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ЭКОНОМИЧЕСКОЕ СОТРУДНИЧЕСТВО РОССИИ И КИТАЯ

Аннотация: статья посвящена анализу сотрудничества между Российской Федерацией и Китайской Народной Республикой за последние несколько лет. В частности, рассматриваются такие аспекты, как импорт и экспорт между этими государствами. Анализ поведения и настроения инвесторов по отношению к нашему рынку, а также возможные проблемы входа в него. Рассмотрены тенденции развития российско-китайских отношений.
Ключевые слова: диверсификация, инфраструктура, инвестиционная среда, правоприменительная практика.

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ECONOMIC COOPERATION OF CHINA AND RUSSIA

Abstract: The article is devoted to the analysis of cooperation between the Russian Federation and the People’s Republic of China over the past few years. In particular, such aspects as import and export among these states are considered. Analyzes the behavior and mood of investors in relation to our market, as well as possible problems of entering it. The development trends of Russian-Chinese relations are considered.
Key words: diversification, infrastructure, investment environment, law enforcement practice, official PMI.
In 2001, the "Treaty of Good-Neighborliness, Friendship and Cooperation" between Russia and China was signed. More than 15 years have passed, and during 2016, President Xi Jinping and President Vladimir Putin met four times to discuss further cooperation between China and Russia. In 2015 and 2016, a number of politicians announced that Russian-Chinese ties had reached a new level, creating the basis for further development in 2017.

In addition to developing cooperation in such sectors as mining, e-commerce, agriculture, entertainment and construction, China and Russia continue to strengthen their ties due to the growth in trade and cooperation in strategic areas. These include the oil and gas industry: China directly buys oil and gas from Russia, and also owns shares in strategic projects (Yamal LNG). In January 2016, China imported almost 60% of all oil. In January 2017, Russia became the largest supplier of crude oil to China, surpassing Saudi Arabia in this indicator. According to China's customs data, fuel supplies from Russia increased by a quarter compared to 2015, reaching 1.05 million barrels per day.

Significant projects are also being carried out in the sphere of infrastructure - a high-speed railway connecting Moscow and Beijing; in the sphere of defense, aviation and even nuclear energy (floating nuclear power plants).

According to preliminary data for 2017, further intensification of cooperation between the two states is expected. In January 2017, trade between Russia and China increased by 34% year-on-year (Figure 1).

Interestingly, in January 2017, exports from China to Russia increased by 29.5% year on year, reaching 3.41 billion US dollars. Exports from Russia to China also increased by 39.3% (to 3.14 billion US dollars) over the same period (Figure 2 and Figure 3). This demonstrates not only the increase in volumes, but also the development of the structure of economic cooperation, as well as its format in accordance with the political course of both countries.
China intends to continue to make steps towards diversifying\(^1\) the export-oriented economy, reducing the share of exports. In March 2017, the "official PMI business activity index" in the non-manufacturing sector of China was 55.1; in 2016, "the share of the services sector" accounted for more than half of the Chinese economy. Russia also plans to continue to implement the policy of "turning to the East" in order to expand cooperation in the Asian region, in particular, with China.

Picture 1. Goods turnover and exports between China and Russia.

Picture 2. Export to China in% of total exports to Russia

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>6.8%</td>
<td>6.8%</td>
<td>7.5%</td>
<td>8.3%</td>
<td>9.8%</td>
</tr>
</tbody>
</table>

Picture 3. Import from China in% of total imports from Russia

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>16.6%</td>
<td>16.6%</td>
<td>17.0%</td>
<td>19.1%</td>
<td>20.5%</td>
</tr>
</tbody>
</table>

\(^1\) Diversification - expansion of the range of products and reorientation of sales markets, development of new types of production in order to increase production efficiency, obtain economic benefits, prevent bankruptcy.
Key trends in the development of Chinese investment in Russia by sector.

**Power Engineering**

The situation in the energy sector is improving due to the active support of both states, as well as the stable structure of the oil and gas industry. There is an increase in trade turnover, the number, scale, geography and profitability of these projects. The difficulties are mainly related to technical issues. They include the international structure of the project, financing options and transfer of profits, as investors have positively accepted the agreements on avoidance of double taxation between Russia and China. At the same time, the investor's point of view regarding the investment environment and law enforcement practice was supported by another subdivision of the same group that had already implemented several projects in Russia in two years. The complexities of Chinese developers, each year expanding the global presence due to the steadily growing investments, have a different nature. Compared to other sectors, the real estate sector suffers from more serious and long-lasting consequences of economic instability. To stabilize the economic situation, it is extremely important to attract foreign investment. In 2015, there was a significant decrease in the activity of international and domestic investors. However, in 2017 new projects are being developed, including those managed by Chinese developers.

**Infrastructure**

Today a number of large-scale infrastructure projects are being implemented. One of them envisages the construction of the first railway bridge across the Amur River, linking Russia and China. Thanks to the implementation of this project, a new export route will be built between Russia and China. This will overcome the infrastructure constraints associated with the transportation of goods from the regions of Eastern Siberia and the Far East.

But there are several other aspects. The largest Chinese infrastructure group, which occupies high positions in the Global Fortune 500 rating, has been trying to enter the Russian infrastructure market for more than two years. Despite the transparency in terms of legislation, projects are difficult to implement in practice, because the
market is dominated by large local players who are offered better conditions than foreign investors.

**Electronic commerce**

Investors in the e-commerce sector have a positive outlook for work in the Russian market. They believe that it has a great unrealized potential. However, there are some concerns related to the growing complexity of the industry in Russia and China, since entry speed can sometimes outpace the speed of operational restructuring to adapt to new rules due to some legislative acts. This can have a negative impact on current commercial activities.

**Automotive industry**

The automotive sector is highly dependent on economic stability. According to the analytical agency "AUTOSTAT", against the background of a general decline in the auto industry market and a decrease in the volume of sales of cars in Russia over the past two years, sales of Chinese cars in 2016 grew by 10% year-on-year. We see not only imports, but also the construction of new assembly plants, as well as the establishment of Russian-Chinese joint ventures supporting this industry and actually attracting foreign direct investment from China. The share of Chinese cars in Russia grew from 1.9% in 2015 to 2.6% last year with the possibility of further growth.

**Sources:**

4. Data of the analytical agency "AUTOSTAT" [www.autostat.ru](http://www.autostat.ru)