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TRADE AND ECONOMIC PARTNERSHIP OF SVERDLOVSK REGION WITH CHINESE MANUFACTURES AS ONE OF THE FACTORS OF SUSTAINABLE DEVELOPMENT

УДК 339.924 Ковалева А.М.

Abstract. The diplomatic relationships between Sverdlovsk region and China are being developed since 1991. Nowadays the Government of the Sverdlovsk region is going to form the investment proposals for Chinese companies in the frames of bilateral cooperation. The agreements in industry sphere as well as mechanical engineering, pharmaceuticals, construction, agriculture and others are being made and performed. During the unstable global policy and pressure from the European and the USA's sanctions the collaboration with Chinese partners are becoming more crucial for sustainable development.

Key words: regional partnership, goods turnover, investment projects.

Аннотация. Дипломатические отношения между Свердловской областью и Китаем развиваются с 1991 года. В настоящее время Правительство Свердловской области собирается сформировать инвестиционные предложения китайских ДЛЯ компаний В рамках двустороннего сотрудничества. Осуществляются проекты ПО соглашениям В сфере промышленности, машиностроения, фармацевтики, строительства, сельского хозяйства и другие. Во время нестабильной глобальной политики и давления со стороны санкций европейских и США, сотрудничество с китайскими партнерами стран приобретает все большее значение ДЛЯ устойчивогоразвития.

Ключевые слова: региональное партнерство, товарооборот, инвестиционные проекты.

Diplomatic relations between the USSR⁷² and the PRC⁷³were established on October 2, 1949. The current bilateral comprehensive strategic partnership is based on the Treaty of Good-Neighborliness and Friendly Cooperation (July 16, 2001). There are about 300 contracts and agreements signed on the governmental level that cover almost all areas of bilateral cooperation. [1]

Cooperation between the Sverdlovsk Region and China began in 1991 when an agreement on the establishment of sister-city relations between the Sverdlovsk Region and Harbin (China) and the Protocol on trade and economic cooperation were signed.

For today, the Sverdlovsk region has signed the following bilateral documents:

- * a memorandum of cooperation between the Sverdlovsk Region and the Harbin city,
- * the Cooperation Agreement between the Legislative Assembly of Sverdlovsk region and the Committee of People's Congress of Heilongjiang Province,
- ❖ the Memorandum of mutual understanding between the Ministry of International and Foreign Economic Relations of the Sverdlovsk region and the Department of Economic Cooperation and Foreign Trade of Xinjiang Uygur Autonomic Region of China.

Within the agreement with Harbin in 2006 Pervouralsky plant of complete metal structures «Kometkon» and Harbin Research and Production Enterprise «Si Hai» signed an agreement on joint production of thermal machines and plasma cutting. This event was the result of the long-term systematic work with Harbin partners.

Another example of successful regional cooperation is cooperation between the «Ural Turbine Plant» and «Harbin Turbine Plant». Today, China has implemented more than 60 Ural's turbines.

Along with the further increase in the volume of barter transactions, the prospects of cooperation with China are associated with an increase in the number of large-scale joint investment projects implemented in the Sverdlovsk region. The process was initiated in November 2006 at the Russian National Exhibition in Beijing, where the enterprises of the Sverdlovsk Region signed a number of contracts. JSC⁷⁴«Automobiles and Motors of the Urals» signed a contract with the Chinese automotive corporation «Geely» about joint assembly of economy class's cars and with the corporation «Zhongxin» to assemble jeeps. Unfortunately, due to the changes in the Russian legislation, which are about the increase of customs fees for the imported automotive spare parts, the project had been cancelled.

Chinese construction companies also have shown the great interest in the Sverdlovsk region.Ltd⁷⁵.«Monolith» (NizhniayaTuracity) signed a contract with a Chinese partner about supplying equipment for the production of ceramic bricks in capacity of 30 million bricks per year. The Chinese production line of composite aluminum

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⁷²USSR – Union of Soviet Socialist Republics, dissoluted in 1991

⁷³PRC – People's Republic of China

⁷⁴JSC – Joint-Stock Company

⁷⁵Ltd. – Limited

facade systems was implemented on LLC⁷⁶«Plant of composite materials» (Novouralsk).

The air communication with China is also developing. Since July 5, 2009, there are regular flights from the international airport «Koltsovo» (Ekaterinburg) to Beijing. The «Ural Airlines» and «S7» are performing five flights per week. Since February 4, 2012, the «Ural Airlines» included the direct flight from Ekaterinburg to Harbin.

On September 15, 2011, during the visit of the Chinese delegation headed by Vice-Mayor of Harbin Jiao Yuan Chao the Business Forum was held between representatives of the business community in Harbin and the Sverdlovsk region. 35 Harbin enterprises and more than 50 organizations of the Sverdlovsk region attended the negotiations.

The discussions resulted in 2 protocols on intentions:

- ➤ between the Ural State Economic University and the Office of investments in Harbin;
- ➤ between the Office of Physical Culture, Sports and Tourism of Ekaterinburg Administration and the Office of Sports in Harbin.

The preliminary agreements on cooperation in the field of energy, forest products, and medicine were reached.

The Chinese enterprises are increasingly involving in fairs and exhibitions held on the territory of the Sverdlovsk region.

On 29 November – 1 December 2011 in the International Exhibition Center «Ekaterinburg – Expo» during an exhibition «Mining: equipmentand trucks» there was a collective stand represented 30 Harbin's enterprises.

China is one of the leading trade partners of the Sverdlovsk region. According to the Ural Customs Administration foreign trade with China in 2007 -2012 years the turnover was characterized by the following data:

Table 1.The volume of goods turnover.

Year	Turnover		Export, \$	Import, \$	Net
	\$ mln	%	mln	mln	balance
2007	492,4	4,1	232,8	259,6	-26,8
2008	778,3	5,4	330,4	448,0	-117,6
2009	628,2	6,3	408,8	219,4	189,4
2010	718,3	6,0	257,7	460,7	-203,0
2011	780,5	6,60	199,3	581,2	-381,9
2012	687,7	5,49	142,4	545,3	-402,9

⁷⁶LLC – Limited Liability Company

