

Development of the Russian-Chinese border economic cooperation zone within the framework of the "One Belt, One Road" project

Zhang Yongqing, Osykina Valentina

(College of Management/ University of Shanghai for Science and Technology, China)

Abstract: In this article, we analyze the interaction between China and the countries of the Eurasian Economic Union, in particular Russia, in the implementation of the integration process of the Eurasian Economic Union and the Belt and Road. The main reasons for the interest of the People's Republic of China and the countries of the Eurasian Economic Union in the development of integration projects, as well as the difficulties of their operational implementation, are outlined. The bilateral trade between Russia and China has been gradually recovering since the second half of last year, and the Chinese part in Russia's foreign trade has increased further. The success was achieved thanks to the cooperation between the two countries on major projects in the field of energy, chemical and nuclear energy. The Russian government has approved the participation of Sinopec Group of companies in the investment project of the Russian company "SIBUR" (System of Amur Gas Chemicals). The investment in the project is expected to reach \$10.7 billion. The project will be the largest gas processing and gas chemical complex in Russia in the Far East.

Background: Interregional cooperation is becoming one of the most important forms of the development of Russia-China relations. Russia and China are neighbours and major powers. They make joint efforts to form and develop strategic partnership relations. China and Russia have seen a significant increase in interest in interregional and cross-border cooperation. The problems of Russian-Chinese cross-border and interregional cooperation and Russian-Chinese relations are considered in the works: Kolesnikova T.V., Luzyanin S.G., Levchenko T.A., Yin S., Li S., Kushnarev V., Aleksandrov M.V., Atanov N.I., Plotnikova O.V., Flick E.G. etc.

Materials and Methods: Theoretical basis of the study consists of scientific works of Russian and foreign scientists devoted to foreign economic interaction between Russia and China, revealing the importance of cross-border trade, interregional investment cooperation for economic development of the two countries. The work applies methods of logical, economic, historical, statistical analysis, graphical representation of data, method of large-scale comparison and comparison of analyzed phenomena and processes in economic reality allowed to ensure the implementation of the goal and objectives of the study. The study based on data from the Federal State Statistics Service and the Central Bank of Russia. The information base for the study consisted of data from the Federal State Statistics Service and the Central Bank of Russia; data from Federal Customs Service; Russian and foreign Russian and foreign literature and press, Internet publications, etc.

Results: The further development of Sino-Russian bilateral economic cooperation requires solving a number of problems: commodity trade structure, trade and investment environment, financial services and order in the trade system. To solve these problems, some of the most promising directions of Sino-Russian economic cooperation development can be singled out joint technological development of the fuel and energy complex, implementation of infrastructure projects, localization of high-tech of industrial productions in frontier zones, etc. These development directions should be implement in the context of a mutually beneficial model of innovative development of both states.

Conclusion: An important area for further development of interregional cooperation between Russia and China is localization of industrial production and mutual investments in high-tech sectors of the economy. Particular attention should be pay to cooperation in the defense industry and modern manufacturing technologies, worth considering relocating certain enterprises to the Far East.

Key Word: EAEU, "One belt – one way", cooperation and investment in the chemical industry and nuclear energy.

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I. Introduction

The "Belt and Road" international cooperation initiative proposed by China has demonstrated the strongest consolidation and viability, and has played an important role in combating the epidemic and restoring economic and normal life for all peoples. In May 2015, Russian President Vladimir Putin and President Xi

Jinping of the People's Republic of China signed an agreement on the integration of the Eurasian Economic Union and the Silk Road Economic Belt. The agreement was signed by Russian President Vladimir Putin and President of the People's Republic of China Xi Jinping in May 2015. "In order to practically combine the intentions of the Eurasian Economic Union and the Silk Road Economic Belt initiative" and to create a unified economic space and free trade zone between the Eurasian Economic Union and China in the future. At present, cooperation between the Belt and Road and the Eurasian Economic Union is developing steadily.

II. Historical and economic prerequisites for cross-border cooperation between Russia and China

This study based on current, confirmed news, research papers by renowned scientists, which analyzed in line with the problems of the topic in the modern world.

