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Problems and perspectives of economic relations between China and Russia

The article deals with the problems of economic interaction between China and Russia. The analysis of trade and investment cooperation between Russia and China in 2015 was conducted. The possible scenarios and prospects of development of the bilateral economic cooperation were discussed. The paper presents the evaluation of current state of the Russian-Chinese cooperation in the Russian Far East. The China's share (26.2%) in the total foreign trade turnover of the Far-Eastern Federal District (FEFD) in 2015 was ranked second. China's main trading partners among the subjects of FEFD in 2015 remained the Primorsk territory, the Sakhalin region, the Khabarovsk territory, the Amur region. The analysis of implementation of the Program of cooperation between the regions of the Far East and the Eastern Siberia, the Russian Federation and the North-East of the People's Republic of China (2009 – 2018 years) was conducted. It was highlighted the problems in implementation of the investment projects of the program. The prospects of bilateral economic cooperation in the light of implementation of the Silk Road Economic Belt project were outlined.

Проблемы и перспективы экономического взаимодействия КНР и России

В статье рассмотрены проблемы экономических взаимодействий КНР и России. Проведен анализ торговых и инвестиционных взаимодействий России и Китая в 2015 г. Показаны возможные сценарии и перспективы развития двусторонних экономических взаимодействий. В статье представлены оценки сложившегося состояния российско-китайского сотрудничества на Дальнем Востоке России. По удельному весу (26,2%) в общем объеме внешней торговли Дальневосточного федерального округа (далее – ДФО) в 2015 г. Китай занял второе место. Основными торговыми партнерами КНР среди субъектов ДФО в 2015 г. оставались Приморский край, Сахалинская область, Хабаровский край, Амурская область. Проведен анализ реализации Программы сотрудничества между регионами Дальнего Востока и Восточной Сибири Российской Федерации и Северо-Востока Китайской Народной Республики (2009 – 2018 гг.). Выделены проблемы в реализации инвестиционных проектов программы. Определены перспективы двусторонних экономических взаимодействий в свете реализации Проекта «Экономический пояс Шелкового пути».

Keywords: *economic relations between China and Russia; trade; investments; Russian Far East; North-eastern China; cooperation program; Silk Road Economic Belt.*

Ключевые слова: *экономические отношения между Китаем и Россией, торговля, инвестиции, Дальний Восток РФ, Северо-Восток КНР, программа сотрудничества, Экономический пояс Шелкового пути.*

1. China and Russia economic interactions problem

According to the China General Administration of Customs, Russia's trade with China in 2015 amounted to 68,065.15 million USD (drop by 28.6%), including: Russian exports to China – 33,263.76 million USD (20.0% drop), while imports from China – 34,801.39 million USD (35.2% drop). Instead the outlined earlier 100 billion USD it has not held even up to 70 billion USD.

In the list of China's major trade partners Russia dropped from 9 to unusual 16 place. Russia's share in the China's foreign trade has decreased from 2.21% to 1.67%. The negative trade balance in 2015 decreased by 87.3% to 1,537.63 million USD (2.26% of total turnover), compared to 12,070.83 million USD in 2014.

The fall in prices for the raw materials and manufactured goods did not stop the Russian exporters in the way of increasing the volume of deliveries for the commodity items, where it was possible to do (oil, iron ore, copper, nickel). In addition, there is an attempt to reach new niche in China (agricultural products, high-tech products), which proved to be very difficult because in many cases had to start virtually from scratch. However, the physical volumes on basic goods managed to maintain, making Russian share in total China imports declined not so much.

Chinese companies are faced with unprecedented sharp decline in demand in the Russian market (exports from China fell by one-third), suffered losses, but tried to keep the position previously occupied. They succeeded for the most part. China continues to be the largest trading partner of Russia, and its share in the Russian foreign trade increased from 11.3% to 12.1% in 2015.

According to Russian and Chinese experts, the slowdown of the dynamics of mutual trade in 2015 was due to a number of objective factors, formed in 2014, the deferred effect of which fully appeared in 2015.

Firstly, the overall geopolitical tensions, the deteriorating situation in Ukraine, the introduction of Western countries economic sanctions against Russia, the deterioration of the global foreign trade situation, including a reduction in demand for foreign goods markets, the volatility of global financial markets, the debt problems of the eurozone and the US.

Second, the economic growth slowdown in Russia and China.

Third, the drop in world prices for energy and commodities, which account for over 70% of Russia's exports to China.

Fourth, the decline in the purchasing power of Chinese consumers of the products in Russia due to the ruble devaluation essential to major world currencies, including the Chinese Yuan.

