



NAVIGATING NEW HORIZONS: CHINA AND RUSSIA'S EVOLVING TRADE PARTNERSHIP

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Abstract: *In the ever-shifting landscape of global commerce, the trade partnership between China and Russia emerges as a pivotal axis of economic cooperation and strategic alignment. The article delves into the complexities and nuances of this bilateral relationship, exploring how these two global powerhouses are forging new paths in international trade and examines the historical context of Sino-Russian trade relations, highlighting key milestones and shifts in policy that have shaped their current economic interdependence. It further analyzes the contemporary dynamics of this partnership, considering factors such as geopolitical influences, economic complementarities, and mutual aspirations in the face of global economic challenges. The narrative also offers insights into the sectors driving this cooperation, from energy and natural resources to technology and infrastructure, and how these domains are being redefined through joint ventures and strategic agreements. Additionally, the article provides a critical assessment of the challenges and opportunities that lie ahead for China and Russia, particularly in the context of evolving global trade norms and regional economic landscapes.*

Keywords: *China-Russia trade relations, Sino-Russian economic cooperation, global commerce dynamics, international trade partnerships, geopolitical influences in trade, economic interdependence, cross-border investments, energy and natural resources trade, infrastructure and technology cooperation*

In an era where global economic and political landscapes are undergoing rapid and significant transformations, the evolving partnership between China and Russia emerges as a pivotal axis of international focus. This relationship, extending beyond the traditional boundaries of bilateral trade, encapsulates a complex interplay of strategic, economic, and geopolitical dynamics that hold profound implications for the global order. As these two powerful nations navigate a path through shifting geopolitical currents and intertwined economic ambitions, their partnership offers a unique lens through which to examine the changing nature of global power structures.

The historical progression of trade relations between China and Russia is defined by key milestones and changes in policy, profoundly impacting their current level of economic interconnectedness. For instance, following the dissolution of the Soviet Union, Russia and China re-established their



diplomatic ties in 1992, paving the way for an increase in bilateral trade. From a modest trade volume of about \$5 billion in the early 1990s, the partnership has witnessed a dramatic surge, culminating in a record-high trade turnover exceeding \$100 billion in 2018. This monumental growth underscores a deepening economic synergy between the two nations¹.

Key to this burgeoning relationship has been the strategic shift in policies and priorities by both countries. China's Belt and Road Initiative (BRI), launched in 2013, has been a catalyst in this regard, aligning with Russia's own Eurasian Economic Union (EAEU) objectives. The synergy between BRI and EAEU has opened new corridors of trade and investment, particularly in infrastructure development and energy resources. For instance, the Power of Siberia gas pipeline, a landmark project commenced in 2019, epitomizes this cooperation, aiming to transport 38 billion cubic meters of natural gas from Russia to China annually².

