



Going Against the Traditional Economic Tide: The Role of Russia in China's BRI

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Abstract

The study aims to identify objective and subjective prerequisites, as well as the consequences of the participation of the Russian Federation in the implementation of the Chinese strategic initiative "Belt and Road." The research set and solved the following tasks: analysed the stages of formation and implementation of the strategic initiative in the period from 2013 to the present; studied the impact of The Silk Road Economic Belt (SREB) project on the dynamics of the Chinese economy; identified the main directions of development of Russian-Chinese foreign economic relations, as well as the advantages and threats of the project for the Russian economy. The study concluded that the absolute and relative strengths of the Russian economy, historical and cultural factors, as well as the leading role of the Russian Federation in the integration processes and in maintaining regional security within the framework of the Eurasian Economic Union (EEU), are prerequisites for the Russian Federation's participation in the implementation of the "one belt, one road" strategic initiative. The analysis of indicators of trade and economic cooperation between Russia and China in the period from 2013 to 2018 shows their positive dynamics. The study showed that the prospects for business and economic cooperation between Russia and China within the framework of the "Belt and Road" strategic initiative are determined by the projected stable growth rates of domestic aggregate demand and supply, as well as by the development of policy documents aimed at forming active institutions that regulate integration processes. Concordantly, the article seeks to fill a research gap, as a developing epistemic community is emerging based on BRI research.

Keywords: Russia; China; EAEU; BRI; Great Power Relations; SREB; Historical and cultural factors

The Relevance of the Research Topic

The intensification of the processes of globalization and regionalization of the world economy have led to increased threats to the sustainable development of human civilization as a whole and individual state entities. This has led to the understanding of the need to search for qualitatively new sources of progressive macroeconomic dynamics, which are various supranational integrated entities that create conditions for the realization of the potential of cooperation and the formation of a synergetic effect of the international division of labor. One of the forms of such interstate integration is the Chinese-Russian cooperation within the framework of the initiative "Belt and Road" (B&R), the principles of which were embodied in the

structure of the projects "Silk road of the economic belt" (SREB) and "21st Century Maritime Silk Road" (21MSR). The strategic initiative for the development and implementation of the project SREB with the participation of the Central Asian States was presented by the Chairman of the People's Republic of China (PRC) XI Jinping on September 16, 2013, in the Nazarbayev University during his visit to the Republic of Kazakhstan. In turn, the main provisions of the plan to expand China's cooperation with the countries of Western, South and South-East Asia, as well as East Africa and Europe under the name 21MSR were formulated by the President of China on October 3, 2013, during a visit to Indonesia. The content and directions of implementation of the concept of economic and Maritime Silk Road were formulated on November 15, 2013, at the III Plenum of the

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Central Committee of the Communist Party of China (CC CPC) XVIII convocation. The further development of the strategic initiative B&R is associated with the increase in the composition of the participating States, as well as with the expansion of the content of the projects implemented within its framework. Currently, this initiative has been transformed into a state strategy of the People's Republic of China, which is aimed at preventing internal and external threats to development through the implementation of a new mechanism of mutually beneficial cooperation of the participating countries, based on the use of the potential of supranational transport infrastructure (Land and Maritime Silk Roads). The understanding of the importance of the role of the supranational transport complex for the sustainable development of individual States and their associations, strengthening their positions in specific regions and on the world stage as a whole has caused increased attention to this strategic initiative by many States that have become participants in the process of its promotion. Among them are several European countries - Greece, Italy, etc. The significance of the project is determined by the fact that 63% of the world's population lives in the territories through which the path will pass. The project provides for the modernization of existing and the creation of new transport and economic corridors linking more than 60 countries. The implementation of the plans involves the organization of 56 zones of trade and economic cooperation and guarantees 180 thousand new jobs. Currently, the Russian Federation is a participant in the process of promoting the initiative of the People's Republic of China, which was reflected in the signing in 2015 of the Joint statement on cooperation on the interface of the construction of The Silk Road Economic Belt (SREB) and the Eurasian Economic Union (EEU). The implementation of the ideas of this statement is a necessary stage of strengthening integration between East Asia and Europe with the participation of Russia and Central Asia. The deepening of integration cooperation within the framework of the project B&R following the principles of transparency, inclusiveness provides an increase in trade turnover, activation of investments, and growth of the benefits of all its participants. At the same time, there are ambiguous interpretations of the results and prospects of Russian-Chinese cooperation, as well as their impact on the dynamics of the main macroeconomic results. The negative perception of the Chinese strategic initiative by representatives of the Russian economic science and practice is primarily due to concerns about its consequences for cooperation within the framework of the EEU and the processes of Eurasian integration. The need to identify the advantages and risks of Russia's participation in the implementation of the B&R initiative, the definition of prospects for cooperation in the long term determines the choice of the topic of this study, its theoretical and practical significance [1-4].

