

Development of Foreign Trade Relations Between Russia and China in the Formation of a New World Economic Order

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Abstract: Investigating the trends in the development of trade relations between Russia and China and forecasting their future in light of the transformation of international relations, the research considers the openness of the economies of both countries to active cooperation and the development of digitization as a driver of their development. The research methodology includes system analysis, general scientific methods, economic-mathematical analysis, comparative analysis, dynamic research methods, correlation-regression analysis, forecasting methods, and strategic analysis. The research objects are Russia and China. The trade turnover between Russia and China has shown a stable growth tendency. In recent years, China has been the top trading partner of Russia. In turn, Russia has been in the top 10 countries of China's trading partners since 2021. The cooperation between the Federal Customs Service of Russia and the General Customs Administration of China is a key driver in trade relations. The effective use of digital technologies in the activities of customs authorities contributes to the intensity of their development. The analysis of the trade relations between Russia and China has shown a consistent and positive development in the past and the foreseeable future. One of the factors contributing to this growth is the synchronized economic progress between the two nations, the degree of their openness to foreign economic dialogue, and the strengthening of cooperation between the Federal Customs Service of Russia and the General Customs Administration of China. Furthermore,

implementing digital technologies has significantly enhanced customs operations and fostered an expansion in trade volume between Russia and China. This integration of intelligent technologies has facilitated the intellectualization of customs procedures and contributed to the growth of bilateral trade turnover.

Keywords: Russian-Chinese relations, external trade, forecast of trade turnover, customs authorities, digital technologies

JEL codes: F10, F14, F63, O57, P52

In March 2023, a new Concept of Foreign Policy of the Russian Federation was approved by the decree of the President of the Russian Federation. The contemporary architecture of the world is undergoing changes. A new paradigm is emerging in which economic and political doctrines undergo significant transformations. As the structure of contemporary relations evolves, shifting towards a polycentric system, the Western hegemony gradually decreases. The EU countries were key partners for Russia. Due to increasing risks of confrontation with the USA and NATO countries, as well as the strengthening of anti-Russian sanctions and a growing list of unfriendly countries, the vector of the concept has shifted towards the East, with China being one of Russia's new strategic partners in the far abroad. According to the new concept of foreign policy, the main focus in implementing key tasks within the framework of foreign policy is currently the establishment of economic and political ties with friendly countries. Furthermore, it is necessary to build independent centers for development and operation on the Eurasian continent (Ministry of Foreign Affairs of the Russian Federation, 2023).

Materials and Methods

Many scientists have studied issues related to the development of foreign trade in the Russian Federation in a key of economic interaction with China, including Bolotnova et al. (2020), Isakov (2022), Maidanevich and Babashina (2016), Savenkova et al. (2023), Shadrina (2019), and others.

Considering the relevance of the research problem, despite the existing scientific articles, the transformation of economic ties between the Russian Federation and China in the present global economy has not been fully explored and necessitates further comprehensive examination.

Results

Nowadays, relations between Russia and China are the key to Russian foreign policy development. China is Russia's main partner and ally in military-political and economic terms. The economies of Russia and China complement each other; the approaches to the future world order and the solution to key problems of world politics of both countries fundamentally coincide.

The course of the development of Russia's foreign policy towards the East, particularly aimed at strengthening Russian-Chinese relations, can be traced according to Figure 1.