Everyone knows that sustainable transport links create favorable conditions for the exchange of goods, industrial cooperation, industrial development and urban growth, as well as for the evolution of the Mandarin as a whole. The importance of this factor compares individual wars, the existence of empires, the movement of people, etc. We need only say that the changes in the national landscape over the last few millennia have had little effect on the transport of goods on the Eurasian side. On the contrary, the continental flows of goods and money formed formal paramilitary forces, socio-political relations, urban facilities, trade unions and state unions according to their requirements. The accessibility of human communities from geographically remote areas to each other eventually created a demand for the peaceful reconciliation of their interests, making it profitable not to take resources by force, but to exchange them for a common understanding of values and rules. This process helped to realise the importance of trade and productive activities between regions, and thus an international division of labour emerged. As a result, the contours of world trade took shape and acquired a stable form, setting the form and rhythm of activity for a large number of people.

Unlike local transport systems, which were concentrated around waterways and maritime areas, the land transcontinental highway was the product of a complex coordination of technical capabilities, natural conditions and public interests. In the history of world trade, the Great Silk Road can be attributed to the most important transport system, which has been the driving force behind the economic, cultural and civilizational development of Europe and Asia for thousands of years.

The Great Silk Road connected the extreme geographical points of the 'World Island' (in H. Mackinder's understanding), where civilizational development and natural conditions differed enormously. If we use the terminology of natural science, the combination of these differences in Europe and Southeast Asia gave rise to the greatest differences in their economic and cultural potential, and the closing of the transport and trade chains between them initiated the exchange.

In this respect, the purpose of the Great Silk Road can be formulated as follows: the passage of material energy and information through the continent with minimal losses and acceptable environmental resistance, in order to balance the economic and cultural potential of the two opposite poles. To this end, transport corridors should have the following minimum necessary qualities:

- 1) The availability of supporting infrastructure to ensure the transport of goods at minimum cost (goods delivery vehicles, warehouses, energy supplies, etc.);
- 2) The availability of infrastructure for counter cash flow;
- 3) Availability of the necessary amount of funds to carry out monetary functions;
- 4) The existence of a security system to prevent risks (protection of goods, security of settlements, buyers and sellers, etc.);
- 5) The availability of organizational techniques for risk allocation (methods of financing trade missions, insurance systems, etc.).

The emergence of cheap and reliable maritime methods of moving goods in the fifteenth and sixteenth centuries led to the desolation of the Great Silk Road, but did not change the millennium trend in the development of the continent and the world in the direction of the movement of goods (from the sea route only significantly reduced the level of environmental resistance and provided the most economical way of transmitting material, energy and information for the following centuries. At the same time, it raised some countries and regions (with easy access to the sea) and pushed others (located deep within the continents) to the periphery. The former gained a strong impetus for economic, scientific and cultural development, while the latter faced the need to adapt in conditions of limited development. The model was confirmed: "Geography is destiny".

In the nineteenth century, a global project was brilliantly implemented which challenged this model. Completed in just fourteen years, the Siberian Main Line became the longest continental highway of its time, opening up enormous trade space in the depths of Asian Russia. By analogy with the Great Siberian Railway, the economic corridor "New Asia-Europe Continental Bridge", which is the basis of the "Economic Belt"

project Silk Road (hereinafter referred to as SREB), can rightly be called the "Second Eurasian Continental Bridge".

III. Russian-Chinese cross-border cooperation zone: prospects for Russian-Chinese interaction

In 2015, the Russian Federation and China signed an agreement on the integration of the Eurasian Economic Union (EAEU) and SREB, which re-emphasized the countries' common interests in strengthening economic vectors, including investment cooperation. In 2016, the Russian Federation and China signed a Memorandum on Coordinating Joint Efforts to Promote Economic and Investment Cooperation on Various International Platforms. As a result, investment cooperation between Russia and China is actively supported by the political elite and often comes from above; however, this does not deny the economic viability of the investment projects being implemented.

The joint efforts of the Russian Direct Investment Fund and the Russia-China Investment Fund (RCIF), established in 2012, have made a significant contribution to the implementation of the Belt and Road Initiative. The RCIF aims to invest in projects in Russia and abroad, the implementation of which could have a significant positive impact on the Russian economy. The RCIF manages RMB 100 billion and its main investors include state-owned and private companies from the People's Republic of China (including China National Nuclear Corporation) and companies from the Shenzhen Free Economic Zone. In addition to supporting projects under the Belt and Road Initiative, the RKFI invests in projects in the nuclear energy, infrastructure, logistics and new technology sectors, with a profitability equal to or exceeding RMB % per year. The most notable project funded with the help of the RKFI Fund is the railway bridge over the Amur River, linking north-eastern China with the Russian Far East.