The Degree of Development of the Problem

Since the strategic initiative B&R was formulated only in 2013, there are no systematic studies of this problem in the economic literature. At the same time, it should be noted the multifaceted nature of this problem, which necessitates the study of the works of representatives of various fields of scientific knowledge. The analysis of the modern foreign economic concept of China is presented in several works of Russian researchers [5-10]. Specific aspects of integration processes within the EEU is devoted to the works [11,12]. Features of foreign economic relations with the participation of China and Central Asian countries are reflected. The study of the prospects for the development of the Russian economy in the framework of the B&R initiative is devoted to the works. The analysis of the works devoted to the theme of the study shows that they lack a holistic view of the impact of the projects SREB and 21MSR on the state of Chinese-Russian cooperation and the development of regional integration, as well as the benefits and risks of the Chinese strategic initiative.

The Theoretical and Methodological Basis of the Research

Achieving the goal and solving the problems suggest the need for a systematic approach, the principle of historicism, as well as the method of content analysis and the method of comparative analysis to the subject of study, as well as tabular and graphical forms of interpretation of statistical information. In the course of the study, the provisions of modern classical theories of international trade and international economic relations are used. The study used data from the official bodies of state statistics of the Russian Federation and the People's Republic of China, as well as program documents of the Russian Federation and China, regulating foreign economic relations of these countries.

The Formation of the Concept of the "Silk Road Economic Belt" And "21st Century Maritime Silk Road".

The strategic initiative to develop and implement the concept of SREB with the participation of Central Asian States was presented by the President of the People's Republic of China (PRC) Xi Jinping on September 16, 2013, at the Nazarbayev University during a visit to the Republic of Kazakhstan. In a report entitled "Strengthen the friendship of peoples, open a bright future together," Xi Jinping said: "In order to strengthen the economic ties of the Eurasian countries, deepen cooperation, expand the horizon of development opportunities, we can use a new model of cooperation to build SREB. This is a project developed for the benefit of all countries along the Belt". The essence of the concept is "the implementation of two global



interconnected projects – "The Silk Road Economic Belt" and "The 21st Century Maritime Silk Road", which should link the countries of Asia and Europe with a network of transport corridors and promote their joint development." In turn, the main provisions of the plan to expand China's cooperation with the countries of West, South and South-East Asia, as well as East Africa and Europe under the name MSR were formulated by the President of the People's Republic of China on October 3, 2013, during a visit to Indonesia. In a speech to the Indonesian Parliament, which was dedicated to the development of China-Indonesia relations and China's relations with the ASEAN countries, Xi Jinping noted: "Since ancient times, the regions of Southeast Asia have served as the basis of the Maritime Silk Road. China wants to develop Maritime cooperation with the ASEAN countries. The China-ASEAN Maritime cooperation Fund established by the Chinese government and the joint construction of MSR can promote the development of this kind of cooperation" 3. The content and directions of the implementation of the concept of the SREB and MSR were formulated on November 15, 2013, at the III Plenum of the Central Committee of the Communist Party of China (CPC) of the XVIII Conference, which adopted a resolution of the CPC Central Committee "on some important issues of comprehensive deepening of reforms." This policy document points to the need to accelerate the process of building infrastructure in the field of communications, which is considered a crucial stage in the implementation of the B&R project aimed at increasing openness in relations between China and neighbouring States. A particular step in the formation of the original provisions of this project was made in the framework of the Central Economic workshop in December 2013, during which Xi Jinping noted the need to "promote the construction of The Silk Road Economic Belt, work hard on developing a strategy, and strengthen infrastructure construction in the field of communication and connections" 3. Certain aspects of this project were announced during the official visits of Chinese President XI Jinping to European countries, during which he pointed out the positive consequences of this project for the development of relations between the two civilizations. A specific step in the implementation of the provisions of the SREB project is the construction of the Chinese-Kazakh logistics base (Lianyungang). Further development of the concept of the SREB and the 21MSR was associated with the holding of "Europe-Asia" summits, East Asian summits, meetings of leaders of China-ASEAN countries, etc. in the period from 2014 to 2019. The program documents adopted by the participants emphasize the importance of this project for cooperation in six key areas, including: "mutual investment, communications and communications, finance, poverty reduction, maritime cooperation, and cultural exchange" 3. For financing the construction of infrastructure facilities, the Asian Infrastructure Investment Bank, with an authorized capital

