

## THE “BELT AND ROAD” INITIATIVE AND THE GREATER EUROPE AND ASIA PARTNERSHIP—ECONOMIC AND TRADE COOPERATION AND DEVELOPMENT BETWEEN CHINA AND RUSSIA

**Abstract.** President Xi Jinping first proposed the grand strategic concept of “One Belt, One Road” in September and October 2013. The "Decision of the Central Committee of the Communist Party of China on Several Major Issues Concerning Comprehensively Deepening Reform" adopted by the Third Plenary Session of the 18th CPC Central Committee clearly stated that "accelerate the interconnection of neighboring countries and regional infrastructure, and promote the Silk Road Economic Belt and Maritime Silk Road construction and the formation of a new pattern of all-round opening." The report of the 19th National Congress of the Communist Party of China pointed out that “the door to China’s opening will not be closed, and it will only grow wider. We should focus on the construction of "one belt and one road", adhere to the principle of "bringing in and going out", abide by the principle of "sharing and sharing together, and strengthen the opening and cooperation of innovative capabilities, and form an open pattern of land, sea and interior linkage and East West two-way mutual aid".

**Keywords:** economic and trade cooperation, the «Belt and road».

The “Belt and Road” Initiative is essentially a new strategy for China to open up to the interior of Europe and Asia. It is an important concept for China’s economic development and diplomatic undertakings. In response, Russia actively responded and supported the proposal of President Xi Jinping to jointly build the Silk Road Economic Belt. Russia is also willing to link the Trans-Eurasian Railway with the “Belt and Road” to create greater benefits. President Xi Jinping visited Russia to attend the celebration of the 70th anniversary of the victory of the Russian Patriotic War in May 2015. He signed the "Joint Statement on the Construction of the Silk Road Economic Belt and the Construction of the Eurasian Economic Union" and the "Joint Statement on Deepening the Comprehensive Strategic Collaboration Partnership to Promote Cooperation and Win-Win" with President Putin, which has opened a new era of Sino-Russian cooperation. Putin gave a speech on the Greater Europe and Asia Partnership at the “Belt and Road” Forum held in Beijing in May 2017, and proposed a strategic consensus between China and Russia on the future development of Europe and Asia. In July of the same year, General Secretary Xi Jinping visited Russia. The Chinese and Russian heads of state signed the "Joint Statement of the People's Republic of China and the Russian Federation on Further Deepening the Comprehensive Strategic Cooperation Partnership" and approved the “Treaty of Good-Neighborliness and Friendship and Cooperation between the People's Republic of China and the Russian Federation. Implementation Outline (2017 to 2020)”. These forward-looking and long-term guidance documents have strengthened the strategic and mutual trust between the two sides in order to maintain a high-level development of bilateral relations under the new situation.

### I. Bilateral trade cooperation between China and Russia

At the beginning of the disintegration of the Soviet Union, the trade between China and Russia was only about 6 billion US dollars. The trade and exchanges between the two countries have developed rapidly over the years, from simple energy and goods trade to all aspects of cooperation in all areas, such as investment, high technology, finance, infrastructure, agriculture, etc. Economic and trade cooperation is accelerating the transformation from scale to quality and efficiency.

The “Belt and Road” initiative was launched since 2013. Russia experienced economic recession, weak growth, tumbling of rubles, and changes in international markets and sanctions by Western countries after the regional crisis caused by the Ukrainian conflict in 2014. The volume of Sino-Russian bilateral trade has fallen sharply and the growth rate of trade has begun to decline. In 2017, China’s exports to Russia increased by 14.8% to US\$42.876 billion. Russian exports to China increased by 27.7% to reach 41.195 billion US dollars. China has maintained Russia's status

as the largest trading partner for eight consecutive years, and Russia ranks 11th among China's major trading partners.

From the perspective of trade structure, the trade structure between China and Russia is relatively simple and has remained unchanged for many years. Similarly, Russia's exports of energy to China account for a relatively large proportion of energy raw materials, and its commercial structure and foreign trade are fully consistent with each other, fully reflecting the characteristics of Russian energy as an economic entity. Russia has the absolute competitive advantage of resource endowment, mainly exporting oil and gas products, military products, mineral products, animal products and wood products. Russia became China's largest oil source country for the first time in 2016. Russia's oil and gas exports to China reached US\$25 billion in 2017.