Fifth, the increasing pressure which began in 2014 the downward trend in foreign trade of China. Thus, according to customs statistics, China's foreign trade turnover in 2015 decreased by 8% to 3.95864 trillion USD, including exports – 2.8% to 2,276.57 billion USD, imports – 14.1% to 1,682.09 billion USD. The negative dynamics is observed not only in trade with Russia, but also with the major trade partners of China. In particular, trade with the EU fell by 8.2% to 564.85 billion USD, with ASEAN – by 1.7% to 472.16 billion USD, with Japan – by 10.8% to 278.64 bln USD a slight increase (+ 0.6%) reported of trade with the United States (558.38 billion USD).

In general, the crisis turned out to be, if not deeper, but in any case, longer than the previous downturn in 2009. Then it was a shock situation: the rapid decline, followed by a rapid recovery growth. By the end of 2010 the trade actually went to the pre-crisis level. Now sources are not visible to the rapid recovery growth, so we cannot expect a repetition of such a scenario in 2016.

Most likely, because of the acute phase of the crisis goes into stagnation. In our opinion the shocking figures of falling turnover, as it took place in 2015, will not be. It is possible that in 2016 trade turnover figures even show a positive trend. This scenario is preferable to the Ministry of Commerce of China, from the point of view of the leaders whose main task in the Russian direction in 2016 will be "stop the recession and return to growth."However, this growth if it will remain slow and uncertain, and it will be calculated from the low base of 2015.

Hope that the investment cooperation will be the engine of rapid development of bilateral economic cooperation, also failed to materialize.The powerful flow of Chinese investment abroad largely bypasses Russia. Russia attracts Chinese investment in the annual volume of at least a billion dollars. According to the Ministry of Commerce of China, Russia is still not included in the top ten recipients of Chinese investment, lagging behind even from Kazakhstan. During the first 11 months of 2015 direct Chinese investment in the non-financial assets in Russia decreased by 15.2%.

At the moment they are sent mainly in the energy and raw materials industries, and are carried out almost exclusively by large public companies and "political" financial institutions, which are often hedging their risks by signing a relevant intergovernmental agreement.

In December 2015 the Russian government commission on foreign investments gave its approval for the acquisition of a Chinese oil company Sinopec Corp. 10% of the company "Sibur". A Chinese fund the Silk Road during the regular meeting of the prime ministers of the two countries signed an agreement with JSC "NOVATEK" contract for the sale of 9.9% of shares of Open Joint Stock Company "Yamal LNG" (in this case the Chinese still secure by intergovernmental agreement). A positive development this year was the acquisition of credit resources of the Chinese banks in the Yamal LNG project at the end of April 2016.

The largest project of Novatek "Yamal LNG" signed a loan agreement with the China EximBank and the China Development Bank to attract 9.3 billion euros and 9.8 billion yuan (equivalent to 12 billion USD) for 15 years. This is the final part of the external financing, attraction of which was under threat after Novatek

fell under US financial sanctions. Interest rates on loans are as follows: six-month EURIBOR + 3,3% per annum during the construction period and 3.55% after the full entry "Yamal LNG" project in operation and six-month SHIBOR + 3.3% and 3.55% per annum respectively. Thus, Novatek has completely closed the financing needs of the project total cost of 27 billion dollars.

The dramatic situation on the economic track of Russian-Chinese cooperation in 2015 is clearly contrasted violently with the ongoing process of political rapprochement between the two countries [1 – 5].

In general, the results of 2015 showed that only political factors, not being backed by sound economic strategy, are not able to provide a qualitative leap in the trade and economic relations development. Even more urgent than ever before, was the need to develop a long-term strategy of development of economic ties with China. Its goal – to reflect the current trends of the world economy and trade, vectors of regional integration, changes in the industrial structure of the two countries, to identify approaches to economic cooperation with China, to identify priorities for joint projects, to analyze the balance of potential benefits and risks, as well as identify the optimal forms of interaction.

To develop the strategy for the development of Russia's economic cooperation with China is necessary, first of all, to answer the question of the extent to which China can be regarded as an important and stable partner for Russia in the long term. There is no consensus among experts on this point, but expressed the estimates and forecasts sometimes diverge.

However, if you try to evaluate China as a major economic partner, it is clear that the conditions for its economic development considerably complicated. The country has entered a difficult and complex phase of the so-called "Settlement" of structural transformation and the search for a new model of long-term growth. To solve such internal problems as the presence of huge excess capacity, the real estate bubble, the prevention of a systemic financial crisis, environmental improvement, raising the social sphere, it takes more than one year. During this period, it increases the risk of serious risks and challenges. In fact, we can already see its manifestation in the slowing Chinese economy, the turmoil in the stock market; you change the exchange rate policy. In addition, the situation in the world economy is less favorable than in the period after China's accession to the WTO and to the global financial crisis. However, this is only one side of the coin. We must see the other side of it.

