

## SWOT Analysis of Heilongjiang-Russia Foreign Trade on Belt and Road

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**Abstract:** Heilongjiang Province is located in the northeast of China, across the river from Russia. There are 25 first-level open ports in the province. China-Russia trade has always been in good shape, and its unique geographical advantages have made Russia the most important trading partner of Heilongjiang province. With the establishment of china-Russia strategic cooperative partnership in the 21st century, China and Russia have witnessed unprecedented development in bilateral trade, transportation, communications, tourism, central bank coordination and other fields. Xi proposed the Belt and Road Silk Road fund, which will focus on supporting the development of China-Russia trade. Heilongjiang Province actively responds to the national call and makes use of its geographical advantages to increase trade with Russia. Under the background of Belt and Road, the development of Heilongjiang-Russia trade is moving towards a new height. This paper makes a SWOT analysis of Heilongjiang-Russia trade and puts forward some basic suggestions for the existing problems.

### 1. Introduction

With the proposal of One Belt And One Road strategy, the construction of One Belt And One Road will fully rely on the existing bilateral and multilateral mechanisms between China and relevant countries and on the existing and effective regional cooperation platform[1]. The proposed economic master plan conforms to the internal requirements of the reform of global governance system and highlights the sense of a community of Shared future with Shared rights and responsibilities. From it, we can also interpret the future economic trend of Heilongjiang province and its promising future despite its heavy responsibilities[2]. This new plan, new thinking is that whether can really save the old industrial base in the development of backward, at the bottom of the nation's GDP, in fact can build up in Heilongjiang province to Russian co-construction and sharing, win-win cooperation in the economic relationship, whether can adhere to the road of economic mutual harmony, and cultural exchange, whether it can fall down and bit by bit, one step a footprint in this broad but rugged road of Russia's trade to go deep, the benefit of the countries along the Heilongjiang province as the Russian people[3]. Solving this a series of questions is not easy, be an armchair strategist in really stepped up efforts to deepen the border trade is unable to answer before, adhere to the to seek cooperation of countries along the greatest common divisor draw lessons from Heilongjiang province to Russian border trade history and experience, understand the current state of development of border trade between the two countries, and give full play to our province to Russia trade advantage, develop and implement improvement measures of the trade development, the paper points out the prospect of the development of border trade, it is the subject of this paper to study[4].

### 2. Development of Heilongjiang's Trade with Russia

China and Russia, as two neighboring countries, have a borderline of more than 4,300 kilometers, of which only Heilongjiang province and Russia have a borderline of 2,981 kilometers, which is adjacent to five Russian states and regions, and has a special status and role in the development and

opening up of Russia. Russia is China's largest neighbor. It has a vast territory and abundant natural resources. Russia and China have strong complementary resources and industrial structures. There are many fields for economic cooperation and broad prospects. Russia is China's fourth largest trading partner in 2016. Thanks to its superior geographical position, Heilongjiang has always been an important trading partner of Russia[5]. The One Belt, One Road initiative proposed by China has also made the province a focus of Sino-Russian trade. Is located in the open to Russian development frontier, Heilongjiang province to Russian trade is on Russia's trade organic composition in our country, the province for a quarter of the country, the trade with Russia investment one-third of the country, is located in the center of the northeast Asia area, Heilongjiang province and Russia, there are 25 countries a port and 10 counter-trade zone, over the years, Russia ranks the first in Heilongjiang province largest trade partner of seats[6]. Heilongjiang-Russia trade gradually stabilized and slowed down, but still continued to lead the country. In terms of the overall trade structure, for a long time, Heilongjiang province and Russia mainly focus on the traditional trade in goods, which is also the main content of bilateral economic and trade cooperation. The development of service trade with Russia is later than that of goods trade, the scale of service trade and technology trade is small, and the development is relatively slow and in a low state. The general trade accounts for half of the total import and export trade, and the small border trade accounts for about one third. In terms of the commodity structure of bilateral trade, clothing and accessories, textile yarn, fabric and products, and footwear account for more than 60% of Heilongjiang's exports to Russia. It is not hard to see that Heilongjiang's exports to Russia are still dominated by light industrial products[7]. Crude oil, logs, iron ore and concentrates account for more than 80 percent of the total import volume. Heilongjiang's crude oil imports from Russia dominate.