China's main exports to Russia are labor-intensive products, such as textiles, clothing, footwear, home appliances and other consumer goods. Along with the adjustment of China's overall foreign trade structure, the proportion of machinery and equipment exported by China to Russia has also increased, accounting for nearly 50%. However, such products are still dominated by general technology-intensive products such as telecommunication recording equipment, office equipment and home appliances, and lack of high-tech products. However, China's exports of consumer goods, cars and home appliances have suffered as inflation, reduced disposable income and the plunged ruble in Russia.

From the perspective of trade subjects, China and Russia are accompanied by a shift in trade patterns from chaotic and disorderly to orderly free trade. Some small enterprises lacking economic strength gradually withdraw, and large and medium-sized enterprises with strong economic strength and standardized operations occupy the trading position of the Sino-Russian trade market. However, from the perspective of long-term cooperation and development, China attaches more importance to deep cooperation with Russia's large enterprises in the aviation field, space and other high-tech fields. Russia also hopes to further cooperate with China's powerful enterprises in high-tech fields such as construction, processing, and new materials.

## **II. China and Russia cooperation in investment**

As an important emerging economy, Russia has a large potential investment market. After Russia entering into WTO, it relaxed restrictions on investment in foreign and domestic investors and encouraged foreign and private capital to invest in the Russian market. In recent years, Russia have introduced the leapfrog development area and the Vladivostok free port policy, and introduced the preferential policies for attracting investment successively. Russia is the 43rd most competitive country and region in the world, according to the "world economy BBS global competitiveness report 2016-2017". Russia ranks 40th among the world's 190 economies in ease of doing business in the "World Bank's Business Environment Report 2017". In order to attract foreign capital, Russia has introduced a series of preferential policies and measures to attract foreign capital, such as simplifying the procedures for foreign capital, lowering the threshold for foreign investment by amending relevant laws and regulations, and set up a "Russian direct investment fund". Foreign investment mainly focuses on manufacturing, mining, wholesale and retail trade, financial insurance and real estate.

China's investment in Russia has shown a relatively rapid growth Since 2011. In terms of country rankings for Russian investment, China has become the fourth largest investor after Cyprus, the Netherlands and Luxembourg. China's direct investment flows to Russia were US\$ 1.293 billion in 2016. The stock of direct investment was US\$ 12.98 billion by the end of 2016. The total scale of China's investment in Russia, including direct investment and equity investment, reached US\$ 32 billion which is the fourth largest investment entity in Russia.

China's direct investment in Russia is concentrated in the fields of forestry mining, agriculture, mining, commerce, services, processing and construction. China attaches due weight to cooperation with large Russian investment projects and tries to sign intergovernmental agreements as much as possible to ensure the smooth progress of the project. In the projects invested by China, China emphasizes the use of Chinese labor and the purchase of Chinese equipment. Although

Russia's cooperation in certain areas is called bilateral cooperation, the implementation of the project relies entirely on the strength of the Chinese side. This is especially true for infrastructure development projects in border areas. Chinese workers who work in Russia have been concentrated in the agriculture, construction and wood processing industries in the Far East and Siberia. Chinese enterprises signed 255 contracts for new contracted projects in Russia In 2016. The newly signed contracts amounted to 2.695 billion US dollars. In the same year, 2728 laborers were dispatched, and 14540 laborers still were in Russia at the end of the year.