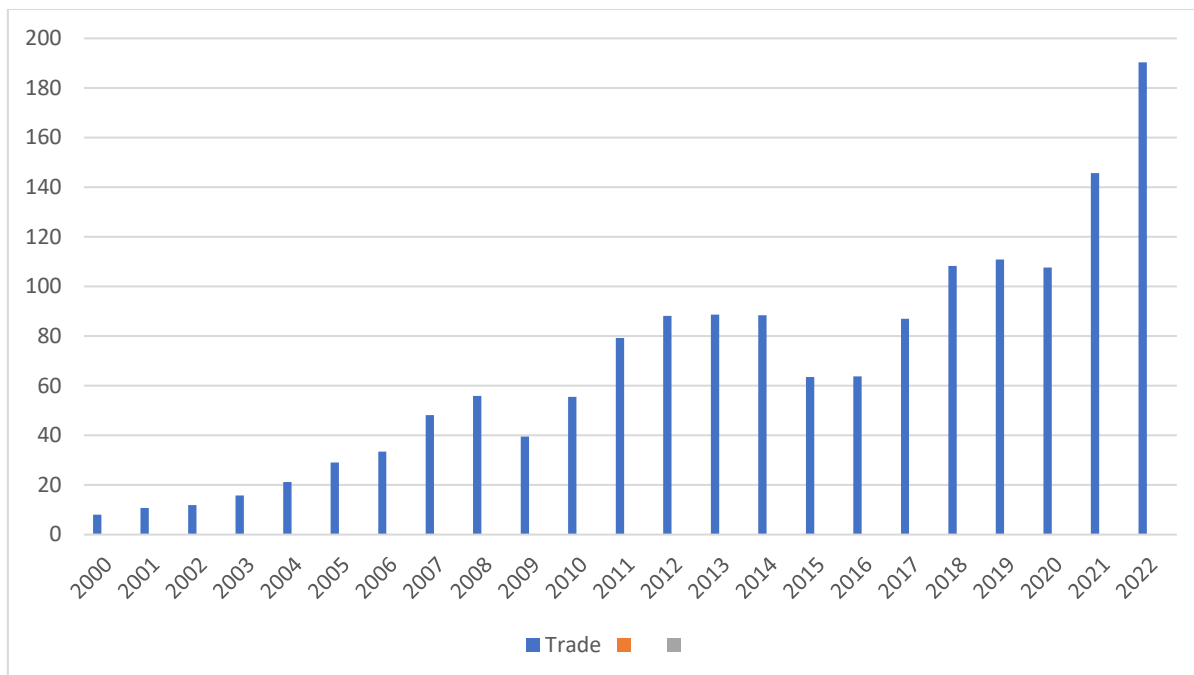
Moreover, the trade basket between the two countries has diversified over the years. While initially dominated by Russian exports of natural resources like oil and timber, it now encompasses a wider array of goods including machinery, electronics, and consumer goods from China. Notably, the agricultural sector has seen a significant uptick in trade, with China becoming a major importer of Russian wheat and soybeans. In 2020, despite the global economic slowdown due to the COVID-19 pandemic, the bilateral trade volume resiliently maintained its upward trajectory, further cementing the economic interdependence of these nations.

In essence, the Sino-Russian trade relationship, shaped by historical context and strategic shifts in policy, has evolved into a robust economic partnership. This evolution is characterized not only by its impressive growth in trade volume but also by the diversification of traded goods and mutual investment in key sectors, signaling a new era in international trade dynamics.

In the contemporary world, the trade partnership between China and Russia stands as a significant illustration of how geopolitical strategies and economic objectives can align to forge robust bilateral relations. The evolving partnership between China and Russia within the global economic landscape is a testament to the multifaceted nature of international relations in the 21st century. This partnership, encompassing an intricate blend of geopolitical dynamics, economic complementarities, and shared aspirations, serves as a significant case study in global economic strategy and diplomacy.

¹ Sergei Lukonin . “Russia-China Relations: An Asymmetrical Partnership?”. Research article of Mgimo Review Of International Relations. February 16, 2023

² “An Overview of China’s Belt and Road Initiative and Its Development Since 2013”. Dana Rice. Australian National University // Researchgate

**Graph-1 Trade turnover between Russia and China (2000-2022)³**

The diagram above illustrates the trade turnover between Russia and China from the year 2000 to 2022. This trend suggests a strengthening economic relationship between the two nations, potentially driven by various bilateral trade agreements and geopolitical factors. The chart indicates that the trade turnover was minimal in 2000 but had reached its peak by 2022. As reported by the General Administration of Customs of the People's Republic of China (GAC) on January 13, 2023, the trade turnover between China and the Russian Federation in 2022 reached a significant \$190.271 billion. This marks a substantial increase of 29.3% compared to the figures in 2021. This noteworthy development has been extensively covered by leading news agencies across our country⁴.

International trade turnover encompasses the aggregate value of all exports and imports, reflecting the total monetary value of goods exported and imported by a nation. Typically expressed in billions of US dollars, this metric serves as an indicator of a country's economic engagement with the world. An increase in trade turnover year by year suggests an enhancement in economic collaboration and trade bonds between countries, while a decrease points to a

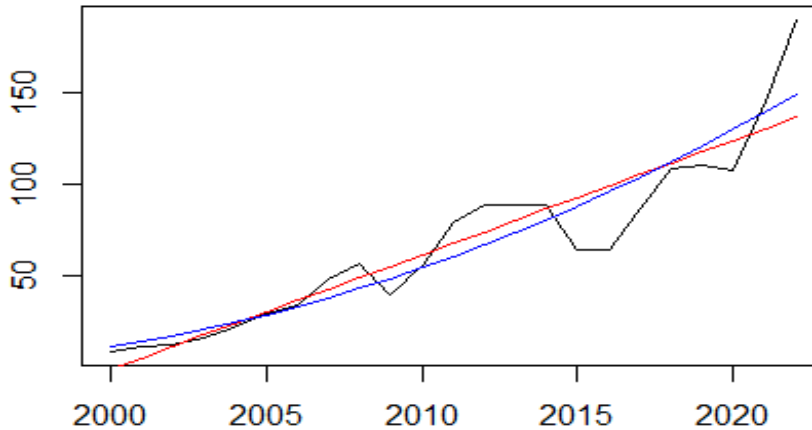
³ Foreign Trade of Russia [Electronic resource] // Reviews of Russia's foreign trade with China. – Electron. Dan. – URL: <http://russian-trade.com/countries/china/>