of \$ 100 billion and the Silk Road Fund (the Fund's wealth – \$ 40 billion – is formed mainly from China's gold and foreign exchange reserves) were established. A brief analysis of the foundation documents of the Fund shows that it acts as "an analog" of the investment division of the World Bank (it has the status of a specialized U.N. organization) and receives funding from a "group of investors". The Fund's investors are the State Administration for Foreign Exchange (SAFE) (65 percent), the Export-Import Bank of China (15 percent), the Development Bank of China (5 percent), and the China Investment Corporation (15 percent). This approach indicates a change in China's attitude towards investment returns and ensuring their security, as well as the external depoliticization of the Silk Road project, which "demonstrates a high degree of caution of the CPC in reducing investment risks in case of increasing investment abroad".⁶ The traditional approach to the formation of credit policy abroad did not consider their solvency as a key factor of investment, which was reflected in some Central Asian countries. The creation of these inclusive financial and credit organizations is an essential step in implementing the idea of turning infrastructure construction into a driving force for cooperation, interaction in the field of production capacity into a lever, and financial collaboration into a pillar. Recognition of the significance of this project for a set of States predetermined the attraction of funds from the New Bank of the BRICS countries (a group of five countries: Brazil, Russia, India, China, and South Africa) [13]. It is estimated that China's projected investment in the project should increase to \$ 1 trillion over ten years, while China's mutual trade with 40 countries should increase to \$ 2.5 trillion. Currently, the implementation of this project is considered as an integral part of the program "13th Five-Year Plan", adopted in 2016, as well as the long-term government program "Made in China-2025" and "Internet+." This thesis was formulated by the Premier of the State Council of the People's Republic of China Li Keqiang in a keynote speech at the meeting of leaders of China and Central and Eastern Europe in December 2014. It was developed at the annual world economic forum on January 21, 2015. The further development of the strategic initiative B&R is associated with an increase in the number of the participating States, as well as with an expansion of the content of projects implemented within its framework. This is reflected in numerous bilateral and multilateral summits and the content of documents accepted by them [10].

An essential step in the development of Russian-Chinese relations within the framework of the SREB project was the meeting between President of the Russian Federation Vladimir Putin and President of the People's Republic of China Xi Jinping on July 8, 2015. The participants of the summit proceeded from the recognition of the Shanghai Cooperation Organization (SCO) as an essential factor in the implementation of the strategic initiative

B&R and the use of the advantages of the EEU. In turn, the construction of infrastructure facilities under the project will stimulate cooperation in the fields of energy, space, and new high technologies. Thus, the formulation of the idea of the B&R initiative laid the foundation for the development of a holistic concept for the long-term economic development of China, as well as the transformation of the strategy of multilateral cooperation of modern States. Currently, this initiative has been transformed into the state strategy of the People's Republic of China, which is focused on the prevention of internal and external development threats through the implementation of a new mechanism for mutually beneficial cooperation between the participating countries based on the use of the potential of supranational transport infrastructure (land and maritime Silk Roads).

The Role of the SREB Project in the Economic Development of the People's Republic of China

Within the framework of the SREB project, it is planned to create three transport corridors, the first of which should connect China with European countries through Russia and Central Asia, the second – with the countries of the Middle East through Central Asia, and, finally, the third – with the countries of Southeast Asia, South Asia and the Indian Ocean. The main transport and logistics routes are China-Mongolia-Russia-Europe and China-Central Asia-Russia-Europe. The goal of the B&R strategic initiative is to develop trade and economic relations with Asian, European, and African countries through the formation of new and use of existing transport infrastructure facilities. Moreover, the PRC's program documents indicate that the B&R initiative "does not imply political integration of the region, but is a purely economic and infrastructure project, and a convenient platform for cooperation based on mutual interests." The implementation of the strategic targets of the B&R initiative involves solving the following tasks:

- "The expansion of intergovernmental cooperation, the creation of a multi-level mechanism of political interaction, the coordination of economic development strategies of different countries (policy coordination).
- Integration of infrastructure development plans and technical standards, creation of a unified transport and infrastructure network, and use of eco-friendly technologies (facilities connectivity).
- Elimination of barriers to trade and investment, creation of free trade zones, simplification of customs clearance procedures (unimpaired trade)".
- "Strengthening cooperation in the financial sector, currency, and business integration, switching to settlements in regional currencies (financial inclusion).