China's investment in Russia is currently concentrated in infrastructure such as energy, mining, forestry, construction real estate and transportation and electricity, with a small portion of investment flowing into other industries, including finance, technology, automotive and agriculture. China's direct investment in Russia is mainly concentrated in Moscow and surrounding areas, St. Petersburg and surrounding areas, the Russian Far East, Tyumen, Kaluga, Rostsko, Tula, Lipetsk and Ulyanovsk region and other places. The more famous Chinese investment in Russia includes the following projects. Sinopec and Russian oil company (Rosneft) jointly acquired a 96.7% stake in Udmurt Oil Company for US\$3.49 billion in 2006. Russian oil company (Rosneft) subsequently acquired 51% of Udmurt Petroleum Company from Sinopec. Equity. The acquisition has made Sinopec the most abundant Chinese company in Russia, and this is the first time China has entered the Russian oil industry. CIC subsidiary invested US\$2.04 billion in a 12.5% stake in Uralkali in 2013. Novartis Russia and PetroChina signed a sale and purchase agreement for a 20% interest in the Yamal LNG project in September 2013, which entered into force in March 2014. According to the agreement, China is responsible for assisting in attracting funds from Chinese financial institutions; it also stipulates that Novatec will supply China with a long-term contract of not less than 3 million tons of LNG per year. China Silk Road Fund purchased a 9.9% stake in the Yamal Gas Integration Project invested by the latter from Novartis, Russia in 2015, and will provide a loan of approximately 730 million Euros for a period of 15 years to support the construction of the Yamal project. In addition, China National Petroleum Corporation holds 20% of the Yamal gas integration project, and China holds a total of 29.9% of the Yamal project. After several years of hard work, AVIC Forestry invested nearly US\$400 million to build a forestry project in Tomsk, Russia, including a 200,000 cubic meter MDF project, a 200,000 cubic meter project, and a 100,000 cubic meter rotary cut Single board projects, etc. Fuyao Glass completed the first phase of the automotive glass project invested in Lucca in 2015, which has two phases, with a total investment of approximately US\$200 million. Haier invested US\$50 million to build a refrigerator manufacturing plant in the city of Cherni in the Republic of Tatarstan, Russia in 2016. Chengtong Group invested 350 million US dollars to build the Greenwood International Trade Center in Moscow in 2010, which is China's largest business investment project in Russia. At present, the Greenwood International Trade Center is undergoing the expansion of the second phase of the project. The second phase of the project is expected to invest RMB 1.4 billion and will be completed by the end of 2018. Chinese enterprises investing in construction projects also include Great Wall Motor plans to build an automobile manufacturing plant with an annual output of 150,000 vehicles in Tula, Lifan Motors plans to build an automobile manufacturing plant with an annual output of 60,000 vehicles in Lipetsk, and Conch Group It is planned to build a cement plant with a daily output of 5,000 tons of cement in Ulyanovsk region. The newly signed large-scale project contracting projects include Huawei Technologies Co., Ltd. to build the Russian St. Petersburg Agricultural Products Logistics Park, and China Chemical Engineering Seventh Construction Co., Ltd. to build the Xibuli company ZAPSIB-2 project.

Though China's direct investment in Russia is unsatisfactory, investment in equity and other forms of loans and financing in various fields in Russia are quite large. These equity investments, project loans and financing have undoubtedly played a role in helping Russia, which is now under Western economic sanctions and in urgent need of funds to develop its economy. China Development Bank alone has a total of US\$62 billion in loans and other off-balance sheet financing to Russia in recent years, accounting for about one-sixth of China's National Development Bank's external loan financing.

Russia's investment in China is mostly concentrated in manufacturing, construction and transportation. There are some of the successful projects that are being currently implemented in Russia:

- In 2010, Russia's "Petroba Pavlovsk" company ( ГК «Петропавловск») and Heilongjiang Jianlong Group Co. (Heilongjiang Jian long Group Co.) jointly established a factory in Shuangyashan City, with a total investment of 1.8.Tens of millions of dollars;
- In 2005 and 2008, Rusal Group invested US\$150 million to purchase two plants in Shanxi Province for the production of cathode blocks;
- A refinery invested by PetroChina (НК «Роснефть») and PetroChina in Tianjin. The total investment of this project is 5 billion US dollars, and Russian investment accounts for 49% of the total investment. At present, the project has passed the technical feasibility study. Construction began in 2014;
- Gubikesh Engineering Plastics Co., Ltd., jointly invested by Kubyshev Nitrogen Technology Co., Ltd. (ОАО «Куйбышев Азот») and Shanghai Heyi Trading Company, was established in Shanghai with a total investment of 18 million US dollars and Russian investment of 8.1 million dollar;
- Shanghai Longxin Special Cable Co., Ltd., jointly established by the Institute of Nuclear Physics of the Siberian Branch of the Russian Federation and Shanghai Heavy Steel («Чжун ган»), has a total investment of 4.83 million US dollars and Russian investment of 11,000 US dollars.

