

# The Belt and Road Initiative: China-Russian Trade Development Strategy

Liu Yiwen<sup>1</sup>, Irina V. Pustokhina<sup>2</sup>, Denis A. Pustokhin<sup>3</sup>

<sup>1</sup> Jiangsu Normal University, Xuzhou, China

<sup>2</sup> Entrepreneurship and Logistics Department, Plekhanov Russian University of Economics,  
Moscow, Russian Federation

<sup>3</sup> Logistics Department, State University of Management, Moscow, Russian Federation

## Abstract

*As two major economic powers in the world, China and Russia maintain relatively stable and friendly cooperative relations in the political, economic and other fields. At present, Sino-Russian trade cooperation is showing positive development. The volume of trade is steadily increasing. The structure of import and export commodities is highly complementary. The areas of cooperation are expanding. The potential for trade cooperation is huge, but there is still a single structure, low added value of products, and regional trade friction problem. The two countries should firmly seize the opportunities of the Belt and Road initiative to further optimize the Sino-Russian trade structure and expand trade. In the field of trade cooperation, it is necessary to accelerate the process of establishing a free trade zone, strengthen bilateral high-level dialogues, optimize trade policies, promote the common development of the two economies, and contribute to the maintenance of regional peace and stability. This article provided an insight into the Sino-Russian trade in the context of the Belt and Road Initiative, discussed Sino-Russian trade data, analyzed the challenges and opportunities encountered by the Sino-Russian trade, and discussed the Sino-Russian trade development strategy. Finally, it is concluded that in order to promote the development of Sino-Russian trade, it requires joint efforts of both China and Russia, strengthen the standardized implementation of the trade order, cooperation and development in the financial field between China and Russia to facilitate the development of bilateral trade.*

**Keywords:** China, Belt and Road initiative, Sino-Russian trade, cooperation, export, import, trade structure.

## 1. Introduction

In autumn 2013 China's President Xi Jinping announced the launch of the project "Economic belt of the new Silk Road". This project is one of the largest-scale economic projects of recent years, which corresponds to the general global trends of globalization. The implementation of the "Economic Belt of the New Silk Road" project is important and necessary for China, since it will not only be able to solve the problem of resolving the imbalance within the country, in which the western and northern parts of the country are much weaker than the eastern and southern provinces, but also help create transport, energy, and trade corridor between the countries of Central Asia and Europe, and, therefore, will be able to favor the rapprochement of the countries of the Eurasian region.

The New Silk Road consists of two strategic projects - "The Silk Road Economic Belt" and "The Maritime Silk Road Initiative" for abbreviation "One Belt and One Road" (see fig. 1) [1].



**Figure 1. One Belt and One Road**

Source: <https://www.lengepartners.com/single-post/silk-road-One-Belt-One-Road-Initiative>

The new Silk Road was initially called One Belt and One Road, but in mid-2016 the official English name was changed to the Belt and Road Initiative due to misinterpretations of the term one.

In 2017, China and Russia signed a joint statement on deepening comprehensive strategic partnership, promoting trade cooperation, and achieving mutual benefit [2]. In terms of business cooperation, the two sides agreed to focus on the development strategy of China and Russia, focus on building the Belt and Road Initiative linking with the Eurasian Economic Union, and strive to deepen practical cooperation in various fields and consolidate Sino-Russian relations [3]. The material foundation of sustainable development promotes the signing of the "Economic and Trade Cooperation Agreement between China and Eurasian Economic Union".

In 2018, China and Russia signed a cooperation agreement, which marks a new stage of economic and trade cooperation between China and the Union and its member states, from project-driven to institutional pilot, which is a milestone in advancing the construction of the Belt and Road initiative and the construction of the Eurasian Economic Union.

In recent years, China and Russia have expanded and deepened all-round cooperation in various fields through the Silk Road Economic Belt [4], and have made significant improvements in the construction of new transport corridors in Eurasia and energy-related industries.

The major cooperation projects that the two sides have implemented and are planning to implement will cause the two countries to change the form of economic and trade focusing on ordinary commodity trading methods and contribute significantly to the adjustment of the economic and trade structure of the two countries, and it has promoted the development of cooperation in adjacent areas and improved the quality and level of cooperation between the two sides.