- Social and humanitarian ties, cultural and scientific exchange (people-to-people bonds)".

Experts who analysed the features of the development of the Chinese economy in 2019 predicted a decrease in its growth rate to 5-6% per year. In October 2019, the International Monetary Fund (IMF) revised the forecast for China's GDP growth rates in 2019 from 6.2 to 6.1%. In March 2020, experts from Julius Baer Group Ltd, based on a study of the influence of the novel coronavirus (Covid-19) outbreak on the state of the economy of the world-leading countries, concluded that "economic activity in China in the second quarter will begin a slow recovery, which will become more noticeable in the second half of the year. The growth associated with deferred demand and targeted support by financial regulation measures will most likely be insufficient to compensate for the decline in the first quarter". This became the basis for revising the forecast for China's GDP growth rates in 2020 downward to 4.7%. The decline in the pace of development of the world economy, as well as the negative impact of Covid-19 outbreak on the indicators of economic conditions in the factor markets of production, in conjunction with the decline in signs of business activity in China during the downward phases of the cycle, predetermined the transition to a new model of progressive macroeconomic dynamics – the "new normality," which was first observed [6]. The "new normality," according to Chinese economists and politicians, is not a purely negative phenomenon. Still, it requires the transformation of the country's economy and its transition to an innovative path of development. One of the significant problems of the Chinese economy is the problem of maintaining a high level of employment, the severity of which increases in the context of declining business activity. According to official data, the unemployment rate among the urban population is 4% at the same time, there are alternative estimates, according to which from 9.4 to 20% of the working-age urban population do not have a permanent job. A significant part of the country's population (about 43 percent) lives in rural areas, where about 200 million people are in a state of pendulum migration. The implementation of the SREB project, which primarily involves the creation of new and development of the existing construction and transport enterprises, should create additional jobs. According to research, the effectiveness of this hypothesis is confirmed by the results of infrastructure projects in Central Asian countries, where Chinese companies-contractors mainly use the loan funds allocated by the PRC with the involvement of equipment and labor from China [10]. In the states that participate in the implementation of the BRI, it is planned to create 70 unique industrial parks by Chinese companies together with foreign investors, which should provide revenue of \$ 20 billion per year and create 200 thousand jobs. Moreover, infrastructure projects are usually implemented with the participation of Chinese specialists or under their control, using Chinese equipment,

materials, components, and equipment. This contributes to the capacity utilization of the Chinese economy, which is particularly important during the period of the economic growth slowdown and especially in the conditions of the recession caused by the spread of Covid-19. The attempt to implement similar measures in European countries, which are the endpoint of SREB routes, was less effective, due to the European Union leadership's fear of China's economic and political expansion. At the same time, the right of individual European countries to develop their relations with the PRC within the framework of this project is still retained. This idea was reflected in the program documents which were accepted at the second High-Level Forum in Beijing in April 2019. In this regard, China has proposed and since 2012 has been implementing the so-called "16+1" format of cooperation in which 16 European countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Poland, Romania, Serbia, Slovakia, Slovenia, Montenegro, and Estonia are deepening trade and investment cooperation with China. This cooperation is carried out within the framework of bilateral and multilateral agreements at the state level and aimed at developing cooperation with China in trade and investment spheres, as well as in the implementation of infrastructure projects of the SREB [14]. For coordinating actions within the framework of the "16+1" format, annual summits of the leaders of interested countries have been held since 2013. The last summit was held in April 2019 in Dubrovnik, Croatia. Sino-European cooperation has a productive impact on the dynamics of trade between the E.U. and China, which is confirmed by the official statistics. Financial and credit organizations of the PRC participate in the implementation of the strategic initiative by providing additional loans to enterprises in the real sector of the economy and financing projects. Thus, in 2015, several major projects were implemented at the expense of the Silk Road Fund in the amount of 4 to 5 billion dollars [15]. It should be noted that the Fund invests in Russian companies, in particular, in the oil and gas industry: in March 2016, 9.9 percent of Yamal LNG shares were purchased (the transaction amount is 1.087 billion dollars), and at the end of 2016 – 10 percent of SIBUR group shares (the transaction amount is 1.338 billion dollars). In 2017, the Fund invested \$ 1.5 billion in a project for the comprehensive development of the former Tushino airfield in the North-West of Moscow. Chinese leaders have stated their intention to invest up to 900 billion dollars in countries located in the B&R zone. At the same time, the Silk Road Fund and the Asian Infrastructure Investment Bank are considered as crucial investment institutions competing for the right to participate in the financing of the strategic initiative. Confirmation of the Fund's long-term intentions to develop partnerships with Russian companies is that in 2016, the Executive Director of the Fund at the international forum "Russia – Asia: cooperation for