The economic growth slowdown "compensated" by increased volumes of the Chinese economy. Even assuming that the official statistics are much too high, and the real growth rate is not 6.9%, as lower (5 – 6%), that they are still almost twice the rate of global economic growth in general.

The results of 2015 show that the Chinese economy still stands as the largest consumption market of hydrocarbons, metals and other industrial products. Despite a reduction of 7.6% of import value indicators, physical volumes of import in a number of major commodity items increased. Purchases of oil increased by 8.8% and amounted to 335.5 million tons of LNG – by 17.8%, copper and copper

concentrate – by 12.6%, cellulose – by 10.4%. But almost all of these products are the important items of Russian exports to China.

In the Chinese market, there are also new niche. One of them is agricultural products. Imports of grain and flour increased from 19.5 to 32.7 million tons for the previous year. This can be seen as a window of opportunity for Russia. In December 2015, it was finally signed bilateral interdepartmental protocols, partially opening the door to the Chinese market wheat, corn, soybeans, rice and rapeseed from Russia. If all of these documents would be signed as early as 2012 or 2013, it is possible agricultural products took a steady share in the mutual trade turnover.

The dynamics of growth of Chinese investment abroad is not reduced. According to the Minister of Commerce Gao Huacheng, their total volume in 2015 stood at US $ 128 billion.. In 2016 they planned to increase by 10%. How much of this stream is for Russia – is another question.

Despite the negative effects and some stagnation in interactions, as a whole, China is still one of the most promising economic partner for Russia. It is necessary to change the well-established in the Russian approaches to cooperation with China in several key areas.

Firstly, you need to define more clearly the conditions of bilateral trade in goods and services. Improve the conditions of access of Russian products to the Chinese market could be a free trade zone (FTZ). At present, China in one form or another has an FTZ regime with 22 countries and territories, which account for almost 40% of its foreign trade. Russia is not among them. FTZ is primarily mutual preferential tariffs in the supply of goods. The competition for the Chinese market, taking into account factors slowing Chinese economy will have a very tough character; will be taken into account, each a percentage of the customs duties. Actually, this is already happening. For deliveries to China Russian coal subject to duty, while coal from Australia and Indonesia - are not present. Last year, an agreement was reached between the Eurasian Economic Union (EAEU) and China to start negotiations on a cooperation agreement, one of the points which should involve the establishment of an FTZ EAEU - China. Certainly, it is a palliative measure, in which the problem is essentially a decision can be postponed indefinitely, but nevertheless a start. It would be useful, as it is seen, bypassing the preliminary stage, start to study and discuss the main parameters of a future FTZ. This would give effect to the cooperation in the framework of the Silk Road Economic Belt (SREB) to strengthen the integration potential of EAEC, as well as to raise the importance of the organization in the eyes of the Chinese partners.

Second, to eliminate obstacles in trade and investment cooperation in the Far East of Russia. Given that the entire Far East lives a little more than 6 million people, according to Chinese notions, he is a so-called city "second line." At the same time in the region are focused significant resources of minerals. Given the low capacity of the domestic market, remoteness from the European part of the country, rely on large investments in the manufacturing sector, apparently, is not particularly necessary. For Chinese companies may be of interest extraction and processing of raw materials, biological resources of the sea, the development of

transport corridors, as well as agriculture. However, without a developed cross-border infrastructure, all these projects are very difficult to implement. Meanwhile, on the Russian-Chinese border, passing along the rivers Amur and Ussuri, yet there is no bridge. There are two projects – the construction of bridges Tongjiang – Nizhne-Leninskoe (JAR), Heihe – Blagoveshchensk (the Amur region). In both projects, intergovernmental agreements are signed respectively in 2007 and 1994. None of the bridges has not yet been built. If the project Tongjiang – Nizhne-Leninskoe already observed some movement toward completion, then the second, and it did not start. Instead of the bridge proposed to build a cable car.

Thirdly, in terms of energy cooperation to recognize that regardless of the fluctuations in oil prices and gas seller's market has become a buyer's market for a long time. In this context, the fundamental importance is the question of whether or not carried out in time Russian obligations under the gas contract in 2014, whether the gas supply to China will begin on schedule in 2018 or not.

Two or three years will be forthcoming in many ways decisive in terms of the long-term prospects of the Russian-Chinese economic cooperation. There is no doubt that it will overcome the current difficulties of the strip. The question is how it will be in the future? By and large, I see three main scenarios.

