

Countermeasure to Develop China's Petroleum Trade with Russia under the New Situation

Shuang Li, Shujia Cheng* and Yingxin Zhao

Institute of local economics, Changchun University, Changchun, China

Email: 469043707@qq.com

Abstract: Russia is a country with its plentiful natural resources and it is abundant in petroleum and natural gas. The petroleum exporting trade of Russia has played a crucial role in international market and the primary origin country of petroleum for European countries to import petroleum, and EU has also been the main exporting area in Russia's exporting pattern of petroleum trade. Russian-Ukrainian crisis broke out in 2014. Under the impact of the international environment, Russia started to change its trade pattern and China has gradually become its largest exporting country in Asia. The paper starts from the status quo of Russia's petroleum trade with China, and then makes an analysis of the adverse factors including low international competitiveness of petroleum-related companies in China, outdated petroleum infrastructure, imperfect legal system, the hindrance of oil price mechanism in Russia, etc. and proposes the countermeasures for development of Russia's petroleum trade with China.

Keywords: Terms— petroleum trade; influencing factor; existing problems; developing strategies.

1. INTRODUCTION

Petroleum is the crucial resource for human society's survival and development. Since the beginning of 20th century, petroleum has become the focus of foreign politics, economics, military and diplomacy among different countries. At present China's foreign-trade dependence of petroleum is still on the rise. Since the second half of 2014, lots of problems become conspicuous, including slump of Russian Ruble, capital flight; decrease of domestic investment, downturn of consumption, increase of domestic unemployment, sluggish economic growth, economic structure problem disguised by high oil price. Confronted with political and economic predicament both home and abroad, it is the inevitable choice for Russia to expand the cooperation with Asia-Pacific Region. Looking into the future, it is definitely the trend for Russia to further develop the petroleum trade with China. It is of great significance to make an analysis of the main factors that influence Russia's petroleum trade with China and explore the countermeasures for development of Russia's petroleum trade with China. t

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2. THE STATUS QUO OF RUSSIA'S PETROLEUM TRADE WITH CHINA

Russia and China are adjacent countries and both enjoy remarkable geo-advantage for trade. Though petroleum is highly complementary, the petroleum trade of the two countries fail to go along smoothly, as is seen from the history of the petroleum trade. It didn't improve until the Russia's policy of petroleum trade began to favor Asian market. Putin expressed that the oil export from Russia to Asia-Pacific countries will rise from 3% to over 30% in 10 years when he met the delegation of G 8 in Sochi On September, 18th 2006. The president of Russian Petroleum Company Sergey Bogdanchikov also stated that the oil supply to Asia will rise from 6% to 20% of the total export volume before 2020 on the World Petroleum Conference in Rome. The Chinese market is the largest and the most potential market for development of Russian petroleum in Asia and Russia becomes more active in the construction of Sino-Russian pipelines. However, the European market of Russia's natural gas was still very stable and as for the trade of natural gas, it was Russia which still took the initiative. It took a very long time to resolve the price negotiation of natural gas trade between China and Russia. With the declining demand of Russia's natural gas in Europe and the economic sanction Europe and America imposed on Russia in 2014, the Sino-Russian trade of natural gas broke the deadlock. Russia has become the largest origin country of crude oil import in 2016 and the petroleum trade between Russia and EU, USA began to decline, with the decreasing market share. The data of Sino-Russian trade is shown in the following Table 1 and Table 2.

Table 1. The Proportion of Crude Oil from Russia in the Chinese Import

	2002	2003	2004	2005
Total	100	100	100	100
Russia	6.6	7.2	8.7	10.2
	2006	2007	2008	2009
Total	100	100	100	100
Russia	10.6	8.9	7.1	7.6
	2010	2011	2012	2013
Total	100	100	100	100
Russia	6.8	8.3	9.4	8.5
	2014	2015	2016	2017
Total	100	100	100	100
Russia	9.4	10.2	10.8	11

With the increasing development of Sino-Russian petroleum trade, petroleum negotiation mechanism of the vice-premier level has been built up between the two countries and enlisted in the premiers' regular meeting of the two countries. Sino-Russian inter-governmental petroleum cooperation committee began to operate and become the bilateral petroleum cooperative mechanism of the highest level. Russia's petroleum trade with China has been

frustrated in the past twenty years and the win-win development of the two countries is the general trend after the joint efforts of several years. The achievement of the petroleum trade is gratifying, but there are still many problems to be resolved.

