**RUSSIAN - CHINESE TRADE: CURRENT TRENDS AND PROSPECTS**

**Dr. Ninel Seniuk,** Associate Professor NRU HSE

**seniuk.ninel@gmail.com**

   Russian–Chinese trade, despite the volatility of its dynamics, has a solid history and very stable and positive trends. These trends are objectively determined by the high potential for complementary of national economies with a dynamically changing trade structure. In the 90s Russia acted as an exporter of wide range of goods to China, including a significant share of machinery and industrial equipment, albeit with a relatively modest volume of trade. In particular, in 1998 it amounted to only $5.4 billion, while Russian exports were twice as high as imports from China. On the other hand, receiving a noticeable and growing flow of Foreign Direct Investment after 1992, especially enhanced after county’s accession to the WTO at the end of 2001, China rapid industrialization and gradual transformation into a “Global Factory” led to the fact that starting from 1994, domestic consumption of oil and gas began to lag behind its domestic production more and more. Over the time, these trends has increasingly strengthened the fuel and raw materials dominant in Russian export, especially after the “Power of Siberia” gas pipeline was agreed in 2009 and in 2013/14 put into operation. Further, similar projects “Yamal LNG” and “Arctic LNG-2” were implemented, which made it possible to increase China’s share in Russian foreign trade from 10.5% in 2013 to about 19% by the end of 2021 (more than $140B). In other words, over 23 years, mutual trade has grown 26 times.

In May 2022, an unprecedented surge in Chinese imports, due to an almost threefold increase in the supply of oil under West sanctions, purchased by China with a discount of 20-30 percent. At the same time, we saw the strengthening of the dynamics of mutual trade in the period after the beginning of the US-China tariff war, starting from 2017, and the rapid (by almost 48% to $8.92B) growth of Chinese exports in the first two months of 2022 against a deep decline to $3.8B in March, after the outbreak of Russian war in Ukraine, most noticeable compared to the consequences of the COVID-19 pandemic. This is 7.7% lower than the same period in 2021.

As a result, China with an indicator of $140.7В in mutual trade, according to the Federal Customs Service (FCS) of Russian Federation, increased by 35.2% over the year. Chinese data, due to different methods of accounting in Foreign Trade for the cost of intermediaries from third countries, show higher figures: mutual trade in 2021 reached $146.9B, while Russian exports amounted to $79.32B against $67.57B for imports. Despite these discrepancies, they all indicate that China confirms its place as Russia’s first trading partner, far ahead of its closest competitor - Germany with $57B and growth rate of 35.7%. At the same time for China Russia is only the 9th partner, where the U.S. leads with a trade turnover of $755.7B, although it leads in terms of export growth to China (an increase of 49.2% in 7 months 2022). Against this background, the mechanism of the noted decline, due to the fear of Chinese firms to receive secondary sanctions, also becomes quite clear, if we take into account the Kazakh re-export that soared skyward. In particular, in the first half of 2022, Kazakhstan increased re-export of Chinese smartphones by 2000 times (from $36,8K to $78M) and processors by 121 times.

As for the structure of mutual trade, the share of hydrocarbons due to Russian FCS data is 67.5%, including 50.8% for the crude oil and products, the supply of which increased by 45.53% in 2021 against the backdrop in the supply of metal (by 45.58%) and chemical products (-18.42%). However, in absolute terms, these contributions are not comparable, if the cost of Russian oil supplies exceeds $40B, then the volume of metal supplies is only $1.2B and $1.3B in the case of chemical products. At the same time, in the structure of Russian import from China in 2021, almost half (49.2%) are machinery and industrial equipment, compared to 47.6% in 2020. Following the results of the Russian-Chinese summit in Beijing on February 4, 2022, such dynamics gave the reason to draw up a roadmap for further growth in joint trade up to $200B by 2024, although Xi Jinping raises the bar to $250B. To a large extent, the achievability of this task is facilitated by the rapid dynamics of the increase in the share of national currencies in mutual settlements, due to which the share of the yuan, for example, increased 3.5 times over 7 years, from 3.1% in 2014 to 17.9% in 2021.

   Such dynamics with the leading role of the raw materials from Russian exports and the engineering component from China, taking into account the anti-Russian sanctions of the West and the uncertainty of the prospects for the continuation of the US-Chinese tariff war, looks realistic, but no means clouds. On the one hand, it is very eloquent that through this entire period, due to fear of anti-Russian sanctions, the real problem for Russian entrepreneurs was opening an account in a Chinese bank. For the same reason, large companies in China are also cautious. In particular in March 2022 the leading Chinese oil company “Sinopec” announced the termination of negotiations with the Russian partner “Sibur “ on investing in the construction of a new  plant as a part of the Amur Gas Chemical Complex in the amount of $500M. At the same time, China almost blocks Russian exports from Primorye region or buys everything for next to nothing, primarily in the fish and seafood trade, and many influential Chinese believe that during the sanctions, Russia received more from China than given in return. First of all, we are considering the latest Russian developments in the field of weapons, which significantly affects the mood in the party leadership on the eve of the 20th Congress of CPC. In addition, China is counting on creating special privileges for Chinese business in Russia, but has not receive them yet.

   On the other hand, Russia also counted on greater support from China in solving its economic and technological problems resulting from direct sanctions as well as the application of the so-called Foreign Direct Product Rules (FDPR) to it by the United States and partners. Especially when it comes to high-end semiconductors, chips and telecommunication equipment, as well as bio pharmaceutical production, which is critically dependent of the supply of imported substances and new technologies. At the same time Russia is far from getting everything it needs from China, and besides, it really does not want to act as a junior partner of Beijing. Another important factor of psychological deterrence is the unwillingness of Russian partners to effectively interact with Chinese business due to their Western-centric mentality, as well as the lack of proper competence and experience.

   In general, the actual state of Russian-Chinese trade can be diagnosed as volatile growing on the basis of current prices, however close to saturation, determined by balance of opportunities and needs and global price environment, primarily for energy resources. This state also predetermines the immediate aforementioned future, which looks realistic. It is this period of the nearest future that is essentially bifurcational in nature with a high degree of geo-economic, geopolitical and even geostrategic uncertainty and complexity. Undoubtedly, this is a time of change and the transition of the world order to a certain qualitatively new stage. At the same time leading actors, to whom undoubtedly belongs China and Russia, are trying to find zones and points, if not stable, then at least short-term global equilibrium, which generates volatility in the observed trade and economic dynamics in the context of global interdependence.  And it is this volatility that will most likely accompany the dynamics of Russian-Chinese trade in the nearest future.