The first scenario is that Russia and China on the basis of win-win principle still be able to build a model of economic cooperation, which really ensures sustainable co-development of the two economies.

The second scenario assumes that economic ties will continue to grow by inertia, as a kind of addition to political relations.

The third scenario is the most unfavorable, and implies that the economic path of the two countries diverges. The first and second options are the most likely and desirable, in contrast to the third.

On the *prospects of Russian-Chinese trade* and overall cooperation in addition to purely economic factors strongly influence geopolitical factors.

A year has passed since that day, as the Russian President and the Chinese President signed May 8, 2015 in Moscow a joint statement on the conjugation of the Eurasian economic integration and SREB. It was a decisive step towards the elimination of potential causes of fundamental contradictions between the two countries. Accepted documents have created formal preconditions for the emergence in Central Eurasia, a vast region of cooperation and common development [6 – 8]. Following this statement was supported by member countries of the Eurasian Economic Union (EAEU). They need to combine bilateral ties with Russia and China and the construction of a system of cooperation EAEU-China [9]. Communication and promotion of investment is particularly promising in the field of transport and logistics. No less important is the spread to the west of China's infrastructure and production chains, the inclusion of the Central Asian countries and Russian regions of Siberia.

For the China SREB project never been just a transport issue. China needs the economic expansion, promotion of the West investment and the creation of new industries there. For Russia, these plans are a real opportunity to take off at least part of the responsibility to ensure a stable socio-economic situation of the

Central Asian region. Now it is the Russian labor market takes the excess workforce, at least three of the most populous and poorest countries in the Central Asia – Uzbekistan, Kyrgyzstan and Tajikistan. Migration in Russia makes a substantial contribution to regional stability.

At the same time, Russia remains the most important military power in the region. The Russian military presence allows the countries of the region feel more or less peacefully.

Two countries of the five Central Asian countries (Kazakhstan and Kyrgyzstan) are included in the EAEC and can coordinate the cooperation within the framework of supranational institutions. Foreign trade of the EAEU countries has already transferred under the authority of the Eurasian Economic Commission. This body is currently engaged in the elaboration of an agreement on trade and cooperation with China, according to an agreement of EAEU countries' leaders at a meeting in October 2015.

Pairing does not develop without difficulty. It is necessary, as the Chinese call the experts to raise the political level of process control. [10] While it is not high enough to force officials to work more efficiently. National bureaucracy of EAEU countries are working very slowly on the "road map" of cooperation with China. China, in turn, focused on solving domestic problems and is slowly realizes SREB. As long as Beijing does not even approximate the vision concrete results of this project. It had a negative impact and the slowdown of the Chinese economy.

We need understanding how to make a positive contribution by key external players (US and Europe) to the development of regional cooperation. All are relatively simple in the second case. European companies already invested in a number of Central Asian countries, sectors – especially in mining. To go further, Europeans are not yet ready. Also due to the weakness of their own countries in Europe do not have a significant impact on regional policy and stability. At the same time, Europe is a very important partner for Russia, and a natural part of Eurasia, the western extremity of SREB. As for the US, they are from the beginning of the 1990s, played an active role in regional affairs in Central Eurasia, especially after the start of operations in Afghanistan. The United States have made great efforts to strengthen the sovereignty of former Soviet Central Asia. Russia and the United States are sometimes turned to cooperate in the military-political stability in the region. The Russian Federation, for example, has done much to stabilize Afghanistan - the main potential source of instability. Although it has never caused excitement on the part of the other most important Eurasian power China. Beijing fears that the US presence in the region and the existence there of friendly regimes Washington will realize "a nightmare geostrategic encirclement of China." China has reacted with restraint to the US offer of cooperation on the construction of SREB in late May 2015. Then, as experts note, the US officials have suggested Beijing to cooperate on this issue on a bilateral basis [11].

While the US policy toward SREB can be regarded as China's involvement in the Central Eurasia. Many even think that behind this belief in the inevitability of the Sino-Russian competition. But, if you look at the situation without prejudice, the ground for such a competition there. Implementation of the SREB in

the region will only strengthen the economic basis of regional regimes, thus more easily provide the proper development of the countries and strengthen their security. At the same time, the creation of such associations as the Trans-Pacific and trans-Atlantic partnership, will generate in the future for Russia and China, the new terms of cooperation with Europe and the Asia-Pacific region.