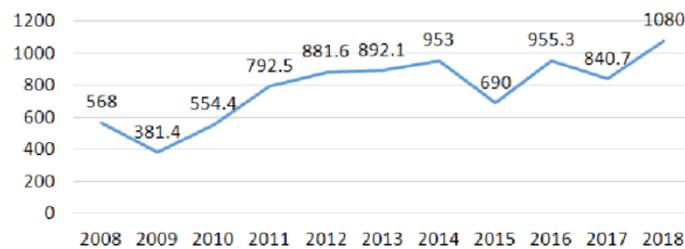
In addition to this, the cooperation between the two countries in these fields is also crucial to promote the adjustment of the economic structure of the two countries, jointly improve the competitiveness of the two countries in certain fields, and further enhance the status of the two countries in the world economic system.

The joint construction of the Silk Road Economic Belt by China and Russia has not only played a

correct role in demonstrating bilateral relations but has also injected new impetus into the economic and trade cooperation of the entire Eurasian region. China and Russia will build the Belt and Road as an opportunity to further promote trade and investment facilitation and the openness of the Eurasian regional market, the two sides adhere to the spirit of open regional cooperation and strive to succeed in common development of the Eurasian cooperation.

## 2. The opportunities and challenges of Sino-Russian trade development under the Belt and Road initiative

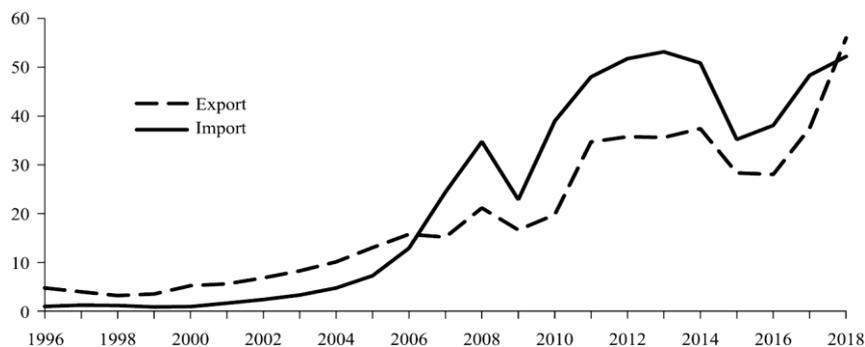
China has been Russia's largest trading partner for nine years and is Russia's largest source of imports and destination of exports. According to fig. 2, the overall trend is rising from 2008 to 2018. Due to the economic crisis in 2008, the total trade volume in 2009 decreased by 30.7%. The outbreak of the Crimea incident in 2014 and the drop in energy prices in 2015 caused 22.4% decline in the total trade volume in 2015. Although the trend has declined due to various environmental and social factors, it is growing steadily. The economic and trade development of the two countries shows an overall growth trend, and the prospect of China-Russia economic and trade relations is even broader under the Belt and Road strategy.



**Figure 2. Sino-Russian trade volume, 2008-2018 (billion dollars)**

Source: <http://sputniknews.cn/economics/201901141027346230/>

As can be seen from figure 3, both the import and export volume of trade between Russia and China fluctuated greatly, but the trade balance showed a shrinking trend. It is worth noting that since 2013, Russia has always maintained a trade deficit, and China is a surplus. However, in 2018, Russia's export value exceeded the import value for the first time, becoming a trade surplus, and China is a deficit. This is mainly affected by products such as mineral products and base metals.



**Figure 3. Russia's exports to and imports from China (billion dollars)**

Sources: [www.statista.com](http://www.statista.com)

## 2.1 Opportunities

### A) The process of promoting economic globalization is further accelerated

The Belt and Road initiative has explained the concept of mutual benefit and win-win in friendly and pragmatic projects. In an interview with Xinhua News Agency director of the Far East Research Institute of the Russian Academy of Sciences, stated that all countries in the world are willing to cooperate with China. Under the opportunities of the Belt and Road, they will promote regional economic development and further promote the process of globalization. The Belt and Road is an effective way to integrate resources, adapt to local conditions, promote development, and narrow the economic gap between China and Russia [5]. The projects under the framework of the Belt and Road are flexible and diverse, and they can decide whether to carry out large-scale transportation infrastructure construction, increase investment, promote industrial development, or expand inter-bank capital and currency cooperation according to the local economic and social development level. Under the Belt and Road initiative, many ongoing small projects will be combined in the future to form a network of rapid logistics and humanities circulation.

### B) Mutual benefit and win-win situation, providing broad opportunities

Cooperation in the energy field is the focus of Sino-Russian economic and trade cooperation. In 2016, Russia replaced Saudi Arabia as China's largest oil importer, and China also replaced Germany as Russia's largest oil exporter, which fully demonstrated Russia's competitive advantage in energy products and its benefits. At the same time, since 2016, China's exports of mechanical and electrical products to Russia have risen sharply, accounting for more than 60% of Russian imports of Chinese products.

