to a continuous increase in the scale of

bilateral energy trade. On the other hand, major cooperation projects such as the construction of the Tianwan Nuclear Power Station units 7 and 8, as well as the Xudabao units 3 and 4, are progressing orderly [11, p. 38].

Close cooperation between the two countries in the energy field will continue, as new projects including oil and gas are being planned. Zhang Hanhui, the Chinese Ambassador to Russia, stated that the "Power of Siberia 2" natural gas pipeline is crucial for deepening energy cooperation between China and Russia, and discussions on project technology, business, and cooperation models are currently underway between the two sides. Russian Deputy Prime Minister Alexander Novak stated that the Russian government and Russian oil companies have launched the "Eastern Oil" oil and gas project with Chinese partners, and China is currently studying the project. Bilateral trade between China and Russia has progressed significantly in terms of both quantity and quality [25, p. 90].

The trade structure has accelerated optimization, with the proportion of electromechanical products in exports increasing from 45.6% to 59.3%, and the recognition and acceptance of Chinese brand cars, mobile phones, home appliances, and mechanical engineering in Russia continuing to rise. Automobiles, engineering machinery, and electromechanical products have achieved historic highs in exports to Russia. The China-Russia New Land Route Grain Corridor project has promoted agricultural cooperation between the two countries. Further deepening cooperation between enterprises in the industrial chain and supply chain is bringing about numerous highlights. Energy cooperation is expanding and strengthening, with new projects such as the opening of the Heihe Highway Bridge and the Tongjiang Railway Bridge, and continuous emergence of new growth points in cross-border e-commerce, digital economy, and green economy. In 2023, China-Russia economic and trade cooperation successfully overcame the impact of external unfavorable factors and maintained stable and healthy development. Over a decade, the China-Russia strategic partnership's long-standing wish of achieving a bilateral trade volume exceeding \$200 billion came to fruition in 2023, marking the beginning of a new stage in the economic and trade relationship between the two countries.

With ongoing progress in investment and project cooperation and improving cooperation mechanisms, new growth points in economic and trade cooperation will be explored to promote high-quality development. Some Russian experts have noted a qualitative change in bilateral trade based on the economic and trade achievements in the past two years. Russia is one of the world's major grain exporters, and Sino-Russian agricultural cooperation is mutually beneficial. Agricultural cooperation between the two countries has been heating up, with China becoming Russia's first choice for agricultural product exports and international cooperation. Russia's food supply to China increased by 58% in the first 11 months of 2023. Russia's agricultural product exports to China continue to grow rapidly, making China its largest agricultural product export destination. China and Russia have great potential for cooperation in the field of green development, enhancing bilateral agreements to promote investment cooperation in sustainable (green) development and encouraging the development of green technology innovation. The prospects for economic and trade cooperation between the two countries are broad under the "green standard" [18, p. 78].

The enthusiasm for people-to-people exchanges between the two countries is high, which is the guarantee of public opinion for further deepening China-Russia relations. With the joint efforts of both sides, the policy of mutual exemption of group tourist visas between China and Russia has been restored. According to Russian statistics, in the first three quarters of 2023, the number of Chinese tourists visiting Russia reached 105,800, accounting for about one-fourth of the total number of foreign tourists to Russia, ranking first among the source countries of tourists to Russia. Under the policy of visa exemption for tourism, large numbers of Chinese tourists are visiting and sightseeing in the Far Eastern regions such as Primorsky Krai and Khabarovsk Krai. In the border areas between China and Russia, going to Chinese morning markets for breakfast has become an indispensable part of the day for many Russians. Zhang Hanhui stated that with the rapid development of China-Russia relations, the implementation of various favorable policies, and the continuous improvement of infrastructure conditions, China-Russia tourism cooperation will definitely usher in new and greater development.

China's exports to Russia cover a wider range of goods, involving 98 categories of goods in 2023. From January to December 2022, China's average monthly exports to Russia were RMB 39.02 billion; in 2023, the average monthly export value increased to RMB 60.66 billion, with a growth rate of 55.5%. In these two years, the top three categories of products exported from China to Russia remained the same, but the order slightly changed. In 2023, the export values of machinery, vehicles, and electronic machinery were RMB 177.83 billion, RMB 159.13 billion, and RMB 120.38 billion, respectively, accounting for 22.7%, 20.3%, and 15.3% respectively. Compared with 2022, the export value of vehicles to Russia has become an important commodity in China-Russia trade, with a growth rate of 273.9% in 2023.

The development of China-Russia trade in 2024 is closely related to the international and domestic economic and trade situation of both sides. Relying on witch-hunt-style suppression and the behavior of not fulfilling commitments under the guise of "fairness" has begun to backfire, and seeking market-based, commitment-compliant international cooperation conforms to the basic economic laws. China and Russia have broad consensus on addressing climate change, poverty reduction, strengthening economic development, and supply chain resilience, and the market has also responded positively. From a global perspective, although geopolitical conflicts still have a global impact, unilateralism and protectionism still have strong influence, the voices of cooperation and seeking mutually beneficial win-win outcomes are still mainstream.

## **2.2 Analysis of the Impact of Policy Changes on Future Development**

Today, the international environment is becoming increasingly complex, and instability and uncertainty have increased significantly. The 2022 Russia-Ukraine conflict has become an important factor in the transformation of the world's political and economic landscape from "gradual change" to "mutation", which may reshape the structure of the world order. After the outbreak of the Russia-Ukraine conflict, the international situation

has become more profound and complex, and the unprecedented intensity of the century-old changes has further evolved [29, p. 231].

At the same time, the United States and Europe have further escalated their economic sanctions against Russia. The unprecedented scope and intensity of sanctions. The sanctions against Russia are mainly concentrated in the three fields of finance, technology and energy. Financial sanctions on the Russian economy are the most destructive. The main sanctions measure is to exclude Russia from the "Society for Worldwide Interbank Financial Telecommunication" (SWIFT). In addition, this is also known as the "financial nuclear bomb" thrown at Russia. Prohibiting Russian financial institutions from using the SWIFT settlement system means that these financial institutions will find it difficult to transfer cross-border capital, thereby affecting the smooth development of Russia's global capital flows and international trade. Export controls on specific Russian products and technologies are mainly sanctions in the field of science and technology. Since most of Russia's high-tech products rely on imports, this will have a significant impact on Russia's real economy. At present, with the United States and Europe imposing tougher sanctions on Russia, Russia is not only unable to obtain high-tech technology from the West, but also hinders the import of some civilian technologies. Energy sanctions mainly include prohibiting the transportation of Russian energy products, prohibiting investment in Russian energy, cutting off the supply of oil and gas equipment and parts, and limiting Russian oil prices, etc. Russia is a major energy country and a global oil and gas exporter.

For a long time, energy, especially oil and gas, has played a very important role in supporting the Russian economy. It is the main source for Russia to obtain a large amount of foreign exchange income and fiscal funds. It is also an important weapon for Russia to maximize its diplomatic strategic interests. Although Russia quickly adopted a series of counter-sanctions measures in response to U.S. and European sanctions, these sanctions have had a serious impact on Russia's domestic economic development and foreign economic activities.

Against this background, China and Russia have continuously promoted the development of economic and trade cooperation between the two countries on the basis of

mutual benefit and reciprocity, under the premise of abiding by international norms. Energy has long been an important area of economic and trade cooperation between China and Russia, playing a ballast role in China-Russia economic and trade cooperation. In 2022, energy trade will account for 43% of the total trade volume between China and Russia. Among Russia's exports to China, energy and raw material exports account for a high proportion, and the total exports to China will reach 70% in 2023. Energy and raw material exports account for 70% of Russia's total exports to China. Petroleum and its extracts, coal and natural gas account for 47%, 11% and 9% of the trade volume respectively. In recent years, China-Russia energy cooperation has developed steadily. In 2019, Russia exported 75.8506 million tons of oil to China, 83.57 million tons in 2020, and 79.64 million tons in 2021. According to data released by the General Administration of Customs of China, China's oil imports from Russia reached 86.2 million tons in 2022, with a value increase of about 43.9% to US\$58.37 billion, setting a new record of US\$60.6 billion in 2023. From 2019 to 2022, China's oil imports from Russia accounted for 15% to 17% of China's total oil imports. It was not until May 2014 that China-Russia cooperation in the field of natural gas was relatively slow, and the "China-Russia East Line Natural Gas Supply and Sales Contract" was signed. Since December 2019, Russia has been delivering natural gas to China through the Siberian natural gas pipeline. At present, Russia's natural gas exports to China account for 6.3% of its total exports and 9.9% of China's total natural gas imports. Russia hopes to shift more natural gas exports to the Chinese market and speed up the construction of the China-Russia Far East Natural Gas Pipeline Project. Coal cooperation also plays an important role in China-Russia energy cooperation.