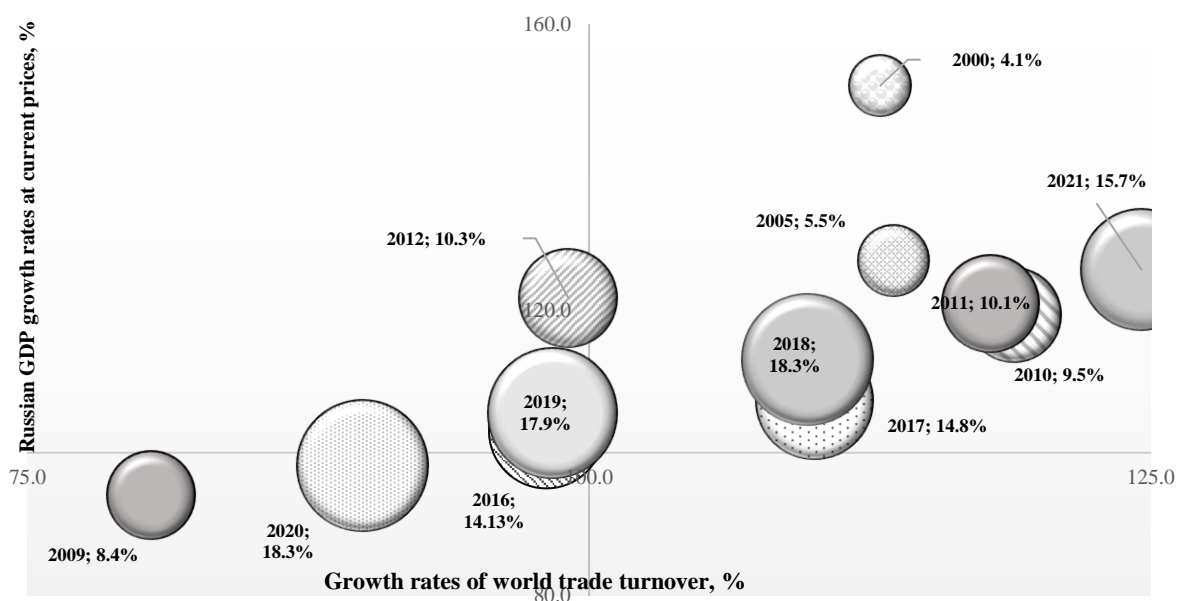


Figure 1

The matrix of the distribution of the size of China's share in Russia's foreign trade in the two-dimensional space of the ratio of the growth rate of world trade turnover and the growth rate of Russia's GDP for 2000–2021

Source: Compiled by the authors based on (Fesenko et al., 2022; Russia's Foreign Trade, 2021)

In 2000–2005, China's share in Russia's foreign trade under the most favorable conditions for developing the world economy and positive economic growth of Russia ranged from 4.1% to 5.5%. In 2009, with a negative growth rate of world trade turnover and a decline in Russia's GDP, China's share increased to 8.4%. In the quadrant that characterizes unfavorable conditions for developing foreign economic relations between the countries, the indicator was also in 2020; the share reached a value of 18.3%. In the quadrant with negative growth rates of global trade turnover and positive economic growth of Russia were the 2012, 2016, and 2019 values. However, these circumstances did not prevent the growth of mutual trade between Russia and China.

Based on the grouped statistical data presented in Figure 1, it can be said that the level of relations between Russia and China has increased. Currently and within the considered retrospective data, China ranks first regarding trade turnover. The high position cannot be noted in Russia's ranking in terms of trade turnover with China. However, positive dynamics in this aspect should not be excluded. In 2020, Russia was not among the top 10 trading partners of China. By 2022, Russia's percentage share reached 3%, ^{reaching ninth} place in the ranking. Western partners still hold the largest shares in trade turnover with China (Bolotnova et al., 2020).

The authors note that the length of the Russian-Chinese border is 4163 km; the Russian border subjects include the Trans-Baikal Territory, Altay, Primorye Territory, Amur Region, Khabarovsk Territory, and Jewish Autonomous Region. Economic and political

collaborations between these regions and China are important for both sides. China's percentage in their foreign trade varies from 33% to 98.3% (Savenkova et al., 2023). Regardless of whether a given Russian entity shares a common border with China or not, all 85 entities have China among their import and export partners. Table 1 presents the results of grouping entities by the share of their trade partnership with China according to the data for 2021.

Table 1

Distribution of the subjects of the Russian Federation by the share of their trade partnership with China in 2021

| Group ID | Score interval | Constituent entity of the Russian Federation |
|----------|----------------|--|
| 1. | 0.8%–17.05% | Belgorod Region, Bryansk Region, Vladimir Region, Voronezh Region, Kursk Region, Orel Region, Smolensk Region, Tambov Region, Republic of Karelia, Arkhangelsk Region, Pskov Region, Sevastopol, Lipetsk Region, Republic of Adygeya, Republic of Crimea, Krasnodar Territory, Kostroma Region, and all remaining regions. |
| 2. | 17.6%–33.31% | Republic of Bashkortostan, Ivanovo Region, Kaluga Region, Moscow, Yaroslavl Region, Republic of Mordovia, Udmurtian Republic |
| 3. | 33.32%–49.57% | Khabarovsk Territory, Yamal-Nenets Autonomous Area, Republic of Tuva, Irkutsk Region, Republic of Buryatia, Primorye Territory |
| 4. | 49.58%–65.83% | Amur Region |
| 5. | 65.84%–82.09% | Chukotka Autonomous Area |
| 6. | 82.10%–98.3% | Trans-Baikal Territory, Jewish Autonomous Area |