Table 2. The Proportion of Export to China in Russia's Total Export Volume

	2002	2003	2004	2005
Total	100	100	100	100
China	1.4	2.2	3	2.9
	2006	2007	2008	2009
Total	100	100	100	100
China	3.5	3.1	3.6	4
	2010	2011	2012	2013
Total	100	100	100	100
China	3.9	6.5	6.7	6.8
	2014	2015	2016	2017
Total	100	100	100	100
China	8	8.7	13.3	14.6

3. THE ADVERSE FACTORS FOR DEVELOPMENT OF RUSSIA'S PETROLEUM TRADE WITH CHINA

In the international market, there are also non-economic factors for petroleum trade, besides economic factors.

3.1 Low International Competitiveness of Chinese Petroleum Companies

Chinese petroleum companies still have some shortcomings compared with those of advanced countries. Under the backdrop of economic globalization, more and more Chinese petroleum companies began to "go abroad" and actively expand international market, such as CNPC, Sinopec, CNOOC, etc. have made world-famous achievements. However, there are still more Chinese petroleum companies which lack international competitiveness and still have a long way to go before their technique and management level in oil exploration, exploitation, transportation, utility, research and development, etc. meet the international standard.

3.2 Outdated Russian Petroleum Infrastructure, Imperfect Legal System

As is seen from Russia's development, the supporting infrastructure for petroleum in Russia is relatively outdated, consequently, the petroleum exploration, exploitation and transportation gradually lag behind the growth of petroleum production and constrain the development of Russian petroleum industry; there is still shortage of the pipelines for petroleum and gas, railways and power grids for development of Russian-Sino petroleum trade. What's more, the petroleum-related policies and regulations vary from time to time. These factors all restrict the development of petroleum trade.

The Hindrance of Oil Price Mechanism in Russia

Petroleum is the primary economic pillar for Russia, but Russia has no pricing power for petroleum. As a crucial petroleum exporting country in the world, the fluctuation of international petroleum price will have strong impact on the economy of Russia and make it

fall into predicament. Russia expects relatively higher price in price negotiation of Russian-Sino petroleum trade, which hinders development of Russian-Sino petroleum trade.

3.3 Misgivings of China's Rise

The social elites and the public in Russia worry about the increasing growth of Chinese power, which is the instinctive reaction to China's rise under the influence of geo-political factor. The rapid development of Chinese economy will bring generous benefit, but it will break the strength balance of the two countries. Russia's contradicted attitude towards the rise of China will restrain the development of Russian-Sino petroleum trade to a certain extent.

3.4 The Competition of the Primary Petroleum-Demanding Countries in Northeast Asia Restrains Development of Russia's Petroleum Trade with China

The Northeastern Asia is the area with the fastest increasing demand for petroleum in the world and the crucial strategic development area in Russia. Petroleum is the important weapon for Russia to pursue its security and realize the rise of economy. Russia has made good use of "the advantage of petroleum", contending with China, Japan and South Korea, which fully represents the "Diplomacy Serves Economy" policies and guidelines of Putin government. China has greater demand for petroleum, Japan and South Korea almost totally rely on overseas supply to meet the demand for petroleum. The three countries have common demand for Russian petroleum and it is inevitable to have competition, which makes the foreign environment of Russian-Sino petroleum trade more complicated. For example, Japan proposed financial assistance in choosing the project of Russia's Far East Oil Pipeline, which catered to Russia's petroleum strategic purpose to balance the Northeastern Asian market, resulting in the failure of Sino-Russian "Angarsk-Daqing Pipeline".