At present, Russia is China's second largest coal importer, and China's coal imports from Russia have maintained steady growth in recent years. According to Chinese customs data, in 2022, China imported 68.06 million tons of coal from Russia, accounting for 23.2% of China's total coal imports that year. The large-scale export of Chinese automobiles is undoubtedly the highlight of Sino-Russian trade this year. According to data from the General Administration of Customs of China, in 2023, Russia became China's largest automobile export destination, with the trade volume of automobile exports

to Russia reaching US\$11.655 billion. Russian data show that in 2023, six Chinese automobile brands will enter the top ten sales in Russia, and the share of Chinese brand passenger cars in the Russian new car market will increase from 19% in 2022 to 51% in 2023. According to data from Autostat, a Russian automobile market analysis agency, the sales champion of electric vehicles in the Russian market in 2023 was won by the Chinese brand Zeekr. In addition, electronic products such as mobile phones exported by China occupy a large share in the Russian market, as shown in Table 2.2.

Table 2.2 – Sales share of each brand in the Russian smartphone market in 2023 [46, p. 57]

| Brand     | Share (%) |
|-----------|-----------|
| Realme    | 20%       |
| Honor     | 19.40%    |
| Xiaomi    | 19.00%    |
| Transsion | 17.00%    |
| Samsung   | 12.00%    |
| Apple     | 8.00%     |
| Others    | 4.60%     |

Source: StatCounter Global Stats

Russian data show that in 2023, six Chinese auto brands will enter the top ten sales in Russia, and the share of Chinese brand passenger cars in the Russian new car market will increase from 19% in 2022 to 51% in 2023. The market share of consumer goods produced in China in Russia will grow rapidly in 2022. Cars, mobile phones, etc. performed well. In 2022, China exported 117,000 passenger cars to Russia, becoming the largest importer of passenger cars in Russia. The market share of Chinese auto brands in Russia increased to 37%. In terms of mobile phones, Xiaomi's market share will increase from 23% in 2021 to about 33% in 2022, surpassing Samsung to take the top spot in market share.

In terms of finance, in 2022, Russia's use of RMB settlement will increase by 9 times, and RMB will account for 25% of its total foreign currency settlement; the proportion of RMB settlement in Russia's import trade will rise to 23%, which will promote the use of RMB in third-party foreign trade settlement, which is also conducive to promoting the process of RMB internationalization. In the past two years, between 2022 and 2023, the share of RMB in Russian export settlements has increased by 85 times, currently accounting for 34.5%, compared with only 0.4% two years ago. The use of RMB in Russian import settlements has also risen sharply, with its share increasing by more than 7 times to 36.4%.

Currently, 90% of the settlements in trade between the two countries are made in local currency, which helps reduce the risks posed by third-party currencies, reduce dependence on global currency markets, and promote more direct economic ties between the two countries.

After the conflict between Russia and Ukraine, Russia proposed a Far East development strategy. This strategy has the following characteristics: first, it is large-scale and requires a large amount of investment; second, Russia is particularly proactive, and everyone from President Putin to local officials at all levels is actively promoting it and proposing various preferential conditions; third, it is clear. The main target for cooperation is China. The issue of China's participation in the development of Russia's Far East has attracted increasing attention at home and abroad [7, p. 90].

First of all, the Far East is an area that Russia focuses on development, and it is also an area that Russia has been seeking international cooperation and joint development. Secondly, after the Russia-Ukraine conflict, Russia has been subject to severe economic sanctions by the United States and European countries, and has become increasingly isolated internationally, and its economy has continued to suffer decline.

Against this backdrop, Russia has bolstered economic and trade ties with China, placing special emphasis on collaboration between the Russian Far East and China, garnering considerable attention globally. During General Secretary Xi Jinping's visit to Russia from March 20 to 22, 2023, both countries issued the "Joint Statement of the President of the People's Republic of China and the President of the Russian Federation on

the Development Plan for the Key Directions of China-Russia Economic Cooperation before 2030." This statement led to the signing of investment agreements for over 80 significant projects, totaling US\$165 billion in investments, primarily clustered in eastern Russia, particularly the Far East. Notably, this joint statement indicates a shift in Sino-Russian economic cooperation beyond the conventional energy sector. Firstly, the expansion from merely "promoting the implementation of railways and boundary river bridges" to encompassing "vigorously developing railways, highways, aviation, river transportation, and maritime transportation" implies the establishment of extensive transportation hubs and infrastructure networks at the China-Russia border. Secondly, the evolution from "expanding investment and economic and technological cooperation" to stressing on "promoting high-quality development of bilateral investment cooperation" signifies the mutual inclination towards unlocking high value-added industries and increased exports of such products from China. Thirdly, a groundbreaking proposal emerged to "develop long-term mutually beneficial supply cooperation in the fields of bulk commodities and mineral resources such as metallurgy, fertilizers, and chemical products, and strengthen mutually beneficial cooperation in the construction of deep processing production capacity of resources within the two countries." This signifies a commitment towards a substantial and stable export flow of Russian raw materials to China. This strategic cooperation in diverse fields between China and Russia is poised to pave the way for constructing an extensive "interconnected logistics system" along the border, facilitating the establishment of an industrial cycle fostering mutual prosperity. Both China and Russia have pledged their adherence to the principles of mutual respect, equality, and mutual benefit, with the overarching goal of achieving sustained independent development for both nations, fueling the advancement of high-quality China-Russia economic and trade collaboration. The strong development trajectory is further underscored by their dedication to significantly augment their trade volume before 2030. Moreover, both nations are inclined towards deepening cultural cooperation, expanding engagements in education, science, technology, culture, tourism, sports, and healthcare, while unlocking the untapped potential of local and border cooperation to develop the "Northeast-Far East" region of both countries jointly [55]. Emphasizing the importance of

good political relations as a cornerstone for economic and trade cooperation, the enduring "strategic partnership" between China and Russia, rooted in the "three nos" basic principles of non-alignment, non-confrontation, and non-targeting third parties, has sustained stable and positive political ties for over three decades. This partnership differs from a formal alliance, as both nations are not bound by obligatory commitments unless they align on common interests and major international strategies. An absence of shared interests and consensus on international strategies would preclude strategic cooperation or partnerships between the two nations. Moreover, in the ever-evolving realm of international relations, multiple factors shape the dynamics of country relationships, necessitating a rational and comprehensive analysis of Sino-Russian relations based on the fluidity of the global landscape and evolving interests and policies of respective nations.

First of all, the complementary trade structure between China and Russia is difficult to change in the short term. In the context of U.S. and European economic sanctions, this complementary trade structure will continue to strengthen. For example, energy cooperation between Russia and the EU is difficult due to economic sanctions from the United States and Europe. Under these conditions, Russia will strengthen energy cooperation with China. In May 2023, Russian Prime Minister Mishustin led a business delegation to visit China. Mishustin said that he made a commitment to China on behalf of the Russian government and regarded energy cooperation with China as an unconditional priority for Russia. This means that Russia will provide stable energy supply to China in the long term in the future. Russian Energy Minister Novak, who accompanied Mishustin on his visit to China, publicly promised that Russia's energy supply to China is expected to increase by about 40% in 2023. Novak also said that Gazprom and PetroChina are in final negotiations on the terms of the contract and are conducting feasibility studies and designing pipeline laying routes through Mongolia. Russia hopes that Gazprom and CNPC will be ready to sign a gas supply contract for the Power of Siberia 2 pipeline by the end of 2023. Taking products such as machinery and equipment as an example, Europe and the United States prohibit exports to Russia, which may expand China-Russia cooperation in the field of machinery and equipment. Russia imports 45% of its total imports of machinery and equipment from European countries and 50% of its total imports from

China each year. In 2020, the EU exported 80 billion euros to Russia, of which machinery and equipment products accounted for 45%. Since the United States and Europe prohibit the export of such products to Russia, Russia may turn to imports from China. Exports of daily consumer goods such as textiles and light industrial goods are also likely to increase. This type of goods is China's traditional export to Russia and has always accounted for a large proportion of its trade with Russia. After the conflict between Russia and Ukraine, as the United States and Europe continued to strengthen economic sanctions against Russia, the bank settlement system was blocked, the ruble exchange rate fluctuated greatly, and many Western fashion and other retailers withdrew from the Russian market. In addition, the conflict between Russia and Ukraine has worsened the economic situation in Russia, and the living standards of the majority of residents have declined, making it difficult to purchase consumer goods such as high-end clothing with high Western prices. This has given China the opportunity to export to Russia textiles and light products with high quality and moderate prices that are more suitable for the Russian consumer market. Industrial commodities provide favorable conditions. On the other hand, China's market capacity is huge. Russia can make full use of China's large market, share China's opening opportunities, and actively promote economic and trade cooperation with China. This also reflects the strong resilience and great potential of Sino-Russian economic and trade cooperation.