Source: Compiled and built by the authors based on (Federal Customs Service of the Russian Federation, 2022)

Based on the statistics presented in Table 1, it can be observed that the regions neighboring China exhibit the highest degree of cooperation, ranging from 49.58% to 98.3%. In addition to these border regions, regions in the third row also demonstrate a notable partnership level, accounting for 33.32%–49.57%. Twenty subjects of the Russian Federation have a partnership share from 17.6% to 33.31%. Other regions range from 0.08% to 17.05%.

Conducting a nomenclature analysis of the commodity structure of Russia's export trade with China, it should be noted that products of mineral origin are prominent. Imports are dominated by complex technical equipment, civilian vehicles, and various types of machinery (Savenkova & Dobrodomova, 2020).

Russia and China are strategic partners. Therefore, their foreign trade relations are characterized by a deepening process.

Table 2 shows the dynamics of economic activity indicators of Russia and China for 2013–2022.

Table 2
Dynamics of economic indicators of China and Russia for 2013–2022

| Indicators | Years | | | Absolute variation, +/- | | Relative variation, % | |
|---|--------|--------|--------|-------------------------|---------------|-----------------------|---------------|
| | 2013 | 2021 | 2022 | 2022/ 2013 | 2022/ 2021 | 2022/ 2013 | 2022/ 2021 |
| Russia's GDP, \$ bln | 2229.4 | 1778.8 | 2209.4 | -20.0 | 430.7 | -0.9 | 24.2 |
| China's GDP, \$ bln | 9635 | 17760 | 18100 | 8465.0 | 340.0 | 87.9 | 1.9 |
| Russia's foreign trade turnover, \$ bln | 842.3 | 786.6 | 850.6 | 8.3 | 64.0 | 1.0 | 8.1 |
| China's foreign trade turnover, \$ bln | 4159 | 6046.7 | 6310 | 2151.0 | 263.3 | 51.7 | 4.4 |
| Trade turnover between Russia and China, \$ bln | 88.7 | 146.88 | 190.27 | 101.6 | 43.4 | 114.5 | 29.5 |
| Russian exports, \$ bln | 527.3 | 493.1 | 591.5 | 64.2 | 98.4 | 12.2 | 20.0 |
| Russian imports, \$ bln | 315.0 | 293.5 | 259.1 | -55.9 | -34.4 | -17.7 | -11.7 |
| China's exports, \$ bln | 2209 | 3362.3 | 3590 | 1381.0 | 227.7 | 62.5 | 6.8 |
| China's imports, \$ bln | 1950 | 2684.4 | 2720 | 770.0 | 35.6 | 39,5 | 1.3 |
| Russia's export quota, % | 23.7 | 27.7 | 26.8 | 3.1 | -0.9 | 13,2 | -3.4 |
| China's Export Quota, % | 22.9 | 18.9 | 19.8 | -3.1 | 0.9 | -13,5 | 4.8 |
| Russia's Import quota, % | 14.1 | 16.5 | 11.7 | -2.4 | -4.8 | -17,0 | -28.9 |
| China's Import quota, % | 20.2 | 15.1 | 15.0 | -5.2 | -0.1 | -25,7 | -0.6 |
| Russia's foreign trade quota, % | 37.8 | 44.2 | 38.5 | 0.7 | -5.7 | 1,9 | -12.9 |
| China's Foreign Trade quota, % | 43.2 | 34.0 | 34.9 | -8.3 | 0.8 | -19,2 | 2.4 |

Source: Compiled by the authors based on (Bolotnova et al., 2020; Rosstat, 2022).

According to Table 2, Russia's GDP in 2022 decreased by \$20 billion (0.9%) compared to 2013 but increased by \$430.7 billion (24.2%) compared to 2021. For comparison, China's GDP in 2022 increased by \$8465.0 billion (87.9%) compared to 2013 and by \$340.0 billion (1.9%) compared to 2021. During the analyzed period, the foreign trade turnover of both countries is also growing: in 2022, it grew by \$101.6 billion (114.5%) compared to 2013 and by \$43.4 billion (29.5%) compared to 2021. As is known, the growth of foreign trade turnover influences the openness of the economy and its openness to foreign trade relations. Export quotas, import quotas, and foreign trade quotas characterize the openness of the economy to foreign trade relations.