Some e-commerce platforms in China are widely welcomed by Russian online shoppers. B2C and other foreign trade e-commerce and cross-border e-commerce companies targeting foreign retailers are changing the Sino-Russian trade pattern [6], [7]. The Belt and Road initiative conforms to the rules of the World Trade Organization and the goals of economic reform of the United Nations and conforms to economic and social development [8]. It is particularly prominent that it makes countries more open between countries and regions and strives for common interests. At the same time, it maximizes the interests of participating countries and creates objective economic conditions for regional and world peace, security, and stability.

### C) Realizing the connection of the Eurasian Economic Belt

The Belt and Road has promoted the development of China's economy and made the economic development of Asian and European countries closer. The Belt and Road means much in import and export trade [9]. Through the implementation of this policy, China can introduce abundant foreign natural resources, thereby expanding the supply channel of raw materials, eventually minimizing the risk of increased costs caused by the monopoly of raw materials. In addition, China's economy is going global, and China's finished products, raw materials, or agricultural and sideline products can be sold in large quantities through the Belt and Road initiative to expand the product market, to a certain extent, avoiding supply shortages, which in turn places China in today's trade surplus. The connection between the two sides is of strategic significance to regional economic development. It has created a better investment environment for China and Russia and promoted cooperation in many

fields between the two countries. At the same time, it has greatly promoted bilateral economic and trade cooperation between China and Russia.

## 2.2 Challenges

### 1) Cultural differences impact on trade

The Russian nation has both the characteristics of Eastern culture and Western culture, but Western culture has a greater influence and differs greatly from the traditional concept of the Chinese nation. This promotes the culture triggered by the trade between China and Russia. Conflict and other aspects play an inevitable negative role. In the tourism industries of China and Russia, the difference between the traditional national concepts of the two countries has an impact on the cooperation between the two countries in terms of cooperation objectives, market selection, management methods, and concept innovation [10]. The deep-rooted national culture is reflected in each individual person, and the economic and trade activities are ultimately completed by the individual people. Cultural differences bring about cultural conflicts and often lead to unpleasant situations in economic and trade activities. Especially on the issue of Chinese business in Russia, the Russians refer to it as a "China threat" according to traditional ideas. Such prejudice has long existed in the minds of ordinary Russian people. The human and material resources are heavily concerned, which in turn hinders the in-depth development of economic and trade cooperation between the two countries.

### 2) There are many restrictions on trade protection policies and imperfect policies

In recent years, Russia has promulgated policies restricting Sino-Russian trade, such as raising the tariff rate and strengthening inspection efforts. Russia adjusted its domestic tariff policy so that when the declared price of goods imported into Russia is lower than the customs minimum tariff price, the importer needs to pay additional VAT and customs duties before entering the customs. The delivery process of both parties has become more complicated, and the import cost of importers has increased a lot, which has caused the price of commodities to increase a lot, and ultimately led to consumers becoming more and more unable to afford imported goods. In addition, Russia's trade protection, customs tariffs, quarantine issues, and inconsistency between the two systems have seriously affected China's trade with Russia.

### 3) Unreasonable trade structure

China's rapid economic development and tremendous achievements have provided guarantees for China's foreign trade. However, in the trade cooperation between China and Russia, commodity trade is mainly based on the endowments of the two countries. The types of traded goods are unbalanced and the structure is single. The main export target of China is primary products, accounting for more than 90%, much higher than other high-value-added industrial products. Therefore, both parties must be aware of the problems of low export of industrial products and the imbalance of commodity structure.

According to the classification of international trade standards, trade goods can be divided into ten categories: SITC0-SITC9. In order to facilitate research, further classify ten categories of commodities: primary products include SITC0-SITC4, and industrial manufactured products include SITC5-SITC8. In addition, the internal SITC5+SITC7 of industrial manufactured goods is classified

as capital and technology-intensive products, SITC6 + SITC8 is a labor-intensive product.

In 2016, China and Russia accounted for a large proportion of energy, textiles, and electromechanical products in trade, with the proportion of the two main products as high as 78%, and the proportion of other industrial products was small. The obvious single structure of the Sino-Russian trade commodity structure seriously restricts the sustained and healthy development of China-Russia trade. If the trade structure is not optimized and adjusted, its energy cooperation, especially oil and gas trade, will be affected by changes in the international market environment for a long time. Changes in the international energy market's oil and natural demand prices and changes in energy supply will directly affect China trade cooperation with Russia. Therefore, the unreasonable product structure in China-Russia trade cooperation has a serious impact on China-Russia trade.