Russia invested 69 projects in China in 2013, down 5.5% year-on-year; investment in China was \$22.08 million, down by 26.2% compared to \$29.92 million in 2012. In order to avoid high tax rates, most of the investment funds of Russian companies are transferred to China through branches registered in Hong Kong, which is one of the main reasons for the decrease in statistical data.

Compared with the rapid development of Sino-Russian trade, the slow progress in investment cooperation between China and Russia is mainly due to the existence of more barriers and the failure to reach a state of facilitation. The realization of Sino-Russian investment facilitation can not only optimize the allocation of production factors, but also promote the rapid development of Sino-Russian trade, promote Sino-Russian technological progress, develop new economy, increase employment, and add new impetus to Sino-Russian economic growth. To this end, the Chinese and Russian governments have also taken active measures. The Chinese and Russian governments signed the " Sino-Russian Investment Cooperation Program Outline" to provide a more efficient and convenient security system and promote bilateral investment cooperation through the establishment of an inter-governmental cooperation mechanism in 2009. The “ Sino-Russian Investment Fund ” was established in October 2011, mainly for investment in major bilateral cooperation projects between China and Russia, bilateral trade-related projects, Russian privatization and internationalization projects. During the Russian President's visit to China in 2012, he signed a document on the establishment of a Russian-Chinese investment project, which further deepened and promoted the cooperation between the two sides in the investment field. At the 4th meeting of the Standing Working Group on Russia-China Investment Cooperation in Moscow, the Russian Ministry of Economic Development and the China Development and Reform Commission signed the “Memorandum of Understanding on Implementing the Outline of the Sino-Russian Investment Cooperation Plan” in August 2013. This memo aims to change the traditional form of economic cooperation over the past 20 years and transform it into a higher and more innovative mode of cooperation. In May 2015, President Xi Jinping visited Russia, and China and Russia signed 32 agreements with a total value of 25 billion US dollars. These include China's multi-billion dollar infrastructure loans to Russia, a \$6 billion credit line agreement between the Russian Federal Savings Bank and the China Development Bank.

The investment projects between China and Russia have been promoted and implemented by funds jointly invested by the two countries under the background of the “Belt and Road” construction. The Sino-Russian investment fund is one of the most active institutions and has

achieved remarkable results. Four Sino-Russian investment cooperation plans were announced at the St. Petersburg International Economic Forum in May 2014, involving infrastructure, real estate and mining. These projects will be implemented through the Sino-Russian Investment Fund. In the same year, the Sino-Russian investment fund also cooperated with OJSC Far East and the Inner Lake Development Fund for a total investment of 400 million U.S. dollars to build the first cross-border bridge between China and Russia on the Heilongjiang River. Upon completion, it will greatly ease the backwardness of Sino-Russian trade infrastructure in the Far East border trade and promote the growth of border trade between the two countries. In addition, the fund also established a RMB 5 billion fund with Tianjin Yongtai Hongqi Group to invest in tourism infrastructure and pension communities in China and Russia. In the future, the fund will also tend to be more diversified in the investment field. In addition to traditional industries such as agriculture, natural resources and energy, it is also interested in the logistics, medical and telecommunications services industries.

It is believed that the step-by-step realization of China's new Silk Road construction will bring new impetus to investment cooperation between China and Russia, and the key areas for investment will be infrastructure. As a party wishing to introduce investment, Russia should strive to build an appropriate investment environment and minimize the obstacles to investment in the administrative management system and bureaucratic atmosphere.

### **III. The construction of the Silk Road Economic Belt promotes the deep development of Sino-Russian energy cooperation**

The energy cooperation with Russia in the “Belt and Road” construction plan is a very important part. Russia has a positive attitude towards this, and Sino-Russian energy cooperation is also more strategic for both sides.