Secondly, the joint construction of the "Belt and Road" is conducive to promoting economic and trade cooperation between China and Russia. Xi Jinping proposed the Belt and Road Initiative in September to October 2013 during his visit to Central and Southeast Asian countries. The Proposal of the CPC Central Committee on Formulating the 14th Five-Year Plan for National Economic and Social Development and the Vision and Goals for 2035, adopted at the Fifth Plenary Session of the 19th CPC Central Committee, emphasized the necessity to promote high-quality development by adhering to market orientation and debt sustainability principles [27, p. 87].

In March 2015, the State Council issued the "Vision and Actions on Promoting the Construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road,"

framing the Belt and Road Initiative as a Chinese government promotion signed by senior leaders.

This initiative encompasses project construction, policy improvement, and acting as a platform to enhancing cooperation between China and Russia. The Belt and Road Initiative aims to promote international economic cooperation through regional collaboration. China has signed over 200 cooperation documents with 151 countries and 32 international organizations by 2023. Russia's involvement in the initiative is significant due to its strategic geographical position as a key transportation hub on the Eurasian continent. The Belt and Road Initiative provides prospects for extensive cooperation between Russia and China in various areas such as infrastructure, energy, technology, and finance. Among the six economic corridors boosting the initiative, two corridors involve Russia: the New Eurasian Land Bridge Economic Corridor and the China-Mongolia-Russia Economic Corridor. Noteworthy cooperative agreements include the "Outline of the Construction Plan of the China-Mongolia-Russia Economic Corridor" signed by the three countries in 2016, and the "Agreement on Economic and Trade Cooperation between the People's Republic of China and the Eurasian Economic Union" signed in 2018.

This agreement laid a legal foundation for enhancing cooperation between China and the Eurasian Economic Union member states by resolving institutional barriers and ensuring compliance with international trade rules [51, p. 8].

Ultimately, these agreements facilitate economic and trade cooperation between China and the Eurasian Economic Union member states, promoting trade facilitation within the WTO framework.

Under the general trend of economic globalization and world economic integration, regional cooperation has become an important trend in economic and trade cooperation among countries. Strengthening regional cooperation is of great significance to promoting economic and trade cooperation between the two countries. Since China and Russia signed the Treaty of Good-Neighborliness, Friendship and Cooperation in 2001, Russia has continuously proposed to strengthen cooperation in the Asia-Pacific region.

On November 10, 2014, President Putin said in a speech at the APEC Business Leaders Summit that strengthening cooperation with the Asia-Pacific region is a strategic

priority for Russia, and China is Russia's priority partner in the Asia-Pacific region. The entire Russian economy is dominated by Europe, but resources are mainly concentrated in the eastern region. The industrialization of the Soviet Union's eastern region did not achieve substantial development before the implementation of the industrialization policy in the early 20th century. Since the implementation of the first five-year plan in 1928, the Soviet Union's focus has shifted to industrial development and the development of the eastern region. During World War II, the Soviet Union's eastern region experienced tremendous development. In June 1941, Germany launched a surprise attack on the Soviet Union.

The Soviet army suffered a serious defeat. Under such circumstances, the Soviet Union had to transfer enterprises from the west to the east. After the war, successive Soviet leaders emphasized the importance of developing the eastern region. After coming to power, Putin paid more attention to the development of the eastern region. Russia has also taken a series of specific measures to accelerate the development of the eastern region.

For example, in 2012, Russia carefully prepared the APEC meeting with a very clear purpose: to announce to the world the existence of the Russian Far East in the Asia-Pacific region, to accelerate the development of the Far East, to prepare for cooperation between Russia and the Asia-Pacific region, and finally to make the Far East the center of influence of Russia in the Asia-Pacific region.

In 2014, President Putin approved the Federal Law on Social and Economic Development Zones of the Russian Federation and established 16 rapid development zones in the Far East. Russia decided to develop the Far East and accelerate the development of the Far East as a super-large economic zone. Its main strategic thinking can be analyzed from the following aspects. First, it is to promote domestic economic development. Under the extremely severe economic sanctions of the United States and Europe, the main problem facing Russia is how to maintain economic stability and rapid development. This depends to a large extent on the development of the eastern part of Russia. 75% to 80% of Russia's resources are concentrated in the eastern region, and its development is crucial to the development of the entire Russian economy. Second,

strengthen foreign strategy and move eastward to the Asia-Pacific region. After the Russian-Ukrainian conflict, Russia's cooperation with the EU in many economic fields was basically decoupled. Therefore, Russia urgently needs to strategically turn to the Asia-Pacific region, implement a policy of diversification of energy exports, and reduce its dependence on the EU. Third, it is for national security considerations.

In recent years, relations between Russia and Europe and the United States have become increasingly tense. Once a war breaks out, Russia's western region will bear the brunt. Especially since the Russian-Ukrainian conflict, the risks in Russia's western region have intensified. In this case, Russia has accelerated the development of its eastern region from the perspective of national security, which also draws on the lessons of World War II. This once again reminds people of the important role of the eastern region in Russia's national security. Russia's strengthening of the East Asia-Pacific strategy and promoting the development of the eastern region will have a positive impact on promoting Sino-Russian economic and trade cooperation. The economic and trade cooperation between the Northeast region and Russia's Far East has a good foundation.

Against the background of major changes and deterioration in Russia's domestic economy, Russia has once again proposed a Far East development strategy to expand and strengthen cooperation with China. Objectively speaking, the prospects for Sino-Russian cooperation are better than in the past. At present, China's participation in the development of Russia's Far East will further enhance China's position in the cooperation between the two countries, which will be more conducive to China's oil and gas security. Russia can be divided into two parts: Europe (West) and the East.

Production capacity is mainly concentrated in Europe, which dominates the entire Russian economy, but resources are mainly concentrated in the East. The industrialization of the Soviet Union's eastern region did not make substantial progress before the implementation of the industrialization policy in the early 20th century. Since the implementation of the first five-year plan in 1928, the Soviet Union's focus has shifted to industrial development and the development of the eastern region. During World War II, the eastern region of the Soviet Union experienced tremendous development. In June 1941, Germany launched a surprise attack on the Soviet Union.

The Soviet army suffered a serious defeat. Under such circumstances, the Soviet Union had to transfer enterprises from the west to the east. After the war, successive Soviet leaders emphasized the importance of developing the eastern region. After coming to power, Putin paid more attention to the development of the eastern region. Russia has also taken a series of specific measures to accelerate the development of the eastern region. For example, in 2012, Russia carefully prepared the APEC meeting with a very clear purpose: to announce to the world the presence of Russia's Far East in the Asia-Pacific region to accelerate the economic development of the Asia-Pacific region. Prepare for Russia's cooperation with the Asia-Pacific region, and eventually make the Far East the center of Russia's influence in the Asia-Pacific region; In 2014, President Putin approved the Federal Law on the Social and Economic Development Zones of the Russian Federation and established 16 rapid development zones in the Far East [7, p. 67].

Russia decided to develop the Far East and accelerate the development of the Far East as a super-large economic zone. Its main strategic ideas can be analyzed from the following aspects. The first is to promote domestic economic development. Under the extremely severe economic sanctions of the United States and Europe, the main problem facing Russia is how to maintain economic stability and rapid development. This depends largely on the development of Russia's eastern region. 75% to 80% of Russia's resources are concentrated in the eastern region, and its development is crucial to the development of the entire Russian economy. Second, strengthen foreign strategy and move eastward to the Asia-Pacific region. After the Russian-Ukrainian conflict, Russia's cooperation with the EU in many economic fields was basically decoupled. Therefore, Russia urgently needs to strategically turn to the Asia-Pacific region, implement a policy of diversification of energy exports, and reduce its dependence on the EU.

Third, for national security considerations. In recent years, Russia's relations with Europe and the United States have become increasingly tense. Once a war breaks out, Russia's western region will bear the brunt. Especially since the Russian-Ukrainian conflict, the risks in Russia's western region have intensified. In this case, Russia has accelerated the development of the eastern region from the perspective of national security, which has also drawn lessons from the experience of World War II. This once

again reminds people to recognize the important role of the eastern region in Russia's national security. Russia's strengthening of the East Asia-Pacific strategy and promoting the development of the eastern region will have a positive impact on promoting Sino-Russian economic and trade cooperation. The economic and trade cooperation between the Northeast and the Russian Far East has a good foundation. Against the background of major changes and deterioration in Russia's domestic economy, Russia has once again proposed a strategy for the development of the Far East to expand and strengthen cooperation with China. Objectively speaking, the prospects for Sino-Russian cooperation are better than in the past. At present, China's participation in the development of Russia's Far East will further enhance China's position in the cooperation between the two countries.

