The Export Of Russian Oil To China And Its Impact On The Development Of Both Countries’ International Economic Cooperation

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Abstract.
The article discusses the economic cooperation and dynamics of development of trade and economic commodity relations in the energy sector, precisely speaking in the oil market between the Russian Federation and the People's Republic of China. The data on the current state of trade turnover, planned projects for the development of joint cooperation, as well as the prospects and benefits of such a partnership for the domestic economy in the oil industry.

**Key words:** oil industry, international economic cooperation, foreign trade, export, Russian Federation, People's Republic of China.

The current situation of Chinese and Russian economic relations is a comprehensive partnership of equal trust and strategic cooperation. This is illustrated by the steady growth of the import and export index in recent years. Both countries have their own objective reasons. According to the opinion of the Ministry of economic development of the Russian Federation, the medium-term development direction of foreign trade is mainly to develop relations with China, which is the most important economic partner of the Russian Federation because of the current political situation with the EU and the United States of America. In such condition the volume of trade between China and Russia is growing rapidly. Compared with the previous years of the analyzed period, the growth rate is 63.8% in comparison with 2016 and 28.9% in comparison with 2017 respectively. Export increased by 100.4% and 30.8%; import increased by 37% and 27% compared to 2016 and 2017.

Figure 1. Dynamics of trade between Russia and China, billion US dollars (2016-2018)

Russia is important economic and political partner for China, because of the General orientation of foreign policy of China, characterized by the promotion to the West within the implementation of the state "One Belt One Road" program, which is the unity of "the Silk Road Economic Belt" (which is the modernization of the transport infrastructure for an in-depth introduction to Western markets) and "the Maritime Silk Road of the XXI century" (the
establishment of sea routes to the Southern Ocean region and to the EU countries bypassing the US. As part of the implementation of the Silk Road Economic Belt, the two countries plan to arrange railway routes from China through Russia and Kazakhstan, the member states of the Eurasian Economic Union to the Baltic Sea, as well as in the direction of Germany and Holland through Belarus.

It is also worth noting that the Chinese economy is currently suffering from a lack of natural resources as a result of the rapid increase in the pace of domestic production. This is especially strong in the shortage of oil: China is the world's largest importer of oil (8,400 thousand barrels per day).

This indicates that China is interested in developing and maintaining stable political and economic relations with the Russian Federation as the world's second largest oil exporter after Saudi Arabia. (5100 thousand barrels per day) At the same time, the purchase of Russian oil is preferable for China: domestic oil producers consistently supply quality product (ESPO grade product, produced in Eastern Siberia and delivered by pipeline to the Pacific Ocean), as well as in view of the successful logistics component - the delivery of Russian oil is much cheaper. In addition, the Chinese government does not want to increase its dependence on the Middle East.

On the basis of official statistics provided by the Federal customs service in the period 2016-2018 on the export of Russia to foreign countries, it is possible to trace the following dynamics of oil exports to China in Table 1:

<table>
<thead>
<tr>
<th>Commodity classification of the EAEU’s Foreign Trade Activity</th>
<th>Export (thousands of US dollars)</th>
<th>2018 in % compared to 2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral fuel, wax, oil and products of their distillation; bituminous substances;</td>
<td>17 862 378</td>
<td>25 263 458</td>
<td>41 226 438</td>
<td>230,8</td>
</tr>
</tbody>
</table>

Thus, in 2018, Russian oil exports to China amounted to 4226438 thousands US dollars, which is more by 15962980 thousands US dollars compared to 2017, and more by 23364060 thousands US dollars compared to 2016. The growth of export indicators of oil turnover amounted by 63.2% compared to the indicators of 2017 and exceeded the indicators of 2016 by 130.8%. As we can see, there is a stable growth of export indicators in the analyzed period, which confirms the above justification of the positive direction of development of Russian-Chinese relations.

Looking at the statistics, it is obvious that for the Russian Federation oil exports have the largest share in the total volume of trade with foreign countries. Looking at the commodity structure of export-import operations, the goods of the fuel and energy complex in 2018 amounted to 286.7 billion US dollars, which amounted to 63.7% of the total export revenues. This is more than in 2017 by 74.4 billion US dollars (as a percentage-35%), and also exceeds the figures of 2016 by 109.7 billion US dollars (as a percentage - 62%). It should be noted that the share of exports from fuel and energy products alone in 2018 is approximately equal to the total actual volume of Russian exports in 2016.

This positive dynamics of oil exports has a positive impact on the development of economic relations between Russia and China and shows the most significant increase in trade turnover among all economic partners: in 2018, the trade turnover amounted to a historical value for the
domestic economy of 108.3 billion US dollars - previously, trade with any other country did not reach 100 billion US dollars. The trade turnover's indicator in 2018 is more by 24.3 billion US dollars than in 2017 (28.9% as a percentage) and more by 42.2 billion US dollars than in 2016 (63.4% as a percentage). Export in comparison with 2017 in 2018 increased by 13.2 billion US dollars (30.8% as a percentage), compared with 2016 by 28.1 billion US dollars, and amounted to 56.1 billion US dollars. This value actually exceeds the export values of 2016 by two times: the export growth is 100.4%. Imports in the analyzed period increased by 11.1 in 2017 (27% as a percentage).

The countries do not plan to stop there - currently active work is underway to develop joint future projects. At the moment, the Chinese national oil and gas company (CNPC) is entering into new Russian oil and gas projects and is discussing plans for cooperation with “Rosneft”, “Gazprom”, “Gazprom Neft” and “NOVATEK” that are the largest oil-producing domestic corporations. In particular, the Chinese had the opportunity to acquire shares in “Rosneft’s” oil and gas projects in Russia's two main oil and gas provinces – Western and Eastern Siberia. The Russian company has also planned a new project in the field of gas engine fuel with another Chinese partner– “Beijing Gas”.

The benefit of the Chinese side is clear- China, as one of the world's largest importers of oil and gas, intends to conclude and implement contracts in its own currency, and not in US dollars, which can be one of the main steps in the formation of the yuan as a world reserve currency. It will also allow the partner to maintain stable and independent supplies of the necessary resources without any transit risks and the political situation in Africa and the middle East. The Russian side, in turn, is taking part in the development of the gas and oil industries, linking the producing fields to the needs of domestic consumers and potential employees with the appropriate infrastructure.

Summing up the work, it is worth noting that Russian oil is one of the key factors that has the influence on the development of Russian and Chinese economic relations because it is the important for the Russian Federation as the main element to fill its own budget and for People's Republic of China as a fundamental resource to sustain its own production. Maintaining a stable flow of goods and expanding opportunities for cooperation in this area will undoubtedly have a positive impact on the development of relations between world political leaders.

References