1. Sign the oil and gas agreement and expand the scale of energy cooperation.

In May 2014, China and Russia finally reached a 30-year long-term gas supply agreement for the eastern section of the natural gas pipeline after more than 10 years of negotiations. “The Memorandum of China-Russia Eastern Natural Gas Cooperation Project” between the governments of China and Russia, and “the China-Russia Eastern Gas Supply and Sale Contract”, between the Petroleum and Natural Gas Corporation of China and the Natural Gas Industry Corporation of Russia were signed in Shanghai. The signing of the big contracts means that two giant gas fields will be developed to ensure that the annual gas supply reaching 38 billion cubic meters, and the scale of energy trade has made a qualitative leap between the two countries. China and Russia agreed to implement the solution to the pipeline construction and related financing and technical issues as soon as possible, and ensure that the goal of supplying gas in 2018 and gradually increasing the gas supply volume will be achieved. On November 9 of the same year, the two countries also made substantial progress in their cooperation in the western pipeline. China and Russia signed the “Memorandum on Cooperation in the Field of Natural Gas Supply from the Russian Federation to the People's Republic of China through the western pipeline”, and the “Memorandum on The Russian West Route framework agreement for supplying natural gas to China between CNPC and the Russian Natural Gas Industry Corporation”. Under the agreement, Russia will supply an additional 30 billion cubic meters of natural gas to China annually through the Altai pipeline from western Siberia for 30 years. The two agreements signed in 2014 accounted for 17% of China's consumption by 2020, making China the largest natural gas customer in Russia over Germany.

Russia has a bad relationship with the United States and European countries, and Russia has turned to China to promote its economic growth due to the Ukrainian crisis. Since then, the “One Belt, One Road” platform has ended the 10-year gas supply negotiation between China and Russia. The two countries have successfully reached an agreement, which also makes Russia more dependent on China not only in economy but also politics, and China is a stable consumer country with huge market potential and rich financial resources, which has also made the two countries more dependent.

2. Strengthen energy infrastructure construction and promote interconnection.

At present, China's natural gas pipeline imports are all from Central Asia. Three transnational natural gas pipelines were completed and put into operation in Central Asia. The fourth line of the Central Asian natural gas pipeline D was officially started in September 2014. Most of China's natural gas imports and its natural gas fields are now from the west, while the gas market is in the east. Along with the deepening of oil and gas cooperation between China and Russia, the construction of the eastern line will greatly improve the gas supply pattern for China. The eastern gas pipeline was started in Russia in September 2014 and will be completed in 2018. This move means that the global land-based gas supply will shift to the Asia-Pacific region and may extend to other Asia-Pacific countries in the future.

During President Xi Jinping's visit to Russia, the two sides signed a cooperation agreement on the supply of crude oil to China through the East and West. The total annual supply of crude oil will reach 22 million tons, including gradually increasing the supply of 15 million tons of oil from the existing Sino-Russian crude oil pipeline on the east line. The total oil supply will reach 30 million tons from 2018. Oil is supplied to China from 7 million tons to 10 million tons per year through the Sino-Kazakhstan crude oil pipeline. In the future, Russia will supply 9.1 million tons of crude oil to the Sino-Russian Tianjin refinery through shipping annually. Russia's annual supply of crude oil to China is expected to increase to 49 million tons.

The total length of newly built oil and gas pipelines in China was about 6,800 kilometers in 2014, which was 4,800 kilometers less than the newly built 11,600 kilometers in 2013, a drop of 41%. The construction of oil and gas pipelines slowed down noticeably. Among them, the newly built natural gas pipeline is 4,500 kilometers, a decrease of 4,000 kilometers compared with the same period of last year, a drop of 47%; the newly built crude oil pipeline is 800 kilometers, a decrease of 1,100 kilometers compared with the same period of last year, a drop of 58%; the newly built oil pipeline is 1,500 kilometers, an increase of 300 kilometers, an increase of 25%. With the signing of the oil and gas agreement between China and Russia, the transportation demand for pipeline oil and gas will increase, and the infrastructure construction of the "Belt and Road" energy cooperation will be promoted in a timely manner. The "Belt and Road" strategy will be held at the National Energy Administration to promote international energy cooperation. At the meeting, the energy system was deployed to pragmatically promote the major tasks of the "Belt and Road" energy international cooperation, that is, the infrastructure construction was first carried out, such as oil and gas pipeline network and power corridor in the area of energy channel construction. At the same time, the investigation on the construction of offshore oil and gas transportation channels between the two countries will be carried out to diversify the energy transportation mode and reduce the safety pressure of pipeline transportation.