### **2.3 Analysis of Potential Areas of Cooperation in Sino-Russian Trade**

Under the strategic guidance of the two heads of state, China and Russia continue to advance economic and trade relations, aiming to substantially increase bilateral cooperation across eight key sectors as outlined in the "Joint Statement of the President of the People's Republic of China and the President of the Russian Federation on the Development Plan for the Key Directions of Sino-Russian Economic Cooperation before 2030". Notably, the trade volume between the two nations is poised for growth by 2030. China has notably been Russia's primary trading partner for 14 consecutive years, with trade levels on the rise. The cooperation between the two countries spans various sectors, showcasing improved quality and expanded depth in energy, investment, and connectivity partnerships. The energy sector plays a pivotal role in Sino-Russian bilateral trade, with Russia being a major source of energy imports for China including oil, natural gas, and coal. Agriculture is another area witnessing increasing trade between the two countries, with a noteworthy rise in the trade volume of agricultural products. In the financial realm, cooperation in currency swaps and settlements is expanding, notably diversifying trade transactions. In light of these developments, enhancing political trust plays a key role in fostering economic ties, with high-level engagements steering strategic cooperation.

Moving forward, the potential for China-Russia economic and trade cooperation remains vast, especially in sectors like energy, agriculture, service trade, and high technology. Leveraging the benefits of e-commerce, both countries are positioned to streamline trade processes and enhance market access. As e-commerce continues to emerge as a crucial driver of global economic growth, the collaboration between China and Russia holds promise for overcoming logistical challenges in cross-border trade. By leveraging their respective strengths in labor resources and trade surplus, the two nations can further deepen their economic cooperation and explore new avenues for collaboration in the digital economy and beyond.

Agriculture is another area witnessing increasing trade between the two countries, with a noteworthy rise in the trade volume of agricultural products. This sector's growth is driven by China's need to secure food supply chains and diversify its sources of agricultural imports. Russia's vast agricultural potential complements China's demand, leading to increased exports of wheat, soybeans, and other staples. This agricultural partnership also extends to technological exchanges in farming practices and food safety standards, enhancing the overall quality and efficiency of agricultural trade [14, p. 21].

In the financial realm, cooperation in currency swaps and settlements is expanding, notably diversifying trade transactions and reducing dependence on the US dollar. The establishment of financial mechanisms that facilitate direct currency exchanges between the Chinese yuan and the Russian ruble helps to stabilize bilateral trade against global financial volatility. This financial integration also includes collaborative efforts in banking, where Chinese and Russian financial institutions work together to support investment projects and trade financing. By reducing transaction costs and financial risks, these initiatives contribute to a more robust and resilient economic partnership [39, p. 56].

Enhancing political trust plays a key role in fostering economic ties, with high-level engagements steering strategic cooperation. Frequent diplomatic exchanges and summit meetings between Chinese and Russian leaders underscore the importance both nations place on their bilateral relationship. These high-level engagements are instrumental in addressing any political or economic challenges that may arise, ensuring a stable and predictable environment for ongoing and future cooperation. Trust-building measures,

including military collaborations and joint security initiatives, further reinforce the political foundation underpinning economic cooperation [33, p. 45].

Moving forward, the potential for China-Russia economic and trade cooperation remains vast, especially in sectors like energy, agriculture, service trade, and high technology. The burgeoning service trade, encompassing tourism, education, and healthcare, opens new avenues for bilateral cooperation. Russian tourism to China and vice versa has seen a substantial increase, driven by simplified visa procedures and enhanced cultural exchanges. Educational collaborations, including student exchanges and joint research projects, further solidify the people-to-people ties that underpin economic relations. These interactions foster mutual understanding and respect, which are crucial for sustaining long-term cooperation.

High technology is another promising area of collaboration. Both nations are investing heavily in innovation and technological development, with a focus on areas such as artificial intelligence, aerospace, and telecommunications. The joint development of 5G technology and cooperation in space exploration highlight the advanced nature of their technological partnership. By sharing expertise and resources, China and Russia can accelerate their technological advancements and enhance their competitive edge in the global market. Furthermore, joint research and development initiatives provide opportunities for breakthrough innovations that can drive future economic growth [23, p. 35].

Leveraging the benefits of e-commerce, both countries are positioned to streamline trade processes and enhance market access. The rapid growth of digital platforms facilitates cross-border trade, allowing businesses from both nations to reach new markets and consumers. E-commerce not only reduces logistical barriers but also offers a cost-effective solution for expanding trade networks. Initiatives such as the eWTP (Electronic World Trade Platform) promote digital trade infrastructure, enabling small and medium-sized enterprises (SMEs) to participate in international trade. The integration of blockchain technology in e-commerce platforms further enhances the security and transparency of transactions, fostering greater trust among trading partners [60, p. 98].

As e-commerce continues to emerge as a crucial driver of global economic growth, the collaboration between China and Russia holds promise for overcoming logistical challenges in cross-border trade. Investments in infrastructure, such as the development of new transport corridors and the modernization of existing ones, are essential to support the growing volume of trade. The Northern Sea Route, which offers a shorter shipping route between Asia and Europe, is one example of infrastructure development that can significantly enhance trade efficiency.

The modernization of rail and road networks also plays a vital role in facilitating smooth and efficient trade flows between the two countries.

By leveraging their respective strengths in labor resources and trade surplus, the two nations can further deepen their economic cooperation and explore new avenues for collaboration in the digital economy and beyond. The integration of digital technologies into traditional industries can lead to increased productivity and innovation. Joint ventures in sectors such as smart manufacturing, digital logistics, and cybersecurity can further cement the economic partnership between China and Russia. These collaborations not only enhance the technological capabilities of both nations but also create new economic opportunities in the rapidly evolving digital landscape [61, p. 212].

The Belt and Road Initiative (BRI), a significant component of China's global economic strategy, also plays a crucial role in Sino-Russian economic cooperation. Russia's participation in the BRI aligns with its own economic interests in developing infrastructure and enhancing connectivity within the Eurasian region.

Through the BRI, both nations can capitalize on the synergies between their development strategies, promoting regional economic integration and sustainable development. Joint infrastructure projects under the BRI framework, such as railways, highways, and ports, are set to enhance connectivity and trade links between China, Russia, and other participating countries [62, p. 57].

Moreover, environmental sustainability is becoming an increasingly important aspect of their bilateral cooperation. China and Russia are working together on initiatives aimed at reducing carbon emissions promoting renewable energy sources, and protecting natural ecosystems of the countries. Collaborative projects

in green technology and sustainable development not only address environmental challenges but also open up new economic opportunities in the emerging green economy. By investing in clean energy technologies and sustainable practices, both nations can contribute to global efforts to combat climate change and achieve sustainable development goals [28, p. 21].

In conclusion, the economic and trade relations between China and Russia are characterized by a multifaceted and dynamic partnership that spans numerous sectors. The strategic guidance of their leaders, combined with a shared vision for economic prosperity, drives this collaboration forward. As they continue to enhance their political trust and explore new areas of cooperation, the potential for further growth in bilateral trade and investment remains vast. By leveraging their respective strengths and embracing new technologies, China and Russia are well-positioned to achieve their economic goals and contribute to global economic stability and development. The comprehensive and evolving nature of their partnership ensures that Sino-Russian economic and trade relations will continue to thrive in the years to come.

## **Chapter 3 Study of Problems and Countermeasures in Sino-Russian Trade**

### **3.1 Analysis of Existing Problems in Sino Russian Trade**

The structure of trade goods between the two countries has become more solidified. The structure of trade goods between the two countries is dominated by the trade of Russian mineral products, especially the trade of energy products and Chinese industrial products. Bilateral trade has the characteristics of vertical division of labor, but at the same time, the structural solidification of trade goods is also relatively high. For many years, the two sides have been promoting the diversification of trade commodity structure, striving to increase the proportion of trade in high value-added commodities and expand trade in agricultural products, but the reality is still far from this goal.