Thus, cooperation in Central Eurasia, which agreed in 2015, Vladimir Putin and Xi Jinping, is beneficial to all, in addition to the geopolitical interests of the US, which no doubt will not go away from the creation of a new architecture in Eurasia. In the opinion of experts, it may mean a shift in the rapidly developing part of the world the same logic of "zero sum game", which can be seen in the European experience of the 20th century [12].

2. Problems of the Russian-Chinese cooperation in the Far East of Russia

China ranked second percentage (26.2%) in the total volume of foreign trade of the Far Eastern Federal District (DFO) in 2015. But a slight change in the share (2014 - 26%) is not associated with an increase in turnover value, but with a smaller, compared with the South Korea, a decrease in trade value. In 2015, there was a sharp decrease in foreign trade with all major partner countries: Japan - by 29.3%, with China – by 37%, Korea – 37.6%. The volume of DFO foreign trade with China declined to 6.3859 billion USD.

China's main trading partners among the subjects of FEFD in 2015 remained the Primorsk territory, the Sakhalin region, the Khabarovsk territory, the Amur region (Fig. 1).

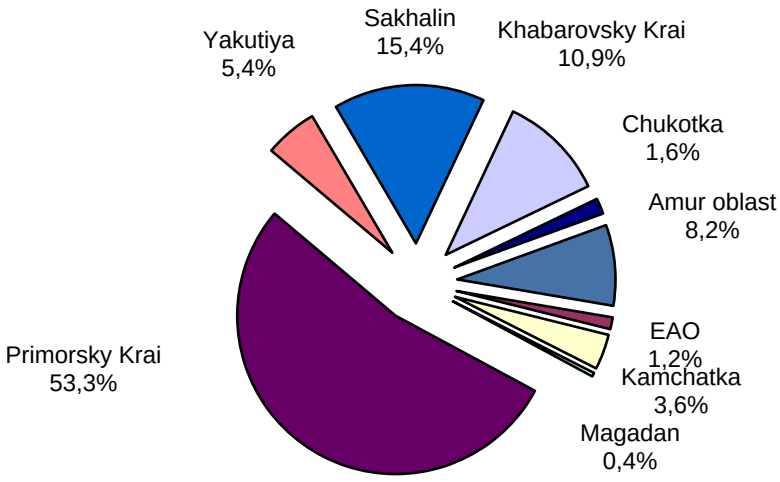


Fig. 1. The FEFD regions proportion in the foreign trade turnover with China, 2015

The Primorsky territory retains first place in the terms of foreign trade turnover with China. During 2015 the foreign trade turnover amounted to 3402.7 million USD, down 41.5% over the 2014 value of exports decreased by 28.7% and amounted to 1345.7 million USD main export items are: energy products – 34.8%; fish products – 35.6%; wood and articles of wood, wood charcoal – 19.7%. The value of imports decreased by 47.6% and amounted to 2057 million

USD. Main import items were machinery, equipment, vehicles – 30.6%, chemical products, rubber – 15.5%; food products – 15.4%; metals and products from them – 11.5%; textiles, textile products and footwear – 9.7%.

The Sakhalin region ranks second in terms of foreign trade turnover with China. During 2015 the foreign trade turnover amounted to $ 986 million, which is 43.8% below the 2014 value of exports decreased by 43.9% and amounted to $ 941.3 million The main export items were energy products – 76.6 %; fish products – 22%. The value of imports decreased by 43.1% and amounted to $ 44.8 million from the PRC in the Sakhalin region received: machines, equipment and vehicles – 47%, metals and products from them – 19,4%; chemical products – 9.7%; textiles, textile products and footwear – 9.1%; mineral products – 4.7%.

The Khabarovsky territory retains third place in the foreign trade turnover with China. During 2015 the foreign trade turnover decreased by 24% compared to 2014 and amounted to 694 million dollars Exports decreased by 21.6% and amounted to 531.5 million dollars The main export items are wood and articles of wood, wood charcoal – 71.1%; energy products – 14.1%; fish products – 11.7%. Imports decreased by 30.8% and amounted to 162.5 million dollars The main import items were machinery, equipment, vehicles – 40.3%, metals and products from them – 15,2%; chemical products, rubber – 14,5%; textiles, textile products and footwear – 10.9%; food products – 2.5%.

In 2015 the FEFD export volumes to the PRC decreased by 28.4% to 3,882.7 bln USD, but the product structure was not changed (Fig. 2).