Table 1 Statistical table of foreign trade data of Heilongjiang province

| Main target / 100 million Yuan | The absolute number of | Increasing reduction | On year-on - year basis% | Percent% |
|--------------------------------|------------------------|----------------------|--------------------------|----------|
| Import and export              | 1478.9                 | 467.2                | 36.5                     | 100      |
| Export                         | 294                    | -59                  | -16.7                    | 16.8     |
| Import                         | 1454.9                 | 526.2                | 56.7                     | 83.2     |
| Imports and exports to Russia  | 1221                   | 479.9                | 64.8                     | 69.8     |
| Export to Russia               | 74.6                   | -31.2                | -29.5                    | 25.4     |
| Imports from Russia            | 1156.5                 | 511.1                | 80.4                     | 78.8     |

### 3. Background of Belt and Road

One Belt And One Road, namely the belt and road- the silk road economic belt and the road-the 21st century maritime silk road, is the grand strategy proposed by the president Xi Jinping in 2013. The Area Strategy implementation for the past five years, remarkable achievements, by the end of the September 18, 2018, our country has signed with 106 countries, 124 in cooperation documents, with 29 international organizations signed cooperation documents, and related construction covers 30% of the total population of the world countries, our country along with the country's political mutual trust, trade, infrastructure construction, investment and financing, cultural communication achievements acknowledged, One Belt And One Road from a strategic vision become a reality blueprint, Chinese concept, China to the influence of global governance gradually thorough popular feeling[8]. It can be predicted that the further implementation of the One Belt And One Road strategy will certainly build the future pattern of China facing the world, and the domestic opening pattern will also usher in great changes. The cooperation initiatives of building the new Silk Road economic belt and the 21st century maritime Silk Road, with the active development and efforts of countries along the belt and road, are jointly building a community of Shared interests, shared future and Shared responsibility. One Belt And One Road involves 18 cities, from south to north, from east to west, with a large span and a wide range, which is conducive to the overall economic development

[9]. One Belt And One Road strategy is a national strategy, involving a wide range of partners and a variety of cooperation projects. For China, it is of far-reaching strategic significance to promote modernization and friendly exchanges with countries along the belt and road.

#### **4. Swot Analysis of Foreign Trade under the Background of Belt and Road**

##### **4.1 Dominance Analysis.**

###### **4.1.1 The historical origin of Heilongjiang dominant position.**

As a city in the northeast of China, Heilongjiang province borders on Russia. Since ancient times, it has had frequent contact with Russia in various aspects [10]. In the process of history, Heilongjiang province has been constantly blending with Russia in economy, trade, culture and other aspects. In modern times, the exchanges were more extensive and deeper, which played an important role in Heilongjiang's trade advantages with Russia. Heilongjiang province has a long history of contacts with Russia, and its reserves of Russian language talents, especially the number of talents who both understand Russian language and technology rank first in China. Heihe city, Suifenhe city and Dongning county have carried out the remote border tourism license, which has become a new highlight of border tourism. On the basis of trade in goods, it also drives the development of the province's service trade with Russia.

###### **4.1.2 Dominant geographical location.**

Heilongjiang province shares a border with Russia. It has a border of more than 3,000 kilometers. Thanks to the policies and efforts of all parties, Heilongjiang province and Russia have established 25 national first-class trading ports. Suifenhe port, the largest treaty port, for example, is only about 20 kilometers from the nearest Russian city. In addition, 17 ports have become tourist ports, which further promote the understanding and exchanges between China and Russia. Therefore, in terms of geographical location, Heilongjiang province is advantaged and unshakable as a bridgehead of trade with Russia. With the steady progress of China-Russia strategic partnership, bilateral economic and trade cooperation has witnessed rapid and steady development. The scale of trade has been continuously expanded and the scope of trade has been continuously expanded.

###### **4.1.3 Many talents are proficient in Russian.**

Heilongjiang province has a long history of contacts with Russia and attaches importance to the cultivation of Russian talents. Many schools in Heilongjiang province set up Russian learning classes in junior middle schools to teach Russian to students. In order to promote the talent cultivation of Sino-Russian trade, Heilongjiang province has set up a pilot Russian experimental class in eight colleges and universities in the province, cooperating with Russia to cultivate talents with each other. At the same time, attention is paid to the cultivation of talents in the direction of international economy and trade in colleges and universities in the province, which makes Heilongjiang province have a large number of bilingual language talents proficient in Chinese and Russian, and the reserve of Heilongjiang-Russia trade talents ranks top in China. These talents who know the Russian language are not only proficient in the language, but also have some understanding of the Russian culture. The double guarantee of culture and language has strengthened the relationship between Heilongjiang province and Russia and enhanced the sense of cultural identity.