The rapid growth of Sino-Russian trade has led to a significant expansion of the trade deficit between China and Russia, resulting in a deteriorating trade balance. This decline in the quality of China's trade is not conducive to the sustainable development of bilateral trade, hindering the establishment of a standardized trade order between the two countries. To mitigate the impact of economic sanctions from Europe and the United States and ensure a stable supply within the Russian domestic market, normal production order needs to be maintained. On June 28, 2022, Russian President Putin signed a decree implementing the parallel import policy, allowing the use of intellectual property achievements included in the approved parallel import list without violating the law. It is projected that Russia's parallel import trade volume will surpass US\$20 billion in 2022, focusing on items such as automobiles, machine tools, and light industrial products. The Russian government plans to extend this policy into 2023. While the parallel import policy aids in stabilizing domestic prices in Russia and addressing economic sanctions from the West, it conflicts with international regulations that protect intellectual property rights. Prolonged implementation of this policy may disrupt normal trade order. To regulate Sino-Russian trade, the Sino-Russian Trade Order Regulation Joint Working Group was established in 2004, emphasizing the importance of eliminating gray customs clearance.

Through collaborative efforts, trade between the two countries has flourished over the past two decades, significantly improving trade order.

However, Russia's parallel import policy, implemented amidst sanctions, poses a double-edged sword. While it benefits Russia, potential export violations could trigger a second round of economic sanctions from the United States, jeopardizing Chinese companies to joint sanctions. Therefore, China must review export controls related to Russia, enhance compliance training, and develop risk contingency plans to increase trade costs for enterprises. The expansive parallel import policy by the Russian government is expected to have a lasting impact, potentially hindering normal trade even if the policy is discontinued in the future. To counter economic sanctions and safeguard domestic interests, Russia continuously adapts its export restriction policy, subsequently erecting trade barriers that complicate the trade environment between both countries [21, p. 87].

Additionally, the Eurasian Economic Commission's extension of anti-dumping measures on Chinese truck tires until August 2026 further complicates trade dynamics, as Russia insists on import substitution policies, hindering trade expansion with China. Moreover, despite setbacks in the development of cross-border e-commerce between China and Russia, AliExpress stands out as a notable player in the market. As the first Sino-Russian joint venture cross-border e-commerce platform, AliExpress has experienced rapid growth since its launch in 2019, with transactions accounting for half of the Russian cross-border e-commerce market [45, p. 98].

While AliExpress's 2021 sales surged by 46% year-on-year, the platform attracted 400,000 sellers, a quarter of which were Russian. Following the Russian-Ukrainian conflict and amidst financial sanctions and export restrictions, China emerged as the sole supplier for Russian cross-border e-commerce. Notably, AliExpress provided 95% of products for Russian cross-border e-commerce, with orders falling in April 2022 due to economic sanctions, impacting the sales of online stores. Despite AliExpress outperforming other e-commerce platforms, the platform faced operational challenges, including layoffs, suspended advertising services, and canceled logistics projects, due to the changing market conditions and new risks [19, p. 7].

Economic sanctions from the United States and Europe have added new obstacles to China-Russia investment cooperation. "Encourage both sides to innovate cooperation methods and use bilateral local currencies in investment cooperation" is the new direction pointed out by the 27th regular meeting between the Chinese and Russian prime ministers. From a practical point of view, there are still a series of problems in the investment field that need to be solved. The use of local currencies faces policy barriers. The vigorous promotion of trade settlement in local currencies by China and Russia has increased the demand for RMB. The RMB trading volume in Russia has grown rapidly, which is equal to the trading volume of the euro. For Russian investors, the RMB exchange rate has been stable. Most Russian investors choose RMB to hedge against potential exchange rate fluctuations of the ruble due to risk aversion. The attractiveness of RMB has therefore been significantly enhanced. At the same time, the non-opening of RMB capital projects has restricted its scope of use, resulting in difficulties for many Russian investors, institutions and legal persons to use RMB for investment activities, which has had a certain impact on Russia's economic development. Russian companies are very enthusiastic about using RMB. China is currently piloting the Qualified Foreign Limited Partner (QFLP), that is, foreign institutional investors can convert their foreign funds into RMB funds for investment in the equity investment (PE) and venture capital (VC) markets after passing the qualification approval and supervision procedures for their foreign exchange funds. This investment method is only implemented in 16 regions in China.

Russian companies are not familiar with the relevant qualification review system and foreign exchange supervision procedures, which makes it difficult for them to adopt this investment method. China-Russia investment cooperation urgently needs to establish a qualification review and supervision system that is more convenient for the use of bilateral currencies. At the same time, Russia's counter-sanctions have also increased the difficulty of operation for Chinese companies. In response to the impact of European financial sanctions on the United States, Russian President Putin announced on March 23, 2022 that Russia's natural gas supply to unfriendly countries and regions will be changed to ruble settlement, known as the "Ruble Settlement Order". On April 3, Russia decided that the ruble payment plan would not only apply to Russian natural gas, but also other

commodities. In May, a new presidential decree was issued, deciding that Russian companies and legal persons in unfriendly countries should use rubles for settlement. These counter-sanction measures have caused direct damage to the interests of Chinese companies in Russia. From a legal perspective, Chinese companies in Russia are Russian companies, and they should abide by Russian laws, including the ruble settlement order. A few years ago, a Chinese-funded enterprise borrowed euros from a German bank for project financing and is now entering the repayment period. According to the Russian government's ruble settlement order, Germany has been included in the list of unfriendly countries. The Chinese-funded company can only repay the loan in rubles.

If it repays the loan in euros, it will violate Russian law and will be punished. The German bank did not accept rubles for loan repayment and demanded repayment in euros, which put the Chinese-funded enterprise in a dilemma and has not yet found an effective solution. Another Chinese-funded enterprise financed a Russian project through a third country and obtained good economic benefits. Now it needs to recover the investment income. However, the third country has been included in the list of unfriendly countries by the Russian government, so it is difficult for the investment income to be returned to the country through the third country. The Agreement between the Government of the People's Republic of China and the Government of the Russian Federation on the Promotion and Mutual Protection of Investments was signed earlier [54, p. 87].

It does not provide for the protection of investments through third countries, making it difficult for the interests of Chinese-funded enterprises to be protected. To this end, the competent authorities of the two countries should strengthen consultations to solve investment problems caused by force majeure such as sanctions and counter-sanctions measures, reduce corporate losses, and at the same time speed up negotiations on an upgraded version of the investment protection agreement to lay a solid legal basis for promoting the healthy development of investment in the two countries.

Russia implements the "Look East" strategy, aiming to expand economic and trade cooperation with Asian countries or regions and create a new supply chain model. Improving transportation infrastructure is an indispensable condition. Russian Minister of Economic Development Reshetnikov said that new logistics solutions are needed to

support the transfer of Russian foreign trade to Asia. Railway transportation is the main mode of cross-border transportation between China and Russia, and its role is prominent in the context of anti-sanctions. Over the years, the construction of transportation infrastructure in Russia's Far East has been slow, resulting in poor cross-border railway transportation between China and Russia, and many accumulated problems have not been effectively solved. According to the Economic and Commercial Office of the Chinese Embassy in Russia, since the conflict between Russia and Ukraine, the trade and freight volume between China and Russia has continued to grow, causing congestion in the ports of the two countries. Congestion, poor cargo handover, uneven transshipment capacity, and imbalance in round-trip train schedules. The problem is becoming more and more prominent, resulting in a backlog of port trains, congestion in Far Eastern ports, and ships unable to dock, making cross-border railway transportation between China and Russia extremely difficult. Railway capacity is seriously strained. Russia's Far East railway transportation infrastructure cannot currently meet the rapidly growing capacity demand. Gurevich, chief economist of the Economic Department of the Far Eastern Headquarters of the Russian Central Bank, said that China and Russia have more than 19 times the capacity of railway transportation. The declared cargo transportation volume far exceeds the infrastructure transportation capacity.

The total transportation capacity of all railway ports in the direction of China is 1/20 of the existing port utilization capacity. The huge capacity gap has caused congestion in stations and ports. At present, the loading rate of Russia's Vladivostok Port and Vostochny Port has reached 90% of the port's design capacity. Poor port infrastructure has led to delays in transloading. The railway container transloading time is 5-12 days [11, p. 87].

The uneven development of border port infrastructure between China and Russia has seriously restricted the improvement of cross-border railway transport capacity. The Russian Ministry of Transport pointed out that it is difficult to increase transport capacity on Russia's east line. It will take 2 years to build a new port in the Far East and 3 to 7 years to add a new railway line. It is expected that the tight situation of railway transport capacity on the east line will be difficult to achieve in the next four years. Change. The

Russian Railways Group predicts that due to funding shortages and construction capacity constraints, the limited space for growth of the Far East Railway's transport capacity will continue until 2024.