As mentioned above, the implementation of the Belt and Road Initiative involves the implementation of joint projects between countries in the field of infrastructure, mainly in the area of transport. In this context, the most important emphasis is placed on the construction of the Euro-China Western Transport Corridor, the development of the North Sea Route and the improvement of existing railway lines and seaports. These projects are important for both Russia and China. For Russia, the construction of modern trunk line infrastructure can be a driver of economic growth, increasing and accelerating the transport of passengers and goods between different regions of the country, as well as having a cumulative effect on the economic development of border regions.

Turning to the areas of Russian-Chinese cooperation within the framework of the EAEU initiative and the SREB, it is worth noting the productive cooperation between the Russian and Chinese border regions, namely the "Greater Altai" project between the Altai Territory and the Altai Republic - on the Chinese side, the aim is to develop interstate cooperation in trade and economy, credit and finance, science and technology, energy, transport, agriculture and industry. technology, energy, transport, agro-industry and other areas.

Another important aspect is the establishment of joint border infrastructure. This includes: the completion in July 2019 of the bridge section of the Nizhny Leninsk-Tongjiang (China) railway crossing on the Amur River; the investment project for the bridge between the Black River and Blagoveshchensk, the international transport corridors "Primorsky-Krai-1" and "Primorsky-Krai-2" in Primorsky Krai. The international transport corridor "Primorsky-Krai-1" and "Primorsky-Krai-2" will provide the shortest possible access to the seaports in the south of Primorsky Krai for the transportation of goods. Finally, cooperation between China and the countries of the Eurasian Economic Union, including Russia, in the field of energy is an important area within the framework of the integration of the Eurasian Economic Union and the "Belt and Road" project. The share of EAEU member states in the structure of global energy reserves is 8% for oil, 18% for gas, 20% for coal and 21% for uranium. In addition, the size of proven reserves on the territory of the EAEU states exceeds that of China by nine times for gas, seven times for oil and one and a half times for coal. Russia is currently the largest supplier of energy to China. Russian oil provides the largest share of imports to China - about 16%; after the launch of Siberian Power, Russia will also become a major exporter of natural gas to China, leaving the USA behind. Kazakhstan is an equally important energy partner for China - it ranks second among EAEU countries in terms of energy exports to China. Coal, oil and gas account for 33%, 13% and 7% respectively of the proven reserves of natural resources of the EAEU territory in APG24. Experts believe that in the last few years China's oil imports to Kazakhstan have declined significantly, not for economic reasons, such as the possible repositioning of China to other energy suppliers, but rather for the decline in production from key oil fields in the Kyzylorda and Aktobe regions.

For China, the transport route through Russia is attractive for the possibility of a diversified logistics chain for supplying goods to the European market. For the Chinese side, the "Europe-West China" motorway is an alternative to supplying Europe via the Suez Canal and can reduce the speed of cargo delivery by 10 days.

In addition, it will have a clear positive effect on strengthening Russian-Chinese trade and investment cooperation. The importance of developing Russia's transport infrastructure is supported by the Decree of the

President of the Russian Federation No. 204 of 7 May 2018, which assumes the implementation of a number of projects by 2024 (Table 1).

The implementation of existing transport tasks is estimated at 6.3 trillion rubles, of which about a third (2.3 trillion rubles) is planned to be financed from the federal budget of the Russian Federation, and about 15 - from the regions, about half of the required amount - pass At the same time, the most expensive is the construction of a motorway with a length of 8. 4 thousand kilometers, connecting Europe and China.

<i>№</i>	<i>Project name</i>
1.	Construction and modernization of the Russian section of the highway in connection with the international transport route «Europe - Western China»
2.	Increasing the capacity of the Russian Federation's seaports, including those in the Far East, North West, Volga-Caspian, Azov-Black Sea
3.	Development of the North Sea Route and increase of cargo flow along the route to 80 million tones
4.	Reducing the time for container rail transport, especially from the Far East to the western border of the Russian Federation, to seven days and quadrupling the transit volume of container rail transport
5.	Increase the capacity of the area along the Great Bekaa Railway and the Siberian Main Line by 1.5 times to 180 million tones
6.	Increased rail access to seaports in the Sea of Azov and Black Sea basin

Table no 1: Development of Russia's transport infrastructure until 2024 (Source: prepared by the author in accordance with Decree No. 24 of the President of the Russian Federation of 7 May 2018).