4. COUNTERMEASURES FOR DEVELOPMENT OF RUSSIA'S PETROLEUM TRADE WITH CHINA

Under the backdrop of EU's De-Russianization in the area of petroleum export, Russian will have to find new approach for its petroleum export. While Russia's petroleum trade with EU degenerated into sanction with each other, the petroleum trade with China began to develop. Russia's petroleum trade with China will be further expanded in the new pattern of world petroleum trade.

4.1 China Should Build up Good International Image

China should observe the regulations in the international trade, build up a good image in the world, abide by the International Laws and International Conventions, deal with affairs in international economic and trade cooperation, follow the related rules of WTO. China will also eliminate the negative impact of "China Threat Theory", further Sino-Russian friendship and promote the bilateral cooperation of the two parties.

4.2 Building up Rational Inter-governmental Communication and Negotiation Mechanism

As for the controversial clauses for the trade of two parties, the two countries should compromise and make concession through negotiations, and meet the core benefits of the

counterpart after taking the actual situation of each party. The two parties should see from the greater picture of trade benefit, and avoid tough and inappropriate measures which may harm the friendship of the two countries. Even once the practice of one party cause's damage to the other, the two governments should make every effort to resolve the conflict instead of intensifying it.

4.3 Strengthening the Cooperation of Development of Petroleum Technology between both Parties

China should persistently strengthen the cooperation of development of petroleum technology, while developing Russian-Sino petroleum trade. The cooperation of Sino-Russian petroleum trade is just on the level of cooperation of petroleum trade up to now, the supply and demand of petroleum itself serves the cooperation basis of the two parties. However, in order to carry out the cooperation on petroleum effectively in the long run, the two parties need to seek the common interest in petroleum technology, so as to promote the initiative of development of petroleum technology of both parties. Russia boasts its strengths in development and reserve of petroleum and gas, China can attract the Russian companies to increase the development and utility efficiency of Chinese petroleum and gas resources by providing favorable policies.

4.4 Building up Good Development Environment for Companies

Firstly, the related policies should be proposed to support the development of Chinese petroleum companies and more support should be given to the large petroleum and gas related companies as well. The long-term and efficient development of Chinese petroleum companies will help China to gain its status in Russian petroleum market. In order to attract Russian petroleum companies to get involved in Chinese petroleum project, the government should improve the policies and environment in China and lay a solid foundation for expansion of the Sino-Russian cooperation. The Chinese government should further expand the exploration area of petroleum so as to encourage more Russian companies to carry out further cooperation with Chinese companies. Moreover, the government should also attract Russian petroleum companies to get involved in cooperation of production and transportation projects.

4.5 Making Chinese Companies Greater and Stronger

It is the key point to construct a group of large petroleum companies with strong international competitiveness for the development of Russian-Sino Petroleum trade. Therefore, the companies should enhance their research and development of science and technology and service quality, build up good image and brand, increase international adaptability, grasp the petroleum-related laws, regulations and policies in Russia, and try to avoid detours and wrong ways. The companies should give full play to the advantage of policies in the petroleum cooperation area while improving their own capacity, strive for various preferences, so as to get relatively good benefit during the cooperation and promote the sound development of Sino-Russian petroleum trade.

5. CONCLUSION

Russia is a large petroleum exporting country in the world and China, in the period of strategic opportunity of high-speed economic development has increasing demand for petroleum year by year, which provides good condition for the development of Sino-Russian petroleum trade. Generally speaking, the status quo of Russian-Sino petroleum trade is good, but there are still problems demanding prompt solution. Only after resolving these problems in a feasible way, can sustainable and sound development of Sino-Russian petroleum trade be realized.

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- [10] Corresponding author: Cheng Shoji (1974.02-), Doctoral Degree, Professor of Changchun University. The Main Research Orientation: International Economy and Trade, Industrial Economy.
- [11] Zhao Iying-in, undergraduate student, Changchun University.
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