Therefore, port congestion and station congestion are unlikely to be fundamentally alleviated in the short term. At the same time, port customs clearance efficiency needs to be improved urgently. The efficiency of customs clearance at China-Russia border ports is another key factor affecting cross-border logistics and transportation. In addition to the backward port infrastructure in Russia's Far East that affects customs clearance efficiency, the director of the customs at Russia's Amur Oblast highway port emphasized that port inspection and supervision conditions are poor. The temporary customs supervision warehouse is 3.5 kilometers away from the port, resulting in long customs inspection time and increasing the complexity of customs clearance. Costs affect port transit efficiency. The low level of customs digitalization is also an important reason. Since China implemented the railway "digital port" system in July 2020, the customs inspection time from declaration to release at the main China-Russia border ports Manzhouli and Suifenhe has been shortened from about half a day to less than 30 minutes, and the fastest is only a few minute [43, p. 54].

The degree of convenience and customs clearance efficiency have been significantly improved. In recent years, Russia has also been actively promoting the process of digital customs clearance. For example, the customs inspection and release time in Russia's Far East has been reduced from 96 hours to 60 hours. However, there is still a large gap in the customs clearance efficiency of the border ports between the two countries. Many goods were detained or detained after being released by Chinese customs due to long-term inspection by Russian customs, which seriously affected the logistics turnover speed of the Sino-Russian border. For Russia, although it takes time and a lot of money to strengthen port infrastructure construction, improving customs clearance efficiency can achieve twice the result with half the effort, so it is necessary to speed up the promotion of the process of digital customs clearance.

In short, improving the level of cross-border transportation between China and Russia is a systematic project, which requires both hard connectivity such as building

roads and bridges, and soft connectivity such as simplifying cross-border management procedures and improving customs clearance efficiency. To this end, the two sides should strengthen communication and coordination and work towards each other. We will work together to create more convenient conditions for improving the port's cargo handling capacity.

### **3.2 Proposals for Countermeasures in Sino Russian Trade Cooperation**

In June 2019, Chinese President Xi Jinping and Russian President Vladimir Putin signed the "Joint Statement on Developing a Comprehensive Strategic Partnership of Coordination in the New Era," setting the stage for a deeper and broader economic cooperation between China and Russia. The document underscored the mutual commitment of both nations to enhance their strategic partnership, emphasizing the need to expand and improve the quality of bilateral trade. Energy remains a central pillar of China-Russia economic ties, as highlighted in the 2019 Joint Statement. The importance of long-term agreements in the energy sector, including oil, gas, and renewable energy projects, was emphasized. The joint statement also called for increased cooperation in science and technology, encouraging joint research and development initiatives and sharing technological advancements [59, p. 97].

The 2019 Joint Statement emphasized several key areas for deepening cooperation. It highlighted the importance of enhancing trade volume and improving the quality of trade by focusing on high-tech industries, energy, and infrastructure projects. In pursuing these goals, both countries committed to reducing barriers to trade and investment to create a more conducive economic environment for interactions. Moreover, the joint statement called for collaboration on large-scale infrastructure projects, particularly those related to the Belt and Road Initiative (BRI) and the Eurasian Economic Union (EAEU).

To expand the depth of China-Russia trade cooperation, intensifying current trade activities and exploring new sectors and industries for collaboration are essential. To avoid over-reliance on any single commodity, diversification of trade portfolios into sectors such as pharmaceuticals, information technology, and green energy technologies is crucial.

Broadening the breadth of cooperation entails expanding into new geographic areas and involving more stakeholders in the bilateral relationship. Provinces and regions along the China-Russia border, like Heilongjiang Province, can play a pivotal role in enhancing bilateral trade by serving as hubs for cross-border trade and investment. Joint infrastructure projects, such as the development of transportation corridors and logistics networks, can facilitate smoother and more efficient trade while integrating both economies more closely with those of other Eurasian nations. Improving the quality of China-Russia trade involves ensuring sustainable, balanced, and mutually beneficial trade activities. Transitioning from a focus on raw materials and low-value goods to high-value sectors like technology, pharmaceuticals, and advanced manufacturing can enhance trade quality. This necessitates investment in research and development and the establishment of joint ventures. Sustainable trade practices, which minimize environmental impact by adopting green technologies and ensuring compliance with environmental standards in infrastructure projects, are crucial. Simplifying customs procedures, improving regulatory frameworks, and enhancing digital trade platforms can reduce barriers to trade, facilitating cross-border business operations.

The 2019 Joint Statement by President's Xi Jinping and Putin marks a significant milestone in China-Russia relations. Through diversified trade, enhanced energy cooperation, regional initiatives, and sustainable practices, China and Russia can build a robust economic relationship that serves as a model for international cooperation. Both nations can achieve substantial economic benefits and strengthen their strategic partnership by expanding the depth and breadth of trade cooperation and improving the quality of bilateral trade.

In recent years, both China and Russia have made significant efforts to explore and diversify their energy sources to enhance energy security and reduce market risks. One crucial aspect of this strategy is further strengthening and deepening energy cooperation between the two countries. Despite facing challenges such as Russia's concerns and long-term obstruction by interest groups, geopolitical events like the 2014 Ukrainian crisis have accelerated China-Russia energy cooperation. This crisis strained relations between Russia and Western countries, prompting Russia to seek alternative markets for its energy

exports. As a result, the first significant breakthrough was the 10-year natural gas cooperation agreement, which set the stage for a more extensive partnership. Subsequently, a groundbreaking 30-year natural gas supply agreement was signed, ushering in a new era of energy collaboration [20, p. 97].

A notable achievement during this period was Rosneft's agreement to sell a 10% stake in the Fankel oil and gas field project to China National Petroleum Corporation (CNPC), illustrating Russia's willingness to incorporate Chinese investment into its energy sector. Between 2013 and 2023, China's oil imports from Russia saw a substantial increase, making up nearly one-tenth of China's total oil imports. This growth solidified Russia as China's primary source of oil imports, showcasing the deepening energy ties between the two nations. This trend continued with the signing of new long-term agreements in February 2022, including a 20-year natural gas supply agreement and a 10-year oil supply agreement. Furthermore, China, Russia, and Mongolia came together for a trilateral initiative to construct the "Power of Siberia 2" natural gas pipeline, which will traverse Mongolia, boosting regional energy connectivity. Recognizing the global shift towards sustainable energy, China and Russia have taken steps to expand their cooperation beyond traditional fossil fuels. They inked a memorandum of understanding to promote investment and collaboration in low-carbon energy projects, emphasizing their dedication to addressing climate change and transitioning towards a more sustainable energy future.

The diversification and reinforcement of China-Russia energy cooperation carry significant strategic implications. For China, ensuring a stable and diversified energy supply is vital for sustaining economic growth and reducing vulnerability to external shocks. Russia benefits from accessing the vast Chinese energy market, helping offset the impact of Western sanctions and fluctuating global energy prices. Looking forward, the outlook for further deepening China-Russia energy cooperation seems promising. Both nations have shown a commitment to expanding their partnership across various energy sectors, including constructing new pipelines and boosting investments in low-carbon technologies. Nevertheless, geopolitical tensions, economic disparities, and environmental concerns could present challenges to seamless implementation. Overcoming these hurdles will necessitate increased mutual trust, streamlined regulatory frameworks, and enhanced

coordination at government and corporate levels. Ultimately, by navigating these complexities and committing to sustainable practices, China and Russia can establish a model for international energy collaboration and contribute to a more secure and sustainable energy future [22, p. 87].

### **3.3 Prospects for the Future of Sino-Russian Trade Relations**

The future prospects of China-Russia economic and trade cooperation were discussed at the 27th regular meeting of the Chinese and Russian prime ministers. Russian Prime Minister Mishustin was optimistic about the prospects of China-Russia trade in 2023 and expressed Russia's good wishes. Although China-Russia trade achieved results beyond expectations in 2023, future development still faces many uncertainties.

First, the slowdown in the global economy has constrained bilateral trade development between two unspecified countries. The United Nations' World Economic Situation and Prospects Mid-term Update for 2024 indicates cautious optimism despite improved global economic prospects since January. Projections now foresee global economic growth reaching 2.7% in 2024 and 2.8% in 2025, marking increases of 0.3 and 0.1 percentage points respectively from earlier forecasts this year. Nevertheless, anticipated growth rates over the next few years are anticipated to remain below the 3.2% average observed during the 2010-2019 period.