3. Take the advantage of the complementary nature of energy and economy and promote diversified development of cooperation.

Although the energy economy of China and Russia is highly complementary and the attitudes of the two governments are positive, the oil and gas cooperation between China and Russia still has enormous challenges.

From the perspective of oil and gas exploration, the resources of Russia's Eastern Siberia are significantly smaller than those of Western Siberia, and the mining cost is high. The focus of the Russian oil industry will continue to focus on the development of tight oils in Western Siberia and deep-sea resources in the northwest in long term. The Russian government and companies did not want foreign participants to enter the Russian domestic market in the past 20 years. If the mining area moved to the deep Arctic region, Russia was forced to change its previous attitude of rejecting foreign aid due to lack of experience, manpower and equipment. Cooperation with other countries. This is the case with the Yamal project. Petro China made a major breakthrough in oil and gas cooperation with Russia in January 2014. Petro China and Russia Novate completed the delivery of a 20% stake in Yamal Liquefied Gas (Ямал СПГ) and officially start to take a step in the competition for oil and gas resources in the Arctic region. Russia has encountered a series of sanctions imposed by the West, which has brought challenges and risks to the advancement of the Yamal project. Petro China, which is responsible for the operation of the project, fulfilled the duties

of the Chinese shareholders and actively carried out the work of signing the engineering contract, researching the gas field development plan, financing negotiation, sales and signing of the shipping contract. The Yamal project had completed 26 production wells by the end of 2014, accounting for 44% of the number of production wells required for the first production line. The number of contracts signed for project construction accounted for 88.5% of the contracts to be signed. With outstanding business strength, Chinese companies have undertaken a number of service and manufacturing contracts with a total value of nearly \$6 billion. In particular, Ryukyu Engineering Co.Ltd. and Ocean Engineering Co.Ltd. competed with internationally strong competitors and successfully won the bid. They jointly obtained the module manufacturing contract for the international LNG project of LNG, filling the gap in the construction project of China National Petroleum Corporation LNG module. In addition, China Petroleum Technology Development Corporation, China Petroleum Materials Corporation, and CNPC Tianjin Ruisi Company are all actively involved in the Yamal project. This cooperation has changed the previous model of loan-to-oil exchange between China and Russia. It is a model of integration of investment, financing and trade. That is, China promotes project financing and participates in industrial chain cooperation such as factory construction and natural gas development.

#### 4. Exploration and development cooperation of oil and gas-shale gas in non-traditional fields.

China and Russia have broad space for cooperation in non-traditional oil and gas exploration and development, and development and utilization of new energy technologies. Russia's shale oil and gas reserves are huge, and the ratio of production to storage is obvious. China's shale oil and gas exploration and development technology is constantly maturing and has strong capital. According to the Russian government's regulations allowing independent producers to export shale gas, the independent natural gas producer "OAO «HOBATЭK») and China National Oil and Gas Group Corporation signed a cooperation agreement on the Yamal shale gas. It stipulates that China will acquire 20% shares of the natural gas project in the northwestern Siberia and more than 3 million tons of shale gas every year. President Putin has suggested that Russia will massively exploit shale gas in 2017, and believe that there will be great potential for cooperation between China and Russia in this field.

### **IV. The construction of the Silk Road Economic Belt promotes the cooperative development of China and Russia in other fields**

The deep development of the "Belt and Road" has promoted cooperation between China and Russia in the fields of non-energy, high-tech and innovation. The two countries have also signed important cooperation strategies in transportation and finance. The Chinese government and enterprises have actively participated in the construction of the Far East Development Zone, the Moscow Electric Vehicle Project, the Ulyanovsk Regional Radiological Medical Project, the Penza Agricultural Machinery Assembly Production Project, and the Amur High-tech Development Zone Project. In addition, China-Russia cooperation in high-speed rail, automobile, coal, electronics, and aerospace technology has made great progress.