prosperity" announced his intention to create a subsidiary Fund of the Silk Road in Russia. For Chinese exporters, the implementation of the SREB project and the formation of free trade zones as part of its application will increase the supply of products in Central Asian countries. In the period from 2000 to 2018, the trade turnover between China and five countries in the region – Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan – increased by more than 25 times and exceeded the volume of trade between these countries and the Russian Federation. Thus, the countries of the Central Asian region at the first stage of the initiative B&R get benefits from infrastructure projects (modernizing the production capacity of their economies) and from the influx of investment from China. In General, according to experts of the World Bank: the Central Asia region from participation in the project may receive in the nearest future a significant increase in the gross regional product up to 21% [12]. At the same time, one of the objectives of the project is to expand cooperation with the European States. The use of new transport infrastructure facilities will reduce the time of cargo delivery from China to Europe. In the long term, it is planned to transform Chinese yuan into a regional and global reserve currency based on expanding its sphere of influence by increasing the volume of mutual settlements using it. At the end of 2015, the IMF included Chinese yuan in the SDR basket as the fifth reserve currency. The feature of the Chinese economy is the high regional differentiation. The analysis of data on the socio-economic development of the PRC shows that the following are distinguished in the composition of the country:

- Eastern territories, or the so-called "seaside belt," – the most populated and economically developed regions.
- Central regions are in second place in terms of pace and level of development.
- Western regions are the least developed in this regard, very problematic areas of the country.

The implementation of the B&R strategic initiative will strengthen interactions between the Central and Western regions through the creation of transport corridors, which will stimulate investment spending and create new jobs. At the same time, products produced in Western areas can be redirected to the markets of Central Asian countries, which are bordering with these territories of the PRC. Currently, China acts as one of the largest consumers of energy in the world. Its share in global energy consumption was 23% at the beginning of 2020 at the time of the onset of the economic crisis associated with the spread of the Covid-19. In this regard, it seems that ensuring energy security is one of the tasks of implementing this initiative, which allows access to deposits of raw materials in the States located along the created transport corridors. For ensuring this access, China uses investment and credit instruments, in particular,

providing long-term loans at low-interest rates. Chinese companies acquire shares in the equity capital of companies in the Central Asian region. At the same time, preference is given to enterprises engaged in the production and transportation of oil and gas, construction of infrastructure facilities, and mining. The result of an active credit policy is an increase in the public debt of the Central Asian region, a growth in which can lead to a crisis of solvency and the implementation of the scheme "investment in exchange for raw materials," i.e., the provision of loans in exchange for access to deposits. Thus, the strategic initiative of the SREB is vital for China, as it defines the concept of the country's geo-economic policy for the long term. In this regard, China has created powerful financial institutions, and the Chinese leadership has demonstrated a firm intention in realizing the developed projects. Despite a large number of problems and the need for substantial financial investments, the implementation of the project should bring enormous economic and political benefits to the country. This initiative would mean for China at least a significant expansion of its sphere of influence in Eurasia and, at the most, the establishment of economic control over the most significant transport routes and hegemony on the entire continent with a population of more than 4 billion people. Given the importance of Eurasia in the global economy, the strengthening of China's position in the region will inevitably lead to an increase in its influence in the world as a whole [16].

The Interaction between the People's Republic of China and the Russian Federation within the Framework of the SREB Project

Understanding the importance of the role of the supranational transport complex for ensuring the sustainable development of individual States and their associations, strengthening their positions in specific regions and on the world stage as a whole has caused increased attention to this strategic initiative from many States that have become participants in the process of its promotion. Among them are several European countries—Greece, Italy, etc. The significance of the project is determined by the fact that 63 percent of the world population lives in the territories through which the road will pass [17,18]. The project provides for the modernization of existing and creation of new transport and economic corridors connecting more than 60 countries. The implementation of the plans involves the organization of 56 zones of trade and economic cooperation and guarantees 180 thousand new jobs. At present, the Russian Federation is a participant in the process of promoting the initiative of the People's Republic of China, which was reflected in the signing in 2015 of the Joint Statement on cooperation to link the construction of the SREB and the EEU. The implementation of the ideas of this statement is a necessary stage for strengthening integration between East Asia

and Europe with the participation of Russia and Central Asia. The Chinese initiative B&R is aimed at enhancing interaction between the People's Republic of China and the European States. The implementation of the SREB under this initiative involves the development of a unified transport infrastructure linking the western part of China, Central Asia, Russia, and Europe. The unique role of the Russian Federation in the implementation of this strategic initiative and its projects is explained by several reasons [19,25]:

- Historical background that is related to the foreign trade relations that existed between Russia and China in the period from the XVII century. This, in particular, is reflected in the development of the "Great tea road of 10 thousand Li" in the XVIII-XIX centuries. At the same time, the history of China's foreign trade relations dates back to the II century B.C., when the Great Silk Road connecting the East and West was laid for the implementation of the essential export product.
- The absolute advantages of the Russian, consisting of its geographical location, which allows it to fulfil a leading role in the Eurasian economic space. At the same time, the natural resource potential is a prerequisite for active cooperation in the field of energy, oil production and refining, and other areas of economic activity, which makes it possible to turn absolute advantages into sustainable competitive advantages and a source of sustainable development. According to official data, China is in first place in the world for gas imports. In 2018, it purchased 90.39 million tons of natural gas from abroad, including liquefied natural gas, an increase of 31.9 percent more than in 2017. Demand for gas in China is growing as a result of measures aimed at eliminating coal-fired power as part of the environmental policy. Russia is focused on increasing its share in the Chinese gas market. Currently, the main route for Russian pipeline gas supplies to China is the "Power of Siberia-1", which will provide 38 billion m³ per year of Russian gas for 30 years [26]. Oil imports to China increased by 10.1 percent in 2018 to 461.9 million tons or 846.6 thousand barrels per day, which updated record values past years. Russia is the third-largest source of crude oil imports to China, and its share in the total volume of imported oil is about 10 percent. The presence of a significant amount of energy resources in the far East of Russia is a factor in attracting foreign investment and developing bilateral cooperation. According to the "Energy Strategy of Russia for the period up to 2030", Russia is going to expand international markets in the Asia-Pacific region and simplify the conditions for foreign investment in the Russian energy sector. Thus, the economic development

strategies of Russia and China complement each other, which is the basis for effective cooperation [27-40].

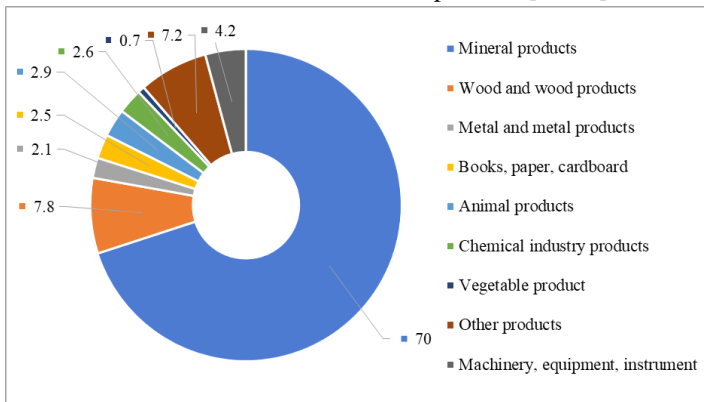


Figure 1: The structure of exported goods from Russia to China, January 2017-April 2018, percent [23].

was observed from January 2013 to January 2015. Next, we can note another growth trend since September 2016. It should be noted that at the end of April 2018, the trade turnover amounted to 8.06 billion U.S. dollars, an increase of 34 percent compared to the same period in 2017 (Figure 2).

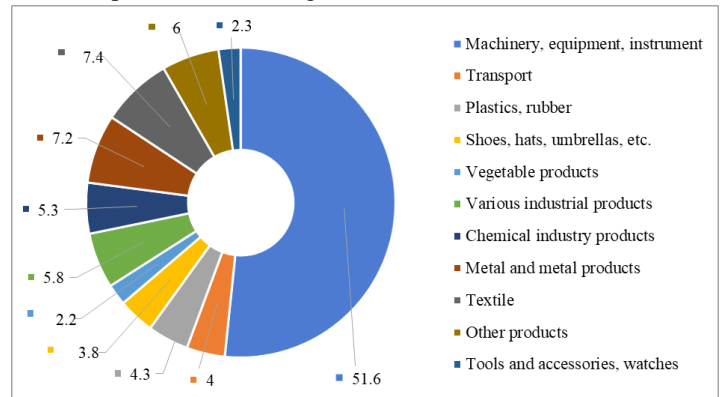


Figure 2: The structure of imported goods from China to Russia, January 2017-April 2018, percent.