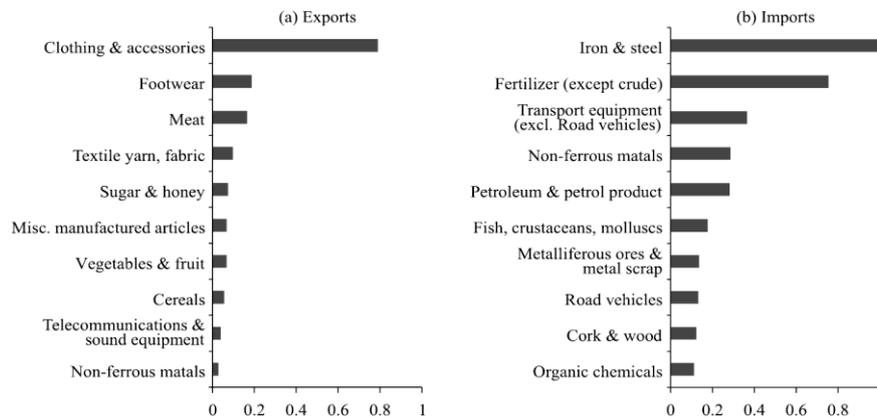


Figure 4. China: goods trade with Russia, 1992-2000 (annual average, billion dollars)

Sources: [www.statista.com](http://www.statista.com)

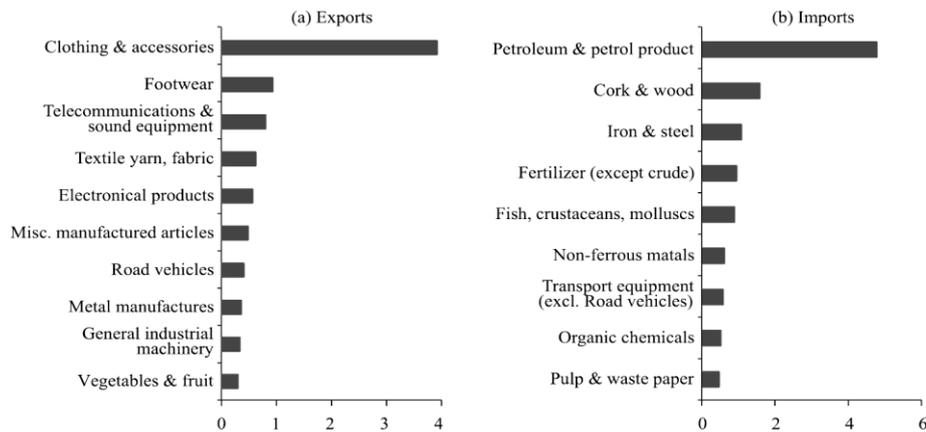
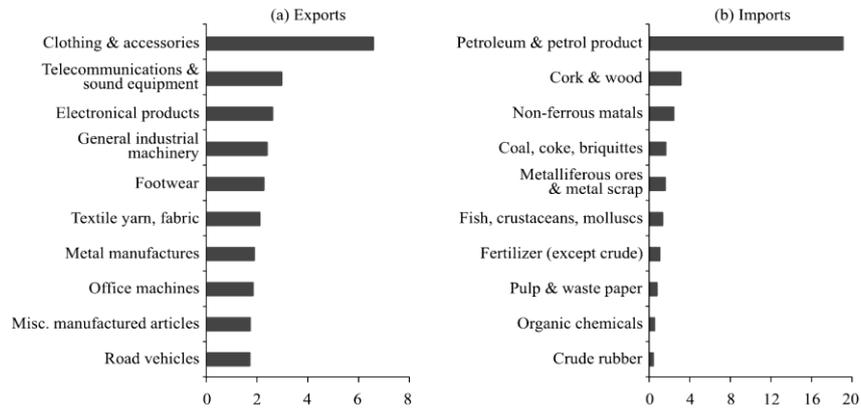


Figure 5. China: goods trade with Russia, 2001-2007 (annual average, billion dollars)

Source: [www.statista.com](http://www.statista.com)



**Figure 6. China top 10 imports from and exports to Russia China: goods trade with Russia, 2008-2017 (annual average, billion dollars)**