This suggests that Russia and China are highly developed countries in terms of economy, science, and technology. Both countries have established partnerships and strategic relations at the highest level.

In 2022, there was a decrease in Russia's export quota compared to 2021; China's export quota was increasing. This means that the dependence of Russia's economy on the export of specific raw materials has decreased, while China's dependence on exports has increased.

In 2022, compared to 2013 and 2021, there is a decrease in the import quota for both Russia and China, indicating a decrease in the significance of imports for their national economy.

In 2022, the national economy of Russia is involved in the world economy by 38.5%, while China's involvement is at 34.9%. Thus, foreign trade has a stimulating effect on both countries' economies. To study the dynamics of development of both countries, it is advisable to consider the intensity of changes in economic indicators.

It was found that the GDP growth rate of Russia is significantly lower than that of China. Over the analyzed period, the growth rate ratios are less than one, indicating a lower level of development of Russia compared to China. However, Russia's development is not standing still, as digital technologies are being implemented in almost all areas of economic activity, and their presence is growing yearly.

Analyzing forecasts for Russian-Chinese relations, it can be assumed that the trade volume between the two countries will increase. This is based on data on the trend of trade turnover in recent years and the use of a mathematical model constructed using a polynomial function with an approximation reliability of 0.7905 according to the point forecast, suggesting an increase in trade volume between Russia and China. It is projected that the trade volume between Russia and China could potentially reach \$311.41 billion by 2025, which is 63.66% higher than the size of mutual trade in 2022. By 2027, this figure may reach \$392.18 billion, which is 106.12% higher than the size of mutual trade in 2022 (Figure 2).

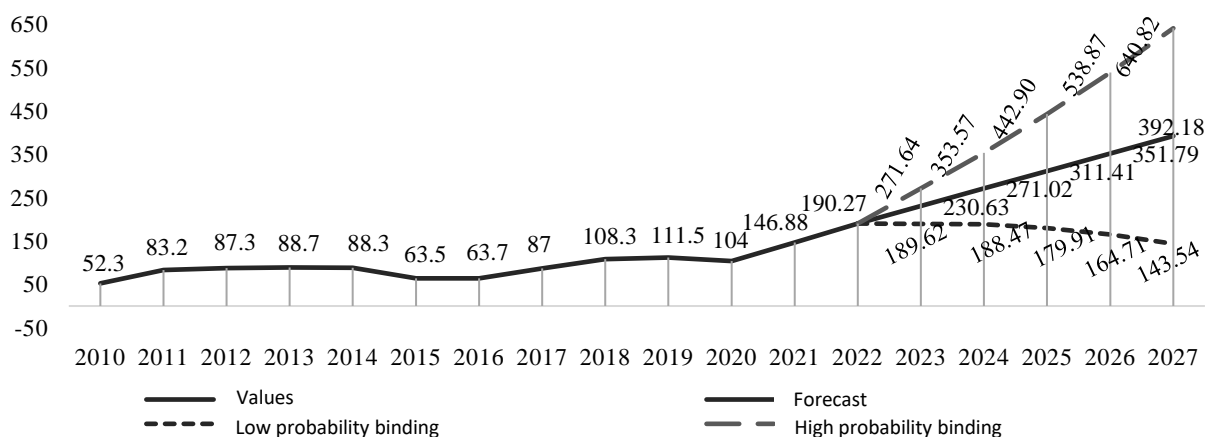


Figure 2

Forecast of trade turnover between Russia and China from 2023 to 2027, \$ billion

Source: Compiled by the authors based (Maidanovich & Babashina, 2016; Rosstat, 2022)

According to the favorable forecast scenario with a high probability, the growth of trade between Russia and China compared to the value in 2022 would reach 236.79% by 2027. However, the pessimistic forecast predicts a decline of 24.55% in this indicator over the specified period.

Changes in the global order, collaborative efforts between the customs agencies of Russia and China, and advancements in digital technologies serve as significant drivers in fostering bilateral relations and promoting trade between the two nations.