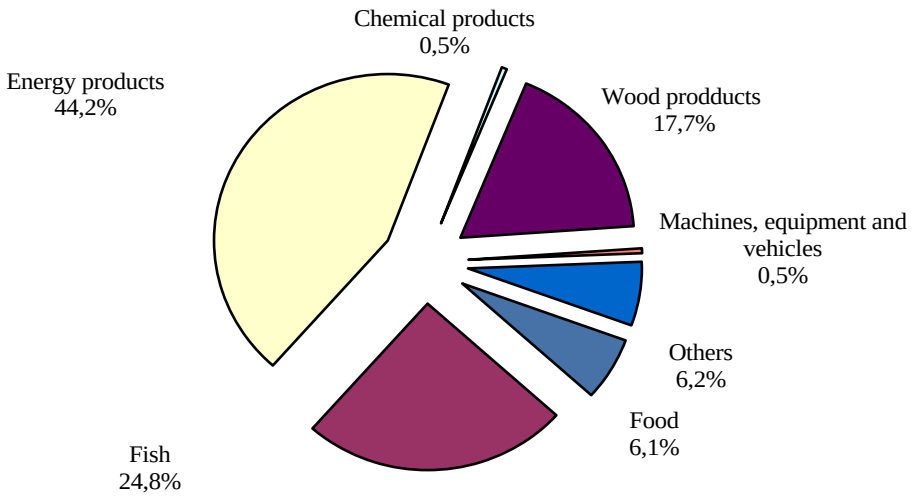


Figure 2. Commodity structure of FEFD export to China in 2015

The FEFD volumes of imports from China in 2015 decreased by 47% to 2,503.2 bln USD.

The main imports were machinery, equipment, vehicles; chemical products, rubber; foodstuffs; metals; textiles, textile products and footwear (Fig. 3).

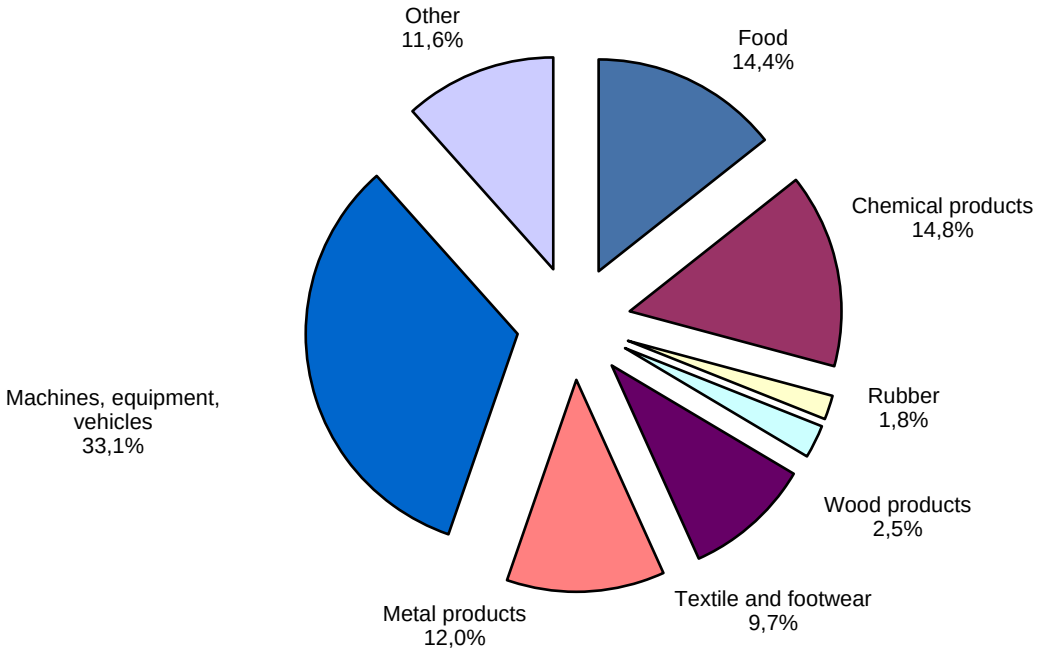


Fig. 3. Commodity structure of FEFD imports from China in2015

In 2015 after the approval of the President of Russia and the President of China the Cooperation Programme between the regions of the Far East and the Eastern Siberia, the Russian Federation and the North-East of the People's Republic of China (2009 – 2018) was 5 years old. It was passed more than half of the allotted period for the implementation of the Programme. The purpose of the Program is coordination of efforts for the implementation of the implementation of the federal target program of regional development strategies of Russia and China, and action "Economic and social development of the Far East and Trans-Baikal" and "The Program to revitalize the North-East areas of China."