##### **4.2 Analysis of Disadvantages.**

###### **4.2.1 Single mode of trade and weak strength of trading subjects.**

As can be seen from the figure, in recent years, Heilongjiang province mainly relies on general trade and small border trade to promote the total amount of import and export to Russia, and the proportion of processing trade is relatively low, which plays a weak role in promoting Heilongjiang-Russia trade. For the most part, the subjects of retail trade is the individual businesses, including a

large part of provincial trade in our province and Russia for the interests of the individual, to improve our province local economic strength of the effect is not obvious, only a small pull of the third industry, although the small number of trade, but the level is low, little effect on the development of local economy, the trade way is not standard. In 2016, for example, for the processing trade in Heilongjiang province accounted for 5.4%, Russia often by increasing some temporary import tariffs on goods or using methods such as technical trade barriers to restrict imports, many goods quality standards higher than the Chinese quality standards, to a certain extent, limit the export of processing trade goods in Heilongjiang province. From the perspective of trade mode, the main body of Heilongjiang-Russia trade is mostly small and medium-sized private enterprises, and there are few state-owned enterprises with real strength[10]. Lack of scale, specialization, internationalization of export enterprises, our province is in urgent need of a batch of transnational production and management ability of the market. Private enterprise strength is weak, unable to bear large project, lack of market competitiveness and ability to withstand market risks and financing, technical level is lower than international level, at the same time, private enterprises lack of famous brand products, the degree of deep processing of products is not high, low value-added products, these factors have restricted the development of Heilongjiang province to Russian trade.

Table 2 Heilongjiang trade with Russia

| Year | Heilongjiang's trade with Russia (us \$100 million) | China trade with Russia ( \$100 million) | Percent(%) |
|------|---|--|------------|
| 2005 | 56.76   | 291.00                                   | 19.51      |
| 2006 | 66.87   | 333.90                                   | 20.03      |
| 2007 | 107.28  | 481.65                                   | 22.27      |
| 2008 | 110.63  | 550.50                                   | 20.09      |
| 2009 | 55.77   | 387.90                                   | 14.38      |
| 2010 | 74.74   | 554.50                                   | 13.48      |
| 2011 | 189.90  | 835.00                                   | 22.74      |
| 2012 | 213.10  | 881.60                                   | 24.17      |
| 2013 | 223.60  | 892.10                                   | 25.06      |
| 2014 | 232.89  | 952.80                                   | 24.44      |
| 2015 | 108.50  | 635.52                                   | 17.69      |
| 2016 | 91.90   | 661.10                                   | 13.90      |
| 2017 | 110.00  | 840.00                                   | 13.10      |

#### 4.2.2 The weak structure of import and export commodities

In terms of the structure of export commodities, mechanical and electronic products and labor-intensive products have been the main export commodities, while high-tech products with high added value account for a small proportion in the export. The core competitiveness of traditional manufacturing industry is not strong, and emerging industries are in a slow development stage. All these have put pressure on Heilongjiang's long-term development. On the other hand, Heilongjiang has a high degree of dependence on Russia's foreign trade, and its import products are mainly resource-based. With the change of international exchange rate, RMB exchange rate goes down, and the price of crude oil and other bulk commodities goes up, it will further impact Heilongjiang's import. China's external environment has undergone a qualitative change, and there will be more and more conflicts between China and the United States. Crises may strike at any time. How to manage crises is a huge challenge for China's foreign policy.

#### 4.3 Opportunity Analysis.

##### 4.3.1 Russia has become the Country with the Largest Number of Chinese Enterprises' Overseas Parks.

Chinese enterprises have built more than 40 overseas industrial parks in Russia, mainly agricultural planting parks and wood processing parks, and relatively few industrial parks in high-

tech, petrochemical and other fields. Overseas parks are an important platform for the construction of One Belt And One Road. In recent years, Chinese enterprises have created more than 200 overseas parks, including more than 40 in Russia, which has become the country with the largest number of overseas parks in China. These parks include agricultural planting parks, animal husbandry parks, wood processing parks, light industrial products manufacturing parks and business parks, among which the number of agricultural planting parks and wood processing parks is particularly large.

Russia is sparsely populated, with a lot of arable land but a shortage of labor force. The local climate and other conditions are also very suitable for agricultural production. Provinces such as Heilongjiang, close to Russia, are big agricultural provinces, with rich planting experience, technological advantages and a large labor force, which exactly forms a complementary relationship with Russian agriculture. Therefore, Chinese enterprises, especially those in northeast China, are willing to establish agricultural and animal husbandry parks in Russia. For example, Huaxin china-Russia modern agricultural industrial cooperation zone, china-Russia Shktovo agricultural and animal husbandry industrial park, and Russia Taiyuan agricultural and animal husbandry industrial park. In addition, the Russian forest resources are rich, a batch of SBC in Russia created many park is given priority to with wood processing, such as the famous Tomsk timber industry and trade zone between China and Russia, the Russian Irkutsk wood processing park, Russian endurance timber parks, Russia GeCheng new wood processing industrial park north, Russia bashkortostan kwong wood processing park, etc.