Source: [www.statista.com](http://www.statista.com)

As can be seen from fig. 4-fig. 6, due to China's abundant labor resources and developed light industry, textiles have always been the main commodity exported by China. Textiles and leathers are labor-intensive products with low technical content. The export proportion of these products can also be seen from the gradual transformation of China's export structure. Most of the food and beverage products are rich in natural resources. The processing level is low and the technology content is low. In addition, Russia has been stricter in inspecting imported food in recent years. Therefore, the export volume has continued to decline. The most obvious growth rate is mechanical products. In China's imports from Russia, the proportion of mineral products and chemical products is far ahead and rising. Russia is the largest country in the world with abundant resources, especially mineral products and natural resources such as oil and natural gas. With the continuous development of China's economy, there is a great demand for resources. As a neighbor, Russia has stable import channels. Therefore, mineral products and chemical products are still the main commodities our country imports from Russia.

(SITC - Standard International Trade Classification)

	2010	2011	2012	2013	2014	2015	2016
SITC 0	6.03%	4.65%	4.51%	3.99%	3.84%	3.92%	4.69%
SITC 1	0.10%	0.07%	0.07%	0.06%	0.05%	0.03%	0.04%
SITC 2	0.47%	0.48%	0.64%	0.48%	0.35%	0.38%	0.46%
SITC 3	0.51%	0.75%	0.90%	0.67%	0.58%	0.34%	0.51%
SITC 4	0.01%	0.01%	0.02%	0.01%	0.01%	0.01%	0.01%
SITC 5	5.82%	5.24%	5.33%	5.10%	5.06%	5.29%	6.08%
SITC 6	18.58%	18.61%	19.28%	19.29%	18.79%	18.42%	17.12%
SITC 7	31.07%	35.36%	38.12%	39.82%	35.34%	33.85%	33.65%
SITC 8	37.36%	34.81%	31.09%	30.58%	35.98%	37.76%	37.44%
SITC 9	0.05%	0.02%	0.04%	0.00%	0.00%	0.00%	0.00%

**Figure 7. The composition of China's exports to Russia, 2010-2016**

Source: [http://hongruiyun.com/lwxz/0917\\_3212.html](http://hongruiyun.com/lwxz/0917_3212.html)

According to fig. 7, China's imports of trade products from Russia are mainly resource-intensive commodities, and the resource-intensive commodities represented by SITC2-3 have the largest

growth, especially crude oil commodities. It must be pointed out that the Sino-Russian trade is extremely unstable. Because the prices of crude oil, mineral products and other raw materials commodities mainly depend on the adjustment of the international market conditions, the fluctuations in the international market prices cause the price fluctuations of major trade commodities between China and Russia, thus seriously affecting the trade scale of China and Russia. The price reduction in the international market affected Sino-Russian trade. Energy is the source of China's economic development, and Russia's pattern of exporting resource-intensive commodities in the short term will remain basically the same, so China will still have a large proportion of raw materials imported from Russia.

### **3. Discussion**

#### **3.1 Enhance cultural identity between China and Russia**

Using cultural identity theory to eliminate or reduce cultural conflicts in Sino-Russian service trade is a comprehensive approach from the perspective of culture, language and sociology. Different cultural characteristics determine different ways of communication [11]. Religious beliefs, national culture and social norms, and language will trigger cultural disputes between the two countries. The most effective and lasting method is to narrow the scope of cultural identity between the two countries that would reduce deviations in concepts. This requires people to change on their own, to understand empathy, not to look at problems predominantly in their own foreign culture, and learn to tolerate. Sometimes reading more about a country's history can deepen its understanding of that country's culture.

Achieving multicultural participation and identification means adapting to the host country's management philosophy and model through different cultural perspectives and understandings [12]. For the service trade between China and Russia, joint ventures should start from their respective cultural systems and then re-examine the basic forms of foreign cultures and business models according to their fixed world views and values. Therefore, understanding and integrating the economic and trade model between enterprises of both countries can not only retain the essence of their own culture, but also preserve the essence of their own culture.

#### **3.2 Optimize the structure of import and export commodities and expand the scale of bilateral trade**

The scale of import and export of goods often depends on the import and export commodity structure of both parties, and the trade commodity structure of both parties needs further adjustment [13]. First of all, China and Russia should expand the trading space, and increase the economies of scale of bilateral trade. Second, optimize the commodity structure of both parties. As far as China is concerned, high value-added product transactions should be added. Third, strengthen cooperation in various fields. With the development of Sino-Russian economy, both sides should strengthen trade cooperation in new areas to improve the trade structure of both sides. For example, strengthen trade cooperation in the fields of telecommunications, finance and mineral resources development, strengthen cooperation in new and renewable energy, and exchange and cooperation in economy, culture, science and technology.