The report underscores that major global economies have sidestepped severe recession and managed to curb inflation without inflating unemployment rates. Inflationary pressures have tapered off across most countries following their peak in 2023. However, persistent challenges such as elevated interest rates, risks to debt sustainability, geopolitical tensions, and escalating climate hazards continue to cast shadows over global economic growth prospects. Across Europe, economic activity is poised to gradually recover driven by declining inflation rates, robust wage growth, and accommodative monetary policies. Yet, geopolitical tensions, waning economic sentiment, and the cessation of fiscal support pose impediments to a swift economic rebound. The European Union revised its economic growth forecast slightly downwards to 1.0% for 2024. In

contrast, China's economic outlook has shown a modest improvement, with projected growth for 2024 adjusted upwards to 4.8%, an increase of 0.1 percentage points from January estimates. Looking ahead, augmented policy interventions are anticipated to stimulate investment in manufacturing, thereby reinforcing long-term economic resilience. The economic outlook for China has seen a slight improvement, with growth now projected to reach 4.8% in 2024, a marginal increase of 0.1 percentage point from January's estimate. However, risks persist particularly in the real estate sector, which remains a significant downside factor. Conversely, proactive fiscal policies and accommodative monetary measures are anticipated to bolster short-term economic performance. Looking ahead, enhanced policy support is poised to stimulate investment in manufacturing, particularly within emerging sectors. Meanwhile, the prolonged conflict in Ukraine continues to impact economic conditions across the Commonwealth of Independent States (CIS) and Georgia. GDP growth in this region is anticipated to moderate to 3.3% in 2024, following a 4.0% expansion in 2023. Russia's economic forecast has been revised upwards to 2.7%, driven by robust economic activity observed in the first quarter and anticipated positive effects from fiscal spending.

The global economic landscape, however, remains challenged by weak international commodity prices and the adoption of tight monetary policies by most central banks, contributing to a deflationary trajectory. Despite this, several developing economies are grappling with persistent inflationary pressures. These nations also confront hurdles such as escalating borrowing costs, ongoing exchange rate volatility, and political instability. Furthermore, heightened geopolitical tensions globally, coupled with the potential for multiple conflicts, cast uncertainties over the near-term economic outlook for certain economies. The deceleration in economic growth between China and Russia poses challenges to domestic demand, thereby complicating efforts to invigorate bilateral trade growth and expand trade volumes. Simultaneously, the broader slowdown in the global economy may impose constraints on trade development between China and Russia. First, the global economic slowdown may lead to reduced demand for China and Russia from other countries, thereby affecting the export markets of both countries. Secondly, increased uncertainty in the international trade environment may lead to a decrease in

investment willingness, thus affecting trade and investment activities between the two countries [56, p. 87].

Secondly, the uncertainty of energy prices in the international market has an important impact on Sino-Russian trade. It is difficult to accurately predict the trend of international oil prices in 2024. Historical data shows that the global economic slowdown has led to a decline in demand, which has led to lower oil prices. At the same time, China's economic growth has slowed down, coupled with the impact of public health events, leading to uncertainty about future demand growth. These factors may make it difficult for the energy momentum that supports the growth of Sino-Russian trade to continue. Since oil prices have a greater impact on bilateral trade, if oil prices fall, the scale of Sino-Russian trade will also decrease accordingly.

In addition, the imposition of secondary economic sanctions by the United States and Europe on Russia has had a profound impact on the geopolitical and economic landscape. These sanctions compel companies to comply with bans on trade with Russia, significantly affecting global supply chains and international trade dynamics. For instance, the United States, for the first time, launched secondary economic sanctions, forcing companies worldwide to halt sales to Russia, thereby isolating the Russian economy. This new reality demands that Chinese companies carefully assess risks and strategize to reduce operational costs amidst these sanctions. The conflict between Russia and Ukraine has introduced unprecedented changes in the global order, and the timeline for the conflict's resolution remains uncertain. Even after the conflict ends, US and European sanctions are unlikely to be lifted immediately. Therefore, the external impact of the conflict and the resultant sanctions will persist, requiring China and Russia to prepare for long-term disruptions. To address these unprecedented challenges, the governments of China and Russia must strengthen their consultation and coordination efforts to mitigate the adverse effects of these sanctions on bilateral trade. Essential measures include removing institutional barriers to local currency settlements, resolving cross-border transportation issues, reducing trade barriers, and enhancing risk warning systems to protect corporate interests. Since China's reform and opening up, particularly following its accession to the World Trade Organization (WTO), Chinese enterprises have thrived in a relatively

peaceful and stable international economic environment. Unlike Western multinational companies, Chinese enterprises have limited experience dealing with large-scale geopolitical conflicts.

As a result, they need to enhance their capabilities in analyzing and judging international risks, as well as in hedging and resisting these risks. The exit of European and American companies from Russia has created opportunities in the Russian market. However, the secondary sanctions from the US and Europe act as a persistent threat to any enterprises looking to fill this market gap. Therefore, Chinese companies must weigh the benefits against the risks comprehensively to make well-informed decisions. Looking ahead, prioritizing risk prevention while upholding the principle of mutual benefit and win-win cooperation is crucial. China and Russia should actively expand cooperation areas, optimize trade structures, and cultivate new growth points to enhance their economic resilience.

Continuous innovation in economic and trade cooperation models is necessary to foster sustained and stable development of bilateral economic and trade relations. Nonetheless, China-Russia economic and trade cooperation will inevitably face challenges, primarily from three aspects: uncoordinated political and economic relations between China, Russia, the United States, and Europe; the unbalanced economic dependence between China and Russia; and the mismatch between Russia's strong military capabilities and its relatively small economic scale. The political and economic relationships among these major powers are intricately linked, influencing China-Russia economic and trade cooperation. Additionally, while Russia relies heavily on China's economy, China's dependence on Russia is primarily in the energy sector. As the economic growth rates of both countries slow down, this mutual dependence is expected to decrease. Furthermore, historical complexities between China and the former Soviet Union add another layer of caution in their cooperation. China faces a challenging trade-off between strengthening its economic and trade ties with Russia and maintaining multilateral economic and trade cooperation. China's economic ascent is deeply rooted in its integration into global economic systems.

Despite the competitive nature of economic and trade relations with the United States and Europe, China remains committed to keeping the doors open to foreign cooperation. The high degree of economic interdependence, particularly between China and the United States, makes a complete decoupling impractical. Consequently, China cannot sever its economic ties with the United States and Europe in the short term, nor is it likely to revert to a Cold War-era situation with distinct and independent economic blocs [24, p. 457].

However, the United States views China as a long-term competitor, employing strategies such as trade wars, the "Infrastructure Plan," and the "Indo-Pacific Economic Framework" to encircle and contain China. Thus, China must carefully balance short-term and long-term considerations, East and West dynamics, to find equilibrium in its multilateral relations. This is especially difficult in multilateral cooperation contexts where Russia faces substantial resistance from the US and Europe. The complexity of maintaining a comprehensive strategic partnership with Russia while engaging in multilateral cooperation with other nations is underscored by actions such as the US and European representatives walking out during Russian speeches at the G20 Central Bank Governors and Finance Ministers' meeting and inviting Ukrainian President Zelensky to the G20 Leaders' Summit to exert pressure on Russia. Additionally, the US and EU issued a joint ministerial statement denouncing Russia and supporting Ukraine after the 12th WTO Trade Ministers' Meeting. The US and Europe have repeatedly pressured China to impose sanctions on Russia, even threatening to sanction China itself. This multifaceted diplomatic pressure creates a challenging environment for China, as it navigates its commitments to Russia alongside its broader multilateral engagements. The strategic balancing act required to maintain its comprehensive partnership with Russia while preserving multilateral cooperation with other countries is intricate and demanding. The future prospects for Sino-Russian economic and trade relations are influenced by a myriad of factors, including the evolving dynamics of US-Russia and Sino-US relations. Under the new round of Western economic sanctions, Russia has prioritized consolidating bilateral cooperation with China to counterbalance its confrontational relationship with the United States and Europe.

Despite the proclaimed limitless friendship and unrestricted cooperation between China and Russia, the reality of their economic and trade cooperation is likely to be more complex. The ongoing international economic and political changes will pose multidimensional challenges, affecting the progress of Sino-Russian economic and trade relations. However, as the world undergoes significant structural adjustments, with the US and Europe labeling China and Russia as "revisionist" countries and increasing their suppression efforts, China and Russia will undoubtedly deepen their mutual cooperation. This cooperation is expected to grow, particularly as both countries face heightened sanctions and geopolitical pressures. In conclusion, the conflict between Russia and Ukraine, coupled with the extensive sanctions imposed by the United States and Europe, has catalyzed significant shifts in the global economic landscape. China and Russia must navigate these changes with strategic foresight and robust cooperation to mitigate the adverse effects of these sanctions on their bilateral trade and economic relations. By prioritizing risk prevention, expanding cooperation areas, optimizing trade structures, and fostering innovation in economic models, China and Russia can enhance their economic resilience and maintain stable bilateral relations amidst an increasingly complex international environment. The evolving dynamics of Sino-Russian relations, influenced by broader geopolitical trends, underscore the importance of strategic collaboration and adaptability in the face of unprecedented global challenges.