#### **4.3.2 Policy advantages.**

Since the early 1980s, the Chinese government has resumed Heilongjiang-Russia trade and issued various policy decisions conducive to the maintenance and development of Sino-Russian trade. From 1991 about further open in Heihe Suifenhe Hunchun Manchuria four border city of notice, in mid-2011 to Suifenhe, mutual trade between China and Russia trade tax preferential policies of 8000 Yuan, is to promote and promote the exchange and development of bilateral trade between China and Russia, and with its unique advantage in Heilongjiang province, have more space for development and preferential policy. Mentioned above, for example, there are 25 treaty port in Heilongjiang province and Russia, and these treaty port with the deepening of trade exchanges between China and Russia and upgrade, gradually formed a unique port to Harbin, mudanjiang ports, Suifenhe port, east county port etc. Based on the economic and trade zone between China and Russia, for Heilongjiang province to Russia economy and trade cooperation provides broader and deeper cooperation platform of the communication. With the continuous development of exchanges and trade, the platform for trade cooperation will be constantly consolidated, deepened and upgraded.

#### **4.3.3 Government cooperation.**

The regional and regional governments of Russia's far east and Siberia have established regular meeting mechanisms. In order to strengthen the legal services for Chinese and Russian enterprises and enhance the level of investment and cooperation between Chinese and Russian enterprises, the first china-Russia transnational legal service center has been established in Suifenhe city, which has played a promoting role in the political, economic and trade cooperation between the two regions. There are quite a number of powerful enterprises in Heilongjiang province to Russia engaged in deforestation and mineral resources development, real estate development, to develop their international business, the accumulation of the experience on Russia trade exchanges, initially formed from parks and industrial base of combining the development support system, the construction of the focusing on Russia's energy and raw materials of domestic industrial park and with an emphasis on exports to Russia's industrial production and processing industry base.

#### **4.3.4 Trade settlement.**

In 2010, China and Russia announced that they decided to adopt their own currencies to achieve bilateral trade settlement. The ruble has been listed in China's foreign exchange market, becoming the seventh foreign currency in China's inter-bank foreign exchange market. In 2011, the two countries' central Banks signed a new agreement to settle bilateral trade in their own currencies,

allowing the Yuan and ruble to be used not only for border trade but for all trade between the two countries. At the end of 2013, Suifenhe city became the first pilot city in China to freely exchange rubles for RMB. Residents of the city can deposit and withdraw money in rubles directly, or use payment services or shopping without any obstacles. This advantage in trade settlement has opened the door for china-Russia trade and laid a more solid foundation for Suifenhe to become a bridgehead for opening up to Russia and northeast Asia.

#### **4.4 Challenge Analysis.**

##### **4.4.1 Facing international and domestic pressure of competition.**

Due to the comprehensive opening of the Russian market in recent years, merchants from the United States, Germany, Japan, South Korea and other countries and regions have flocked to Russia to enter the Russian market with their capital, technology and commodity advantages, making Heilongjiang province border trade enterprises meet strong competitors. Most of the enterprises in Heilongjiang province in Russia are small and medium-sized companies, which fight on their own and operate in a decentralized way. They cannot form an overall force, achieve economies of scale and lack the guidance of leading brand goods. Merchants from all provinces and big cities are also actively developing the Russian market, forming an increasingly fierce competition situation, and making Heilongjiang enterprises face domestic and international competition pressure.

##### **4.4.2 Port infrastructure still lags behind the needs of the development of border trade.**

At present, although the border ports in Heilongjiang province have begun to take shape, with the continuous expansion of border trade scale, some ports are inconvenient in transportation and difficult in communication. Warehouse is not enough, cause goods, passing time and customs clearance for the inconvenience. The infrastructure construction of Russia's far east and Siberia to this modest. Port of both local government and the immigration, customs and commodity inspection and inspection departments relations not harmonious, to strengthen the importance of Sino-Russian border trade and cognition is not unified, to a certain extent, also affect the development of bilateral trade. With the bank directly settlement scale is not big, the two countries under the settlement ratio is low, the lack of fair, reasonable, effective arbitration mechanism.