#### 1. Sino-Russian high-speed rail cooperation

The transformation of the Siberian Railway was the focus of cooperation between China and Russia after the "Belt and Road" plan was proposed in China. The two countries signed nearly 40 important cooperation documents during the visit to Russia by Chinese Premier Li Keqiang in mid-October 2014, of which the signing of the "Memorandum of understanding on Sino Russian high-speed rail cooperation". China and Russia will promote the construction of the Eurasian high-speed transport corridor from Beijing to Moscow, and give priority to the implementation of the high-speed rail project from Moscow to Kazan according to the agreement. Russia plans to build a 5,000-kilometer high-speed railway by 2030. Russia hopes to increase the level of its national railway network by introducing Chinese technology and capital. At present, China has proposed to invest 300 billion rubles (about 37.2 billion yuan) in Russia's first high-speed rail, Moscow to Kazan high-speed rail construction, of which 50 billion rubles (about 6.48 billion yuan) will be invested by Chinese companies, the rest by China Bank loans. The Sino-Russian high-speed rail

cooperation will enhance Russia's infrastructure and will promote the trade cooperation between China and Russia.

#### 2. Sino-Russian cooperation in coal and power development

In order to promote the “Belt and Road” strategic plan, the Chinese and Russian groups have signed large projects to promote regional development. Shenhua Group, China's largest coal producer, signed a contract with Russian state-owned Russian technology group to invest up to US\$10 billion in September 2014. The contract stipulates that the two companies will jointly develop coal mines, industrial and transportation infrastructure, build power generation equipment and high-voltage transmission lines that can export electricity to China in Siberia and Russia's Far East. This project can not only solve the energy shortage problem in the Russian Amur region and northern China, but also meet the power demand in the region. In this project, the Russian Technical Country Group and Shenhua Group will jointly develop the Augujin coal mine area in the Amur region and build the “Hope Port” coal port in the Primorsky Territory, while the power station and copper mine processing plant will be built near the mining area.

#### 3. Cooperation in the aerospace field

the Chinese and Russian governments are committed to the implementation of the “Memorandum of Understanding on Sino-Russian Cooperation in the Field of Economic Modernization” under the background of the “Belt and Road” initiative, and promote effective cooperation between the two countries in the fields of pharmaceutical, shipbuilding and transportation machinery manufacturing, strictly stipulate the "Sino-Russian Space Cooperation Outline 2013-2017", and jointly carry out research on basic scientific research such as Earth observation and rocket engines to further deepen the long-term mutually beneficial cooperation between the two countries in the aerospace field. China and Russia will strengthen cooperation in the field of high technology. China and Russia signed the “Memorandum of Understanding on Cooperation between the China Satellite Navigation System Committee and the Russian Federal Space Agency in the Field of Satellite Navigation” in 2014, to promote cooperation in civil aviation and aviation manufacturing, and expand cooperation in the fields of satellite navigation, aircraft engines, processes and materials, promote cooperation in the field of information and communication, and communicate in wireless communication equipment and integrated circuit design. China and Russia implement joint research and development, joint manufacturing, joint promotion and application, joint implementation of innovation results transformation and joint expansion into the international market through innovative cooperation, and strive to achieve mutual benefit and win-win.

#### 4. Cooperation and investment in the automotive industry

The technological content of Chinese investment in Russia is also constantly improving on the “Belt and Road” platform. Many large Chinese auto companies have laid out the Russian market, creating opportunities and gaining market share. At the same time, Chinese car companies use technology to create brand effects. The factory of Great Wall Motor in Tula is the first car manufacturer in China that covers the four production processes of stamping, welding, painting and final assembly. The investment is 500 million US dollars, and the annual output will reach 150,000 vehicles. Huatai Automobile also recently announced its intention to build a factory in Russia.

### **V. China's “Silk Road Economic Belt” and Russia's Eurasian Economic Union**

Putin, the then Prime Minister of Russia, proposed the idea of establishing the Eurasian Union in his programmatic article "The New Integration Plan for the Eurasian Region - The Future Is Born Today" in October 2011. He proposed that the republics of the former Soviet Union should form the "Eurasian Union" to establish a super-state complex similar to the European Union, which would serve as a bridge between Europe and the Asia-Pacific region, become a powerful entity in the world structure and be on an equal footing with the United States, the European Union and China. Putin accelerated the process of integration of the CIS and focused on building the Eurasian

Union after he returned to the Kremlin in 2012. The official name of the Eurasian Union was also identified as the Eurasian Economic Union. On May 29, 2014, Russia, Kazakhstan, and Belarus signed the “Treaty of Eurasian Economic Union” and announced that the Eurasian Economic Union will be officially launched on January 1, 2015. According to the definition of the treaty, the Eurasian Economic Union is an international organization of regional integration and possesses the status of international law. The three countries promised to realize the free flow of goods, services, capital and labor by 2025, and strive to coordinate the policies of major economic sectors represented by energy, processing, agriculture and transportation. The ultimate goal is to establish a similar economic union of the European Union and forms a unified market covering 20 million square kilometers with a population of 170 million and a gross domestic product (GDP) of nearly 3 trillion US dollars[1].