During the implementation of the Programme the trade between the Far East and the Trans-Baikal and the North-East China increased from 5 to 11.3 billion USD. Total implementation of the program there was sustained growth in both imports and exports. The exception was 2014 – 15 as shown above. At the same time, there was a significant decrease in imports, the causes of which are: the devaluation of the ruble, the waves which continued throughout 2014, leading to higher prices for imported goods, reduction of production and consumer demand. In turn, the decline in exports to the Far East and Eastern Siberia of Russia in China is not so much what happened to a greater extent due to lower prices of energy products in the global markets, while the volume of exports in 2014 increased. This evolution continued in 2015.

In the export of the Eastern territories of Russia in China continue to dominate the commodities (oil and oil products, fish and seafood, timber and its products, coal). In turn, the structure of imports is dominated by industrial products: machinery and equipment, foodstuffs, light industry products, metals and metal products, chemical products.

In 2014 and 2015 under the program with the Russian side continues to actively work on the arrangement of checkpoints, construction and reconstruction of border and cross-border transport infrastructure.

In particular, the reconstruction of the Primorsk territory resumed the multilateral automobile border crossing points (RF) – Suifenhe (PRC) and Kraskino (RF) – Hunchun (China), completion is planned for 2017 and 2016 respectively. The issue on construction of road bridge over the river Granite (Hubutuhe) in the vicinity of the existing checkpoint Poltavka (RF) – Dongying (China). At present, for approval to the central government sent a draft intergovernmental agreement.

In the Amur region, the issue of construction of automobile bridge Blagoveshchensk (Russia) – Heihe (PRC). In November 2014 at the level of working groups of the Amur region and Heilongjiang Province reached an agreement on a synchronous implementation of the design and construction of the border bridge and road cargo and passenger checkpoint. We are in search for sources of funding for the design and construction. In the vicinity of the proposed location of the transition is planned to create a large transport and logistics complex.

The Jewish autonomous region under reconstruction in the affected by the floods in 2013 the checkpoints Nizhneleninskoye, Amurzet and Pashkovo. Completion has been scheduled for the end of 2015. By putting into operation after the reconstruction of the road preparing Birobidzhan – Ungun – Leninskoe and the access roads to the checkpoint Pashkovo. The issues with the financing of the construction of the railway bridge and checkpoint Nizhneleninskoye (RF) – Tongjiang (PRC) at the expense of the Russian Direct Investment Fund and the Fund for Development of the Far East and the Eastern Siberia. It identifies the main contractor. It has begun construction work.

In the Trans-Baikal region completed the reconstruction of the multilateral automobile checkpoint Zabaykalsk – Manchuria. It was the work on upgrading bilateral road checkpoints Starotsuruhaytuysky – Heyshantou and Olochi – Shiwei.

In order to create a cross-border road routes and expansion of admittance of the passenger and freight trains between Russia and China through Mongolia, the Government of the Republic of Buryatia is working on the arrangement of checkpoints MAPP "Kyakhta" and the cross point "Naushki" across the state border, which are included in the Federal Target Program "The Russian Federation State Border (2012 – 2020 years)".

In the Khabarovsk territory, the issue of creating the passenger automobile checkpoint on the Bolshoi Ussuriiskii Island (Heisitszidao Island) is considering.

In the field of transport subjects of the Far East and the Eastern Siberia of the Russian Federation are actively working with its Chinese partners in the framework of the Sub-Commission on cooperation in the field of transport of the Commission on the preparation of regular meetings of the Heads of Government of the Russian Federation and China. One of the priorities is the organization of transit through the ports of the Russian Far East from the North-Eastern provinces of China in the Asia-Pacific region and back. According to estimates of the

Russian and Chinese sides of the volume of turnover in this sector may reach 8 million tons per year by 2016 and 16 million tons - by 2020. Much attention is paid to the expansion of regular flights between the major cities of the Far East and the Eastern Siberia, Russia and the Northeast China. The Khabarovsk territory is actively working to attract the Chinese residents to the port special economic zone "Sovetskaya Gavan".

As a part of cooperation areas in the Khabarovsk region, the work continues on the joint development of the Bolshoi Ussuriiskii Island (Heisitszidao Island) Island, where the creation of a tourist-recreational zone provided. Currently, we are preparing the draft resolution of the Russian Government on the approval of the concept of development of the Russian part of the island. In the framework of the concept plan to provide for the construction of a permanent road passenger checkpoint, protective hydraulic structures, river port, the international research institute of the Amur problems, as well as the introduction of time-limited visa-free visits to the island citizens of Russia and China.

In the Amur region there is a Russian-Chinese Center for Agricultural Technology Transfer in the Amur region in which cooperation is conducted on the removal and introduction of new varieties of potatoes, vegetables and fodder crops. In Primorye, the work on the development of Russian-Chinese fleet on the implementation of information technology in the city of Vladivostok and the Russian-Chinese experimental innovation platform "Tehnograd" in Partizansk are going.