- According to the Federal customs service (FCS), in the first half of 2018, China ranked first among the Russian Federation's trading partners in terms of imports and exports. Russian exports to China increased by 42.7 percent in the first quarter of 2018. And exceeded \$ 25 billion, while imports from China increased by 19 percent and amounted to \$ 24 billion. China's share in Russia's foreign trade turnover was 15.2 percent, and China's share in exports in the first half of 2018 was 12.2 percent (10.8 percent in the first half of 2017), the percentage of Russian imports was 20.8 percent (19.8 percent in 2017). In the first half of 2018, the trade turnover of the two countries reached 49.95 billion us dollars, an increase of 30.2 percent compared to the same period in 2017. In January – June, the trade balance of Russia with China in the first half of 2018 was positive and amounted to 1.94 billion dollars. At the same time, in the first half of 2017, the balance of Russia and China was negative and amounted to -1.99 billion us dollars. According to the forecasts of the Russian-Chinese Investment Fund, in 2020, bilateral trade between Russia and China may reach \$ 200 billion. The primary exported goods from Russia to China in January 2017 - April 2018 are presented (Figure 1).

The main exports from Russia to China are mineral products (70%), as well as wood and wood products (7.8%). In turn, imports from China to Russia are based on machinery, equipment and instrument (51.6%), as well as textiles (7.4%). The primary imported goods from China to Russia in January 2017-April 2018 are shown in Fig. 2. According to the FCS, imports to Russia from China in January-April 2018 amounted to 15.43 billion U.S. dollars, an increase of 22.5 percent compared to the same period in 2017. Exports from Russia to China in January-April 2018 amounted to 16.71 billion U.S. dollars, an increase of 41 percent over the same period in 2017. The growth of commodity flows

The dynamics of trade between Russia and China for the period of January 2013 – December 2018 (Figure 3).

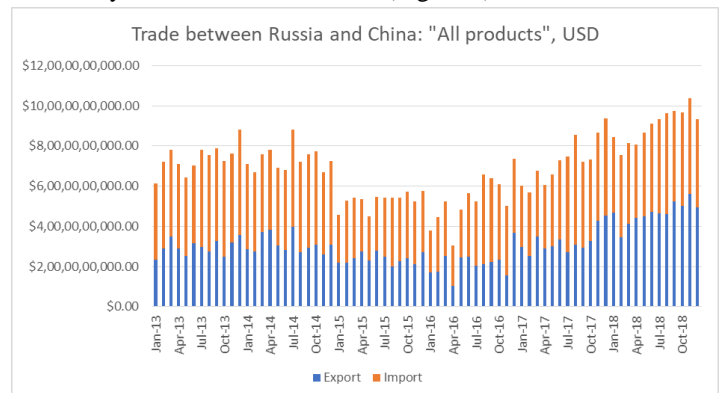


Figure 3: Trade turnover between Russia and China for the period January 2013 - April 2018, "All products," U.S. dollars.

The analysis shows that China's implementation of the strategy of foreign economic offensive and product expansion, in conjunction with growing domestic demand in the context of economic growth, contributes to the development of trade and economic cooperation between China and the Russian Federation [41-50]. Russia's relative advantages in the Eurasian space, which are reflected in its role in ensuring security within its borders. The Russian Federation, as a member of the Collective Security Treaty Organization (CSTO) and one of the founders of the SCO, uses its political and economic potential to combat terrorism, separatism, and extremism, preventing threats to regional security and sustainable development. At the same time, Russia is one of the five largest member countries of the U.N. Security Council, which determines its role in the development of international relations. An analysis of Russia's position on many important