⁴ Russia's limited transport infrastructure creates risks for trade with China. Leonid Amelekhin// Reporter
<https://en.topcor.ru/31202-ogranichennye-vozmozhnosti-transportnoj-infrastruktury-sozdajut-riski-dlja-torgovli-s-kitaem.html>



diminishing of these connections. This pattern is evident in the accompanying chart. By analyzing significant global economic and political occurrences, we can link these events to fluctuations in trade turnover, thereby uncovering and clarifying the reasons behind these changes.

Graph-2 Trade turnover time series analysis (2000-2022)⁵



The graph depicts a time series analysis, which is a common approach in econometrics to model and forecast variables over time. In this case, the variable of interest is the trade turnover between two countries, possibly Russia and China, over a period from the year 2000 onwards. Two models are compared in the graph:

A linear trend model (shown in blue), which assumes a constant rate of growth or decline over time. The linear model is represented by the equation

$$\hat{T} = -8.173 + 6.300 \cdot t$$

represents time. The negative intercept suggests that the model starts below the origin point at time zero, which might not be intuitive for trade data and could indicate an overfitting for earlier years or a lack of consideration for initial trade volume.

A parabolic (quadratic) trend model (shown in red), which accounts for acceleration in the trade turnover growth rate. This model equation is

$$\hat{T} = 8.4351 + 2.3140 \cdot t + 0.1661 \cdot t^2$$

The positive coefficients for both the linear term and the quadratic term suggest an increasing rate of growth in trade turnover as time progresses. This could reflect various real-world factors, such as compounding economic interactions, evolving market integration, or increasing efficiency and capacity in trade logistics between the two nations.

⁵ Created by the author, utilizing time series econometric techniques to model and forecast trade turnover, incorporating both trend components and autoregressive terms to account for patterns in the residuals.



The actual trade data, likely represented by the black line, seems to fit more closely with the parabolic model, indicating that the trade turnover growth between these countries is not merely increasing at a steady rate, but rather at a rate that itself increases over time. This type of growth is common in situations where there are reinforcing feedback loops, such as increased investments leading to greater capacities, which in turn lead to even more trade.

The parabolic model's better fit suggests that it captures underlying dynamics in the trade relationship that a simple linear model cannot, such as the effects of economic policies, infrastructural developments, and changes in global trade patterns. It's also possible that certain events or policy changes at specific times could have led to periods of particularly rapid growth, which are better accounted for by the quadratic term in the parabolic model.

The updated time series model for trade turnover,

$$\hat{T} = 8.4351 + 2.3140 \cdot t + 0.1661 \cdot t^2 + 0.5783 \cdot \varepsilon_{(n-1)} + w_t$$

includes an autoregressive term for the residuals, indicating the model accounts for patterns in the data not explained by the time variables alone. This term $0.5783 \cdot \varepsilon_{(n-1)}$ corrects for autocorrelation by using the previous period's error to predict the current value, while w_t represents random noise. Including these terms improves the model's accuracy by adjusting for dependencies and unexpected variations in trade turnover data. The forecast analysis predicts trade turnover for the next three years (2023-2025), using a model that incorporates trend data. For 2023, the point forecast is 159.6361 with a 95% prediction interval ranging from 116.5324 to 202.7397. The predictions for 2024 and 2025 show an increasing trend, with point forecasts of 170.0882 and 180.8726, respectively, and the prediction intervals widening each year, reflecting increasing uncertainty in the forecast the further out it goes.