##### **4.4.3 Non-standard trade order, tariff barriers and grey customs clearance and other phenomena.**

Russia has not yet become a member of the WTO. Its tariff rate is high and unstable. The overall average tariff rate is 10.5%. Textile products, the average tariff rate is as high as 15%, 20%, Russia often lead to a temporary increase the practice of some import tariffs on goods import restrictions. Russian also use of technical barriers to trade, many goods quality standards higher than other similar products in China, especially in food, clothing, home appliances, the inconsistent quality standard system of the two countries, to a certain extent, affected the Chinese commodity, is common in Russia with gray clearance phenomenon, though Export. Besides gray clearance has its historical roots of the existence and the reason, also has its positive side, but its negative impact is increasingly obvious, become an important obstacle of Sino-Russian border trade. In recent years, Chinese goods in Russia have been raided, make Chinese suffered huge losses. In 2004, Moscow moxamila incident, Chinese businessmen lose about \$30 million; In 2005, the Russian tax police forcibly took away Chinese shoes incident happened again in sardavo, Moscow, which caused a loss of 80 million us dollars for Chinese businessmen. In October 2008, Russia to Moscow, raided Thai market, seized Chinese businessman in the warehouse of the shoes, clothing, daily necessities, such as socks goods worth up to \$1 \$2. Russia hit the grey customs clearance, make a lot of China Daily necessities, light industrial products export traders confidence, has increased the Chinese goods in the distribution of the wind risks. Economic and trade cooperation of non-standard produced a series of consequences, will still restricts the development of Sino-Russian trade.

## **5. Conclusions and Suggestions**

### **5.1 Establishing a good Trading Environment.**

The two sides should strengthen economic and trade information communication, keep abreast of market changes, optimize trade structure, take market demand into consideration, and expand high-level trade cooperation and export of deep-processing products. As for the preferential policies of Heilongjiang province on trade with Russia, the Chinese government should rationally apply them. Under the influence of the central and provincial policies, it should continuously improve the trade environment with Russia and help the vulnerable industrial enterprises, so as to further promote the stable economic and trade market and structure. In the trade with Russia, the existing trade channels are less than the market demand. And when some channels are blocked unexpectedly, it will greatly affect the normal operation of trade with Russia. Expanding trade channels has become a practical problem to be solved. We should increase investment in infrastructure and road construction, improve the traffic environment, achieve the goal of improving the trade environment, and further expand and develop trade channels.

### **5.2 Strengthening Exchanges and Cooperation with Russia and Optimizing the Commodity Structure of Trade.**

Heilongjiang province should regularly hold product fairs in cities and counties with frequent trade between Heilongjiang province and Russia, encourage enterprises mainly engaged in trade with Russia to actively participate, and invite Russian enterprises engaged in trade with Heilongjiang province to visit our province. To strengthen the trade cooperation with the key node cities in the axis of the trans-Siberian railway and their radiating areas, such as Irkutsk, Novosibirsk, Yekaterinburg, Moscow, Petersburg and so on. In addition, we should also promote the establishment of online commodity trading platforms with Russia, and improve the cross-border e-commerce service platform system and payment and settlement system. Thus gradually expand the scale of Heilongjiang-Russia trade. While accelerating the improvement of the commodity structure of trade with Russia, we should also continue to do a good job in the export management of shoes, hats and other traditional advantage categories, and build a more convenient development environment for textile export with the development opportunities of both sides. We should support all kinds of local brands, build strong development bases, support more enterprises that live alone in Heilongjiang, and optimize the export of green crops such as fruits and melons. We will continue to increase imports of crude oil and other resources and materials, promote more effective development through better cooperation, and strive to foster more outstanding spots for economic development.

### **5.3 Strengthening the Development of Treaty Ports.**

According to local conditions, on the premise of fully understanding the actual situation of each treaty port, the specific problems and specific analysis are guaranteed. In each treaty port, preferential policies and development strategies are formulated that are most suitable for the development of the region. Under the trend of macro policies, geographical and trade advantages of the treaty ports are developed and utilized to the maximum extent, so as to broaden and develop the "China-Russia economic and trade belt" and provide a broader space for development.

### **5.4 Creating Influential Brands.**

But the brand influence has the direct promotion function to this enterprise's market competition ability. Without the formation of a brand, the product value cannot be fully realized. It is easy to be at a disadvantage in the competition of similar products. Therefore, in the establishment, maintenance and development of national brands, we should also increase efforts and investment, the most important is the establishment of the brand concept, in good faith, for the purpose of win-win. Under the policy advantage and capital investment, the company will keep and develop its brand influence, enhance its competitiveness in the same industry market, and finally promote the

development of China's economy and trade. For energy resources cooperation on the other hand, has a broad space for development, should be analysis through the professional orientation, in the market have a sufficiently great understanding and cooperation, in the further deeper cooperation between the two countries, and in other industries complement each other, forming mechanism, a kind of industry best further consolidate and develop the trade with Russia.

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