As a part of strengthening of the Russian-Chinese cooperation in the field of employment regions of the Far East and the East of the Russian Federation in Siberia, due to the tightening of the Russian legislation in the field of attracting foreign labor, we began to work on the training of Chinese citizens to pass the necessary examinations to obtain a work permit in the Russian Federation. In particular, an agreement concluded the Amur State University (Birobidzhan) with Heganskim Pedagogical Institute in March of this year (the PRC).

Activities carried out on cooperation in the sphere of tourism, connected with the organization of group travel visa-free travel, to improve the quality of tourism services, tourist safety, the development of tourism infrastructure, creation of new tourist routes. The main part of tourist trips is made in the framework of the Agreement between the Government of Russia and the Government of the Peoples Republic of China on visa-free group tourist trips from 29.02.2000.

In general, for the subjects of the Far East and Eastern Siberia of the Russian Federation is characterized by a tendency to reduce outbound tourist traffic. This devaluation of the ruble and the rise in the cost of tourist services in China has led to an acceleration of this trend in 2014 and in 2015. In turn, the inbound tourism from China, due to the appreciation of the yuan, the growth of the welfare of the Chinese people and enhance the level of tourist services in the Far East and the Eastern Siberia, the Russian Federation, it has a tendency to gradual growth.

We should also highlight the investment cooperation between the two countries in the framework of the Programme. Investment unit is represented by lists of priority projects in the Northeast China and the Russian Far East and

Eastern Siberia, Russian Federation. Thus, the Russian side in the list of key projects to date is 41 projects. The Chinese partners are involved in the implementation of only 9 of them (22%), despite the fact that at the initial stage of the program included more than 80 projects. The most important of these are:

- construction of Kimkano Sutarskoye mining and the processing enterprise (JAR), which takes part in the "China National Electric Engineering Co., Ltd." With the amount of accumulated Chinese investment on 01.07.2015 12.4 billion rubles;

- development of the Noyon-Tologoyskogo deposits of polymetallic ores (Chita region), investor advocates "The Central Asian silver polymetallic group" (Hong Kong), with the volume of accumulated investments 4.4 billion rubles;

- creation of the timber industry Ltd. CPC "Polar" in the north-eastern regions of the Trans-Baikal territory, the investor – JSC "Heilongjiang International Investment Corporation for the Development of the" Sinban "with the volume of accumulated investments of 12 billion rubles;

- comprehensive development of 104 district in the south-western part of the Oktyabrsky district of the city of Ulan-Ude (Buryatia), the investor – OOO "Investment and Construction Company" Tian Cheng ", the volume of investments – 659 million rubles;

- development of the deposits of ore gold and silver Senon and Silver; Morning antimony and silver; vein gold Southeast part Burkhalinskoye ore field (Magadan region), the investor – Mining company "Tonhua Minbaev", the volume of Chinese investments - 538.8 million rubles.

Total Chinese side invested 31.8 billion rubles in the implementation of key projects of the Program, with the total investment in key projects amounted to 305.6 billion rubles. In other words, Chinese investors are involved only in the tenth part of the projects, indicating weak enough cooperation in this component of the program. Moreover, the bulk of the Chinese capital (25 billion rubles) account for natural resource extraction projects, rather than the creation of the manufacturing sector with high added value. At the same time against the background of non-active participation of Chinese partners in investment cooperation in the framework of the Programme of interest to key projects show the Japanese and the South Korean companies.

The main obstacles in bilateral cooperation in the framework of the implementation of key projects of the Program connected:

- Firstly, to the lack of effective mechanism in coordination of the List of priority projects, as a result of them are not of interest for the partners and remained only on paper;

- Secondly, to the lack of any preferences to investors participating in the implementation of projects of the Program;

- Thirdly, the poor state of cross-border transport infrastructure, which does not allow displaying projects at full capacity.

In addition, in Russia there are not unfounded expert opinion [13] that in the coming years, China will face hard times associated with the restructuring of the economy and painful getting rid of outdated and unprofitable state enterprises. The

north-eastern province of China, forming a “rust belt”, apparently, will be in the mainstream of this difficult process. For Russia, this means that China's border areas are unlikely to be a catalyst for economic growth in the Far East. At the same time, the complexity of socio-economic sphere of the Chinese regional authorities will try to compensate for the increased international activity. And although most of the Chinese projects initially do not make sense, among them there are those that can be implemented in practice, and with a positive effect for the economy of the Russia's eastern regions. However, no improvement in the investment climate, liberalization of the functions of control and improve the quality of Sinological examination of their success, however.

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