The international economic collaboration between Russia and China is not just a matter of bilateral trade and commerce, but it carries profound geopolitical significance, reshaping the global power dynamics. This partnership goes beyond mere economic transactions; it is a strategic alliance that influences and is influenced by the broader geopolitical environment. Both Russia and China are key players in several multilateral organizations, with the Shanghai Cooperation Organization (SCO) and BRICS (Brazil, Russia, India, China, and South Africa) being the most notable. These platforms provide them with avenues to collaborate on various issues ranging from security to economic development, thereby amplifying their voices on the international stage. The SCO, in particular, has been instrumental in fostering a sense of regional security and cooperation among its member states. It serves as a forum for Russia and China to project their influence in Central Asia, a region



of strategic importance due to its vast energy resources and geopolitical location. Their involvement in the SCO exemplifies their commitment to regional stability and their desire to counterbalance Western influence in these areas. Similarly, through BRICS, Russia and China are part of an emerging economic bloc that represents a significant portion of the world's population and economic output. BRICS serves as a platform for these countries to advocate for a more multipolar world order, challenging the traditional dominance of Western economies and institutions. Their collaboration within BRICS is reflective of their mutual aspirations for greater economic diversification and resilience, especially in the face of challenges posed by the existing global financial system⁶.

Moreover, Russia and China's cooperation extends to various international initiatives that aim to foster global peace, stability, and development. This includes their joint efforts in peacekeeping operations, counter-terrorism activities, and participation in forums like the G20, where they often present unified positions on key global issues. Such actions not only enhance their diplomatic clout but also demonstrate their commitment to playing a constructive role in addressing global challenges. This multifaceted cooperation is significant for both countries in reinforcing their geopolitical positions. For Russia, it provides an opportunity to diversify its foreign relations and economic partnerships, reducing its reliance on Europe and the West. For China, it strengthens its status as a global power and a viable alternative to the U.S.-led international order, particularly in the context of its Belt and Road Initiative which intersects with Russia's own regional aspirations.

The development of investment cooperation between Russia and China has been progressing significantly, as highlighted by Dmitry Volvach, Deputy Minister of Economic Development of Russia, during the third Russian-Chinese forum on interregional cooperation at the INNOPROM industrial exhibition and Russian-Chinese EXPO. Russia and China are working in tandem to fulfill the agreements set by their leaders, aiming to enhance economic cooperation until the end of the decade. By 2030, the trade turnover between the two nations is expected to reach 25 trillion Russian rubles. This ambitious goal is underscored by the remarkable growth already observed in recent years. In 2022, the trade turnover exceeded 13 trillion rubles, marking a 33% increase from the previous year. The upward trend continued into 2023, with a 28.8% rise in mutual trade turnover in the first four months, amounting to 7.8 trillion Russian rubles⁷.

⁶ Russian – Chinese Dialogue: The 2023 Model // The Russian International Affairs Council (RIAC) <https://russiancouncil.ru/en/activity/publications/russian-chinese-dialogue-the-2023-model/>

⁷ “Russia and China have made a colossal leap in the implementation of joint infrastructure projects”. Dmitry Volvach. Ministry economic development Russian Federation



A noteworthy aspect of this trade relationship is the concentration of commerce within specific Russian regions. Over 60% of Russia's foreign trade turnover with China is accounted for by six regions: Moscow, Moscow Region, St. Petersburg, Khanty-Mansiysk Autonomous Okrug, Primorsky Territory, and Irkutsk Region. Both countries are increasingly adopting settlements in their national currencies for foreign trade contracts, with over 90% of payments for Russian exports being conducted in rubles and yuan. This move signifies a strategic shift towards reducing dependency on traditional global currencies.

The investment collaboration between Russia and China is also flourishing, with approximately 80 investment projects underway, totaling more than 15 trillion rubles. This cooperation extends to substantial infrastructure projects. Among them, notable projects include the Blagoveshchensk-Heihe cross-border road bridge and the railway bridge across the Amur River in the Jewish Autonomous Region. These projects not only enhance connectivity but also significantly reduce the transportation route for products from Far Eastern enterprises to Chinese consumers, exemplifying the depth and efficiency of Sino-Russian infrastructural collaboration.

Bloomberg reported on the growing dependence of China on oil from Russia. This trend, as one can see from the graph, did not start this year but has been developing over a decade. In that period, the export of Russian oil to China has increased fourfold, and it's likely to continue growing. So, there's a big question: Has Russia lost Europe as a buyer, or has Europe lost Russia as a seller? When Europeans come to terms with this situation, they will realize that "their" oil has already shifted East and is unlikely to return. Moreover, in 2022, China already spent \$8.3 billion on energy resources from Russia⁸.