international issues shows that it coincides with China's position and has a positive impact on diplomatic relations. Thus, Russia's participation in the implementation of the strategic initiative B&R is a necessary prerequisite for ensuring China's geopolitical security. The presence of Russia's significant influence in the Eurasian continent is due to the fact that for many years it has maintained relations of economic, political and military cooperation with many States of Central Asia, West Asia, South-East and South Asia. Russia is a relevant member state of the CSTO and plays a vital role in international trade and capital flows. The development of trade and economic relations led to the formation of the EEU — an international organization of regional economic integration with the participation of Russia, Armenia, Belarus, Kazakhstan, Kyrgyzstan, united not only by economic but also by political interests, as well as the unity of historical and cultural factors. Along the "belt" of countries participating in the implementation of the Chinese strategic initiative is the Commonwealth of Independent States (CIS), which occupy a large part of the Eurasian continent and act as Russia's strategic partners. The implementation of the B&R projects contributes to the strengthening of Russia's status in the post-soviet space and activates integration processes in the Eurasian territories [51]. The development and adoption of program documents in the Russian Federation and China that define the interests of the two countries as partners in strategic cooperation indicate the formation of a productive institutional environment for the implementation of the relative and absolute advantages of the Russian economy and their transformation into sustainable competitive advantages. The analysis shows that on the one hand, China and Russia have been strategic partners since 2001 and work closely together in solving international issues. There is a tendency to increase the bilateral trade turnover; in 2018, it exceeded the historical mark of 100 billion U.S. dollars. Despite the decline in 2015-2016 in mutual trade caused by the difficult economic situation in Russia, since 2012, the value of Russia's exports to China has increased significantly, while imports from China have risen to a lesser extent. Investment projects involving Chinese capital are being implemented in the oil and energy sector, the agro-industrial complex, the wood processing industry, machine-building, and many other sectors of the Russian economy that are not related to the B&R strategic initiative [52-54]. As was shown, these projects are mainly implemented in the regions of the Far East and Eastern Siberia. On the other hand, currently, there are no significant Chinese investments in the framework of the SREB. According to the Bank of Russia, in the period from 2014 to 2018, China's foreign direct investment in the Russian Federation had a negative trend, the stock of Chinese direct investment as of the beginning of 2014 was 4.5 billion U.S. dollars, by the end of 2018 it had decreased to 3 billion U.S. dollars. Thus, despite the growth of mutual trade, now there is no active investment cooperation

within the framework of the B&R initiative between Russia and China. The implementation of the SREB project will expand foreign economic relations between the Russian Federation and China, which will be reflected in the inflow of foreign investment into the Russian economy and in the positive dynamics of macroeconomic indicators. Currently, the interaction between the two countries takes the form of communication between the EEU and project managers within the framework of the SREB. On May 8, 2015, a corresponding agreement was signed between the two countries, and a list of infrastructure projects that should be implemented by the countries of the EEU and support the formation of transport corridors was prepared. The most promising areas of cooperation involving Russian businesses are considered to be infrastructure construction, including railway, road transport, energy, and telecommunications. The goal of the project implementation is to create a communication highway of the Eurasian development belt. Among the Russian interests should be included [55]:

- Creation of modern transport corridors on the Russian territory (in particular along the TRANS-Siberian railway through the Far Eastern cities of Grodekovo and Zabaikalsk) and their transformation into so-called growth corridors.
- Development of Russian regions through infrastructure construction and the creation of new jobs within the framework of the SREB.
- Construction of high-speed railway lines in the Central Region of the Russian Federation.
- Financial cooperation, which can be represented in the forms of investment, joint project financing, and lending.
- At the same time, the implementation of the SREB project is accompanied by the formation of a number of threats that are associated with the loss of sales markets in Central Asia, and political and economic influence in this region. At the same time, structural imbalances in the Russian economy, raw materials orientation and high dependence on the global energy markets, and sanctions restrictions in foreign economic relations with the West may become an obstacle to realizing the potential of transnational transport corridors.

The implementation of the B&R project requires firm adherence to the principle of joint consultations, joint construction, and common use. It is necessary to actively promote the harmonization of national development strategies of the States along the B&R. In order to promote the implementation of the B&R initiative, to revive the ancient silk road, to build closer ties between Asia, Europe, and Africa, to raise mutually beneficial cooperation of these countries in a new form, the Chinese government has developed a document "The beautiful outlook and practical steps for the joint development economic zone of the Silk Road and The 21st Century Maritime Silk Road" [12].

Summary

The study shows that Russia's participation in the implementation of the strategic initiative B&R is due to historical prerequisites, the presence of absolute (geographical location, natural energy resources), and relative (comparative level of costs, which is reflected in the dynamics of exports and imports) advantages. The prospects for trade and economic cooperation between Russia and China are determined by the steady growth of domestic aggregate demand and supply. At the same time, the Russian Federation has a decisive influence on the direction of development of the Eurasian integration processes and ensures the maintenance of regional security. Thus, Russia's participation is an essential condition for the implementation of the SREB and projects within the framework of the B&R initiative, which in turn should have a favourable impact on the dynamics of the main macroeconomic indicators of the Russian Federation and the status of foreign economic relations with China.

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