There are many similarities between Russia's "Eurasian Economic Union" and China's "Silk Road Economic Belt". There are overlaps in the members, crosses in the geographical area, and similar in function, but they are totally different in the geopolitical and geo-economic trends. China has proposed the construction of the “Belt and Road”, focusing on its economic development and regional cooperation, and does not seek the leading role of regional affairs, and does not divide the sphere of influence. However, the Eurasian Economic Union is Russia's initiative to promote space integration in the post-Soviet Union. Russia hopes to develop regional cooperation, enhances mutual trade and investment levels, and achieves a strategic arrangement for the long-term goal of economic diversification. The Eurasian Economic Union has the meaning of establishing a strategic alliance of politics and security [2].

China and Russia signed the "Joint Statement of the People's Republic of China and the Russian Federation on the Construction of the Silk Road Economic Belt and the Construction of the Eurasian Economic Union" in May 2015. The joint statement stated: "We should expand investment and trade cooperation, optimize trade structure and foster new growth points for economic growth and employment expansion. We will promote mutual investment facilitation and capacity cooperation, implement large-scale investment cooperation projects and jointly create industrial parks and cross-border economic cooperation zones. We will promote the expansion of domestic currency settlement in the areas of trade, direct investment and loans, achieve currency swaps, and deepen cooperation in the fields of export credit, insurance, projects, trade finance and bank cards, promote regional and global multilateral cooperation to achieve harmonious development, expand international trade, and develop and promote effective rules and practices in Global trade and investment management that meet the requirements of the times" It can be seen that finding a feasible point of convergence between the Eurasian Economic Union and the construction of the “Silk Road Economic Belt” and promoting the integration of Asia and Europe will be an opportunity for all-round cooperation and development between China and Russia, and the key to a comprehensive strategic partnership between China and Russia.

## **Conclusion**

China's the " Belt and Road" development strategy is a grand strategy for seeking common development and mutual benefit for all countries along the route. China and Russia are two neighboring countries. The Eurasian Economic Union initiated by Russia and the "Silk Road Economic Belt" have many similarities. The "Silk Road Economic Belt" and the Eurasian Economic Union can be docked, which will better promote economic and trade cooperation between the two countries, strategically expand and deepen the pragmatic cooperation between the two sides in a broader perspective, expand mutual openness, deepen the integration of interests, better promote the development and revitalization of the two countries, expand the common economic space of Europe and Asia, and promote The development and stability of the entire Eurasian continent.

## **References:**

1. Li Jianmin, Silk Road Economic Belt, Eurasian Economic Union and Sino-Russian Cooperation, 《the Russian Journal》 , No. 5, 2014r (Vol. 4, No. 23).

2. Ouyang Xiangying, Eurasian Union - Prospects for the development of post-Soviet space Russia, 《the Russian Central Asian Eastern European Studies》, No. 4, 2012r.
3. Yuan Xintao, National Strategy Analysis of the “Belt and Road” Construction, 《The Theory Monthly》, November 2014r.
4. Панов А. М., “Экономический пояс шелкового пути”: перспективы российско-китайского сотрудничества, 《Проблемы современной экономики》, №3(51), 2014г.
5. Терехина Е.С. Development of Russian-Chinese interfirm cooperation in different industries (Развитие российско-китайской межфирменной кооперации в различных отраслях) // VI форум ведущих экономистов России и Китая. Конференция молодых ученых России и Китая «На одном языке». 22–25 мая 2014 года: сборник материалов / под науч. ред. И.А. Максимцева, Чень Юйлу. – СПб: Изд-во СПбГЭУ, 2014. – 100 с. – С.43-48.