Graph-3 China's Dependence on Russia Soars⁹

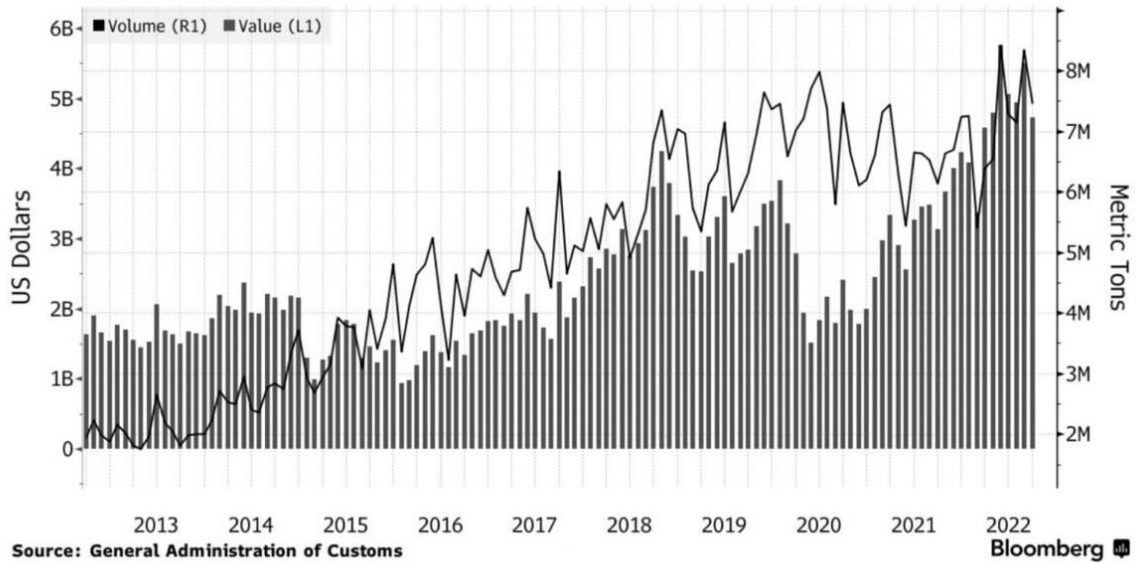
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⁸ China's Spending on Russian Energy Climbs. Ailing Tan // Bloomberg /

<https://www.bloomberg.com/news/articles/2022-09-20/china-s-spending-on-russian-energy-climbs-to-record-8-3-billion>

⁹ China's Spending on Russian Energy Climbs. Ailing Tan // Bloomberg /

<https://www.bloomberg.com/news/articles/2022-09-20/china-s-spending-on-russian-energy-climbs-to-record-8-3-billion>



Sectoral cooperation between China and Russia represents a vital aspect of their bilateral relationship, illustrating how the two countries leverage their respective strengths and strategic interests in various key industries.

The most prominent sector in Sino-Russian cooperation is energy and natural resources. Russia, with its vast reserves of oil, natural gas, and minerals, has become a crucial supplier for China, the world's largest importer of energy. Major projects like the Power of Siberia gas pipeline, which began delivering Russian natural gas to China in 2019, exemplify this deepening energy relationship. This pipeline is expected to supply China with 38 billion cubic meters of natural gas annually over 30 years, underpinning the long-term energy security strategy of both nations.

Beyond natural gas, oil trade is also a significant component. Russia has consistently been one of China's top oil suppliers, with exports further increasing in recent years. The cooperation extends to the coal industry as well, with Russia ramping up coal exports to China, particularly as China seeks to diversify its coal import sources.

Infrastructure development is another key area of cooperation. Chinese investments in Russian infrastructure, particularly in the development of the Russian Far East and the Arctic region, are noteworthy. These investments are not only economically beneficial but also strategically important, given the regions' proximity to key shipping lanes and natural resources.

In transportation, the collaboration is highlighted by joint projects such as the Moscow-Kazan High-Speed Railway. China's expertise in high-speed rail technology complements Russia's infrastructure development goals, promoting greater connectivity and economic integration.

The technological sector, including telecommunications and information technology, is an emerging area of cooperation. Russian expertise in aerospace and defense technology aligns with China's ambitions to expand its



technological capabilities. For example, collaborations in satellite navigation systems and joint research in aerospace technology illustrate this synergy.