For example, on February 4, 2022, a protocol on mutual recognition of authorized economic operator status was signed between the Federal Customs Service of the Russian Federation (FCS RF) and the General Administration of Customs of the People's Republic of China (GAC PRC), making it possible to use intelligent models to simplify customs operations and customs control for Russian and Chinese participants in foreign economic activity. On November 1, 2017, an agreement was reached between the FCS RF and the GAC PRC on cooperation in the field of risk management, which enables the exchange of information in this area and raises the level of bilateral cooperation. Two agreements were signed on June 23, 2016. A protocol between the FCS and the GAC was established to exchange data obtained through the use of inspection-scanning complexes. This collaboration aims to enhance the effectiveness of customs control and mitigate risks associated with the transportation of hazardous and prohibited goods between the two countries. An agreement was made to mutually recognize the outcomes of customs control for specific categories of goods (Federal Customs Service of the Russian Federation, 2022).

Due to the usage of advanced digital technologies, the FCS of Russia, as a permanent member of the Joint Target Group of the World Customs Organization-ESCAP on cross-border electronic data exchange, participates in project activities working to improve interaction in the field of paperless data exchange and developing templates for its implementation in a multilateral format. It is worth noting the result of 2022. The FCS of Russia worked on about 2000 requests with the customs services of 60 countries, 414 of which were addressed to the customs services of China. Information received from foreign partners and FCS of Russia's foreign representations was used in collecting customs duties in the amount of 140.9 million rubles, investigating 14 criminal cases and 148 cases of administrative offenses, and the realization of 18 detained vehicles worth more than 6.1 million rubles in accordance with the established procedure (Federal Customs Service of the Russian Federation, 2022).

Russia currently widely uses advanced information technologies in customs activities, including within the framework of state regulation of foreign economic activity. The first step in the context of the digitalization of customs activities within the framework of simplification and optimization of foreign trade procedures was the formation of a single window. An example of such a concept is the Automated Customs Data Processing System (ASYCUDA) (UNCTAD, n.d.). This is UNCTAD's largest technical assistance program. It supports the customs authorities of more than 100 countries in speeding up customs operations and facilitating trade.

Speaking about the processes of digital transformation in foreign trade as a whole and comparing the level of maturity of advanced technologies in Russia and China, according to the United Nations Conference on Trade and Development (n.d.), the overall index of the two countries is almost at the same level – 0.76 and 0.79, respectively. However, in terms of the index, Russia lags behind China in such positions as sources of financing, industry activity (i.e., simultaneous use, implementation, and adaptation of advanced technologies), and R&D activity. Russia is more advanced than China in terms of the level of availability of sufficient

ICT infrastructure and its spread, as well as in possessing human skills for the use, implementation, and adaptation of advanced technologies (Isakov, 2022).

Thus, digitalization can confidently be regarded as a driver of development in the external trade relations between Russia and China.

Discussion

For further research on Russian-Chinese relations, it is advisable to study the costs of implementing and utilizing digital technologies in Russia. Additionally, it would be useful to build regression models for trade turnover as a function of the size of Russia's and China's GDP, the inflation rate in both countries and the costs associated with the adoption and use of digital technologies in Russia. It is crucial to assess the adequacy of the constructed models, determine the likelihood of relationships and dependencies between the examined metrics, and conduct a quantitative analysis of the impact of costs on the integration and utilization of cross-cutting digital technologies in Russia on the trade turnover with China.

Conclusion

With the emergence of a multipolar world and a shift away from an imbalanced global development model, Russia is actively working towards enhancing its strategic partnership with China in today's international relations. This research revealed a consistently positive change in the framework of cooperation between the two countries from 2000 to 2022, unaffected by the unstable economic growth of the Russian Federation or global changes. In 2021, Russia entered the top 10 partners of China in foreign trade. China has been Russia's top partner in trade in recent years. An analysis of Russian-Chinese trade relations across all regions of Russia showed that China is a partner country for all Russian regions, with neighboring regions having the largest share of partnership.

The forecast for further cooperation between Russia and China showed a confident growth trend until 2027. This is attributed not only to the pursued direction in fostering bilateral relations but also to the synchronicity in the economic progress and openness of both nations, alongside the proactive collaboration between their customs services and advancements in digital technologies that enhance the efficiency of customs operations in both countries.

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