### 3.3 Improve the bilateral trade supervision system

According to Shi Yanyan [14], it is necessary to improve foreign trade policies and regulations, accelerate the development of Sino-Russian trade towards standardization, legalization, and institutionalization, actively solve the system problems in economic and trade cooperation with Russia, and implement both trade institutionalization and trade behavior supervision. At the same time, government should increase the supervision of foreign trade and form an efficient supervision mechanism such as simplifying customs procedures, reducing taxes on foreign trade companies, developing transportation infrastructure and accelerating commodity logistics, eliminating various trade barriers, adding new trade settlement methods to avoid dependence on the US dollar [15].

## 4. Conclusion

To promote the development of Sino-Russian trade, it is necessary to optimize the overall environment. Both China and Russia must work together to strengthen the standardized implementation of the trade order and fully apply the rules of the World Trade Organization in the economic trade between the two countries, strengthen Sino-Russian financial cooperation and development to facilitate the development of bilateral trade, focus on the feasibility of bilateral free trade agreements, and lay the foundation for practical work. Moreover, it is recommended to actively provide services for enterprises to explore the Russian market, and encourage the establishment of business associations to protect the legal agreements of members.

## References

1. Zu Yi China-Russia trade development strategy under the background of the “One Belt One Road”. *Commercial Economy*, 2019 (12): 86-87.
2. Wang Guidong, Liu Jiayi The impact of the “One Belt One Road” strategy on Sino-Russian economic and trade development. *Shopping Mall Modernization*, 2019 (13): 43-45.
3. Luo Wei Development and prospects of Sino-Russian economic and trade cooperation under the “One Belt One Road Initiative”. *Journal of Economic Research*, 2020 (02): 108-109.
4. Li Bingyuan, Huo Ming, Zhang Wenxi Research on the status quo and countermeasures of Sino-Russian cultural trade development based on the “One Belt One Road”. *Journal of Beijing Printing University*, 2019, 27 (08): 75-77 + 81.
5. Yan Wanting SWOT analysis and countermeasure research on Sino-Russian trade development under the “One Belt One Road”. *Legal System and Society*, 2019 (13): 65-67.
6. Andino Maselena, Eti Sri Asih, Kasmi, Phong Thanh Nguyen, E. Laxmi Lydia, K. Shankar, Wahidah Hashim Mobile E-Commerce Website for Technology-Based Buying Selling Services International *Journal of Engineering and Advanced Technology*, 2019, 8 (6S), 884-888.
7. K. Shankar, Megasari Gusandra Saragih, Jacky Chin, Rianti Setyawasih, Phong Thanh Nguyen Machine Learning Methods for Analysis Fraud Credit Card Transaction. *International Journal of Engineering and Advanced Technology*, 2019, 8 (6S), 870-874.
8. Zhang Zhipeng Research on the Development Strategy of Sino-Russian Trade Relations. *Chinese and Foreign Entrepreneurs*, 2018 (35): 86.
9. Zhai Liqiang China-Russia trade development trend and strategic choices in the new period. *Northern Economy and Trade*, 2009 (04): 54-55.
10. Yang Wei, Che Ying Research on Sino-Russian trade development since the founding of New China 70 years. *Journal of Guangxi Vocational and Technical College*, 2019, 12 (06): 144-147.

11. Yu Keran Research on the export trade of Chinese high-tech products to Russia. *Shanxi Agricultural Economics*, 2020 (06): 55-56.
12. Tong Yifu Research on Heilongjiang Province's border port trade with Russia. *Commercial Economy*, 2020 (03): 11-13.
13. Wei Yingying "One Belt One Road" initiative and the development status and countermeasures of cross-border e-commerce in Heilongjiang Province. *Foreign Trade and Economic Cooperation*, 2017 (7).
14. Shi Yanyan An analysis of the development status of Sino-Russian cross-border e-commerce and its important strategic opportunities. *Modernization of shopping malls*, 2017 (20).
15. Li Jianjun, Su Luoyuan, Yang Yu, Yang Fang Research on the Development of Sino-Russian Cross-border E-commerce in Heilongjiang Province under the "One Belt and One Road" Strategy. *Commercial Economy*, 2017 (1).