In the field of telecommunications, Russian companies have shown interest in Chinese 5G technology, with Huawei playing a significant role in developing Russia's 5G network. This cooperation is significant against the backdrop of global debates and concerns over 5G technology and cybersecurity.

Agriculture is another sector where Sino-Russian cooperation is growing. Russia has emerged as a significant supplier of agricultural products to China, particularly soybeans and wheat. This is partly driven by China's need to diversify its agricultural import sources, especially in the context of trade tensions with traditional suppliers like the United States.

The trade partnership between China and Russia, while robust and growing, is not without its challenges and uncertainties. Understanding these challenges and the prospects for future cooperation is key to assessing the sustainability and potential impact of this bilateral relationship:

- *Economic Imbalance:* One of the main challenges in the Sino-Russian trade partnership is the imbalance in trade composition. Russia's exports to China are heavily concentrated in raw materials, particularly energy resources like oil and natural gas, while China exports a wide range of manufactured goods to Russia. This dynamic raises concerns about Russia's over-reliance on commodity exports and its vulnerability to fluctuations in global commodity prices.

- *Political Risks and Sanctions:* Geopolitical tensions and the risk of sanctions, especially from Western countries, can impact the stability of Sino-Russian trade. Russia's economy has already faced challenges due to sanctions imposed by Western nations, and increasing alignment with China could potentially expose it to secondary sanctions or trade restrictions.

- *Infrastructure and Logistics Constraints:* Despite ongoing projects, logistical and infrastructure challenges remain, especially in terms of connecting the vast territories of both countries. Efficient transport routes are crucial for maximizing trade potential, and while initiatives like the Power of Siberia pipeline and the proposed high-speed railways are steps in the right direction, more investment is needed.

- *Dependency and Diversification:* There is a risk of dependency for Russia on the Chinese market, particularly for its energy exports. Diversification of both export markets and the range of exported goods is essential for Russia to maintain a balanced economic relationship with China.

The trade partnership between China and Russia, characterized by its depth and strategic significance, holds vast prospects for the future, spanning various sectors from energy to technology and beyond.



The energy sector remains a pivotal area of Sino-Russian cooperation, with immense potential for further expansion. Building upon existing energy projects, the prospect of additional pipelines and joint ventures in oil and gas exploration stands as a significant opportunity to deepen ties. This sector is not just about reinforcing the existing trade in fossil fuels; it also opens avenues for collaboration in cleaner energy sources. As the world increasingly shifts towards sustainable energy solutions, Sino-Russian cooperation could evolve to include areas like natural gas, nuclear energy, and renewable energy technologies. Such advancements would not only strengthen the energy interdependence between the two nations but also position them as key players in the global transition to cleaner energy.

Another promising area is the technological and industrial sector. Russia, known for its expertise in aerospace, defense, and heavy industry, pairs well with China's advancements in consumer electronics, telecommunications, and artificial intelligence. This complementarity presents a fertile ground for joint ventures and collaborative projects, potentially leading to significant breakthroughs and technological advancements. Collaboration in these sectors goes beyond mere trade; it represents a shared commitment to technological innovation and development, which could have wide-reaching implications for both countries and beyond.

Looking beyond the traditional realms of energy and industrial goods, there lies significant potential in expanding trade in services, agriculture, and consumer goods. Russia's agricultural sector, in particular, holds promise as a growing supplier to the Chinese market. This expansion could serve to diversify Russia's export base, reducing its dependency on energy exports and stabilizing its economic engagement with China. Additionally, growth in the services sector, including tourism, education, and financial services, could provide new dimensions to the bilateral trade relationship.

While the Sino-Russian trade partnership faces various challenges, including economic imbalance and geopolitical risks, it also holds considerable prospects for deeper cooperation, particularly in energy, technology, and infrastructure. The key to realizing this potential lies in addressing the existing challenges through strategic planning, diversification, and sustained investment in key sectors. The prospects of the Sino-Russian trade partnership are vast and multifaceted, encompassing deepening energy ties, technological and industrial collaboration, synergies through BRI, expansion in trade in services and agriculture, and a growing strategic global influence. These areas offer avenues for not only strengthening the bilateral relationship but also for positioning China and Russia as key players in the evolving global landscape.



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