The "Europe-West China" project is comparable in scale and significance to the construction of the Suez Canal, the Great Siberian Railway and the English Channel Tunnel. The project is being implemented with the help of investments from major financial and construction companies such as SESS, Shandong Road, Silk Road Development Fund and China Development Bank. Chinese companies are ready to invest about 15 billion roubles in the Russian part of the Euro-Western China motorway. Among other things, the scale of Russian-Chinese investment cooperation is increasing year by year due to the ongoing implementation of joint infrastructure projects. Thus, according to the data of the Bank of the Russian Federation, in 2017 the Chinese investments in the Russian economy amounted to 2261, 6 million USD, in 2016 - 1340, 5 million USD, in 2015 – 2759 million USD. Russian and Chinese investments are characterised by the fact that for both countries the main investment partners are offshore locations: the Virgin Islands, Singapore, the Netherlands, etc., which makes it difficult to calculate mutual investments statistically.

Most of the investments from China come from government agreements. Through inter-governmental agreements, investments are made in infrastructure projects in the Russian Federation and in the oil and gas sector. Typically, China buys 20% of Rosneft's subsidiary Verkhnechonskneftegaz. The Silk Road Fund and the State Development Bank have acquired a percentage of the petrochemical company Sibur. As a rule, almost all projects are closed due to their political importance. According to incomplete statistics from the People's Republic of China, there are currently more than 1,200 Russian companies in many fields, including energy, transport, aviation, aerospace and automotive, financed by Chinese investors.

The sanctions imposed on Russia by the United States and the European Union have contributed to the revision of the Russian Federation's foreign policy and foreign economic strategy towards the Asia-Pacific region, and China in particular. Russia and China are strategic partners, and bilateral relations in various fields are gradually developing and growing with each passing day. In the first eight months of 2018, foreign trade totaled \$67.5 billion, 25.7% higher than the indicator for the same period in 2017. Special attention is paid to investment cooperation and the creation of an institutional environment that promotes and strengthens investment activities. The further strengthening of investment relations was positively influenced by the internationalization of the RMB and the introduction of Chinese currency into the country's currency reserves. The subsidiary Chinese banks operating in the Russian Federation - JSC "Bank of China" (Bank of China), JSC "ICBC" (Industrial and Commercial Bank of China), Ltd. Construction bank" ("China Construction Bank"), LLC "Agricultural Bank of China".

The growth of investment cooperation between China and Russia is linked to the political component, mainly the implementation of transport infrastructure projects, as well as monetary cooperation. In addition, relatively low labour costs, the advantages of import substitution programs, special investment contracts and low operating costs make the Russian economy particularly attractive to Chinese investors. Nevertheless, so far the announced Russian-Chinese investment programs greatly outnumber the projects being implemented. These countries are still cautiously implementing mutual investments, but the growing trend in investment cooperation is inspiring optimism. At the 4th Eastern Forum held on 11 September 2018, Russian President Vladimir Putin and Chinese President Xi Jinping highly appreciated the results of investment cooperation between the two countries.

IV. Conclusion

Practice has shown that the “Belt and Road” Initiative is in line with the trend of the times and the common development aspirations of all countries, and that the idea of joint discussion, joint creation and joint use is taking deeper and deeper root in people's minds every day. In the face of a long-term epidemic, countries must unite and work together to ensure that economic globalization develops in the direction of openness, inclusiveness, common interests, balance and mutual benefit. As the world's second largest economy, with the most complete industrial complex, a population of 1.4 billion and a middle class of 400 million, China will expand its foreign relations at a higher level with a new pattern of mutual development at home and abroad. Fully stimulate its market potential, and provide strong impetus and broad space for the high-quality construction of the “Belt and Road”. China is ready to share with Russia and other partners the opportunities for open development, and to organize cooperation programs in the areas of political coordination, infrastructure integration, trade facilitation, financing and people-to-people contacts, so as to continue to create a better future for the joint creation of the "Belt and Road". This will create more benefits for all peoples of the world and make a great contribution to building a community of human destiny.

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