## Conclusion

This master's thesis explores the current situation, historical background and future prospects of Sino-Russian trade, and finds the following noteworthy findings: Current status and complementarity: Sino-Russian trade is characterized by strong complementarity in trade structure, and each's export advantages are in line with the others. Import demand is consistent. Russia mainly exports fossil fuels, metals, agricultural products and timber to China, while China supplies Russia with machinery, electronics, textiles and consumer goods. This relationship ensures mutually beneficial trade. Energy remains the focus of bilateral trade, with Russian oil, natural gas and coal exports accounting for a large portion of its total trade with China. China's technological advancements, especially in machinery, vehicles and electronics, are consistent with Russia's demand for these products, making China one of Russia's largest import partners.

Growth and Future Trends: China-Russia trade has experienced record growth despite global disruptions such as the COVID-19 pandemic and Western economic sanctions. Trade volume increased from \$63.56 billion in 2015 to \$240.11 billion in 2023, reflecting a dynamic and expanding partnership. The continued growth trend has already achieved the goal of annual trade volume of US\$200 billion in 2024 ahead of schedule. The growth also highlights the increasingly complementary nature of the two economies: China's dependence on Russian energy resources such as oil and gas continue to rise, while Russia's demand for Chinese machinery, technology and consumer goods remains strong. In addition, Russia's strategic pivot has shifted to the Asia-Pacific region due to Western sanctions, making China its main trading partner. Chinese machinery, mobile phones, automobiles and light industrial products dominate Russian imports, while energy exports such as oil and natural gas remain the core of Russia's trade structure. The relationship between the two countries is therefore characterized by deep economic integration, with Russia relying on China's manufacturing base and China benefiting from Russia's rich natural resources. At the same time, continued policy support and cooperation frameworks, as well as a shared vision for comprehensive strategic development, have driven an upward trajectory of sustained growth.

Strategic partnerships and policy frameworks: Recent roadmaps and agreements, including the Comprehensive Strategic Partnership for a New Era, have emphasized the commitment to improving the quality and quantity of trade. The roadmap integrates energy, finance, high-tech industry and transport infrastructure initiatives to promote overall trade development. Sino-Russian cooperation also emphasizes responding to Western economic sanctions and geopolitical changes by promoting strategic relations, establishing joint economic projects, and strengthening institutional integration. These strategic moves ensure that both countries strengthen each other's economic stability.

Emerging economic opportunities: The rise of digital commerce and cross-border e-commerce has brought new opportunities for bilateral trade to expand into traditional areas. Strategic partnerships, digital payments integration, and local market research are critical to capitalizing on these trends.

Both countries have expressed their determination to pursue low-carbon growth and green development. Recent agreements emphasize joint investments in sustainable energy, green buildings and low-carbon technologies. The industry offers huge growth potential. Strong tourism exchange programs and reciprocal visa policies reflect broader cooperation between China and Russia. This cultural and educational exchange complements the trade framework by strengthening connections and understanding between people.

Resistant to geopolitical tensions: By deepening institutional integration, mutual investment and diversified economic cooperation, the partnership has been able to withstand external shocks such as geopolitical tensions. The yuan-ruble currency settlement mechanism ensures uninterrupted trade and provides a framework for financial resilience.

Amidst a new round of economic sanctions from the West, Russia has prioritized enhancing cooperation with China to mitigate tensions with the United States and Europe. This strategic partnership is a response not only to immediate geopolitical pressures but also to a long-term alignment of interests aimed at creating a more balanced global power structure. The relationship between China and Russia extends beyond the typical framework of bilateral relations and is closely intertwined with the dynamics of China-US

and US-Russia interactions, reflecting the shifting balance of power and adjustments among major global players. However, despite the official stance that there are no limits to their friendship and cooperation, the reality is that bilateral cooperation will not always be smooth sailing due to the increasingly complex global economic and political environment, which introduces a multitude of impacting factors presenting both new opportunities and inevitable challenges. The adjustment of China-US economic and trade relations and the deterioration of US-Russia relations are likely to drive China and Russia to further strengthen their cooperation. The global landscape is undergoing significant adjustments, with the United States and Europe labeling China and Russia as "revisionist" countries. This designation has led these Western powers to join forces with their allies to exert pressure on both nations, potentially influencing the development of China-Russia economic and trade relations. However, the deepening of Sino-Russian ties appears to be a natural response to these external threats as the two nations recognize the strategic value of their partnership, which serves to not only counterbalance Western influence but also enhance their respective positions in the global economy. Russia's increasing dependence on China is driven by its need to leverage Chinese resources to stimulate economic growth. The escalating sanctions have underscored the failure of Russia's attempts to integrate into the Western economic framework, significantly altering its relationships with China, Europe, and the United States. As Europe aims to reduce its reliance on Russian energy and the United States strengthens its alliance with Europe to penetrate Russia's export markets, Russia is likely to depend more heavily on China. Simultaneously, China's demand for energy imports from Russia is also on the rise. Given strained relations with other energy suppliers such as Australia and risks associated with maritime transportation from the Middle East, strengthening energy cooperation with Russia is considered prudent by China. Increasing imports of pipeline natural gas and oil from Russia, which offer lower costs and more stable prices, is essential for diversifying China's energy supply and enhancing its energy security. In light of the recent decline in the total trade volume between China and the United States, China has been compelled to seek alternative markets and technological collaborations. China has increased exports to Russia and bolstered technical cooperation in key sectors including aerospace and military

technology. This shift aims to compensate for reduced access to advanced technologies from the US and Europe while strengthening the strategic and economic ties between China and Russia. The future of China-Russia relations is set against a backdrop of significant geopolitical shifts and economic realignments. Both nations are compelled by external pressures to deepen their cooperation, recognizing the mutual benefits of a robust strategic partnership. By navigating the complexities of the global economic environment and leveraging their respective strengths, China and Russia can create a more resilient and diversified economic relationship.

Sino-Russian economic and trade cooperation holds promise but is beset by uncertainties. Three main sources of incoordination and conflict of interest pose significant challenges. Firstly, political and economic relationships among China, Russia, the United States, and Europe feature discrepancies. While these entities share close trade ties and interdependence economically, their political relationships are complex, marked by tensions. This incoordination shapes China-Russia economic and trade cooperation, influenced by bilateral political ties and economic conditions. For example, an uptick in oil and gas prices benefiting Russia's energy exports to Europe lessens its urgency for energy cooperation with China. Concurrently, due to the US being China's major economic partner, Chinese companies cautiously approach investing in Russia to avoid potential US sanctions. Moreover, an economic imbalance exists between China and Russia, with Russia relying heavily on the Chinese market while China primarily depends on Russia for energy resources. As both countries' economic growth slows, China's energy imports from Russia are anticipated to decelerate.

The "Power of Siberia 2" project, designed to enhance cooperation, stalled due to economic downturns in China and Russia's increased cost demands and refusal of Chinese enterprises' participation. This stagnation in pipeline construction underscores the difficulty in maintaining large-scale cooperative ventures. Despite Russia's military prowess, its economic size remains modest, prompting the need for collaboration with economic powerhouses like China. Additionally, China grapples with balancing its strengthening ties with Russia against broader international trade engagement to sustain its economic growth. While competition characterizes economic relations with the United

States and Europe, China values international cooperation. The global economic interconnectedness between China and the US, deepened by the global value chain, implies mutual dependency unlikely to be severed abruptly. Given the strategic containment efforts by the US against China, navigating multilateral relations poses significant challenges, especially in multinational collaboration environments. To navigate these complexities, China must adopt multidimensional strategies to balance its multilateral relations effectively. In contrast, Russia faces resistance from the US and Europe in multilateral economic and trade cooperation. Diplomatic pressures exacerbate China's need to uphold commitments to Russia amidst broader multilateral engagements, highlighting the intricate balancing act required to maintain comprehensive partnerships while preserving broader cooperation.

The global economic slowdown, coupled with geopolitical tensions like the Russia-Ukraine conflict, compounds challenges and diminishes trade prospects. Both nations must enhance consultations, streamline cross-border transportation, reduce institutional barriers to local currency settlement, and bolster risk assessment mechanisms to safeguard corporate interests. Challenges such as entrenched trade structures, infrastructure bottlenecks, and geopolitical uncertainties persist, despite strides in expanding economic ties. Nonetheless, potential exists for diversification, digital trade, and financial integration, offering prospects for more robust partnerships. Embracing strategic collaboration, enhancing resilience, and fostering innovation are crucial to navigating uncertainties effectively and ensuring the continued growth of Sino-Russian economic and trade relations, crucial for a balanced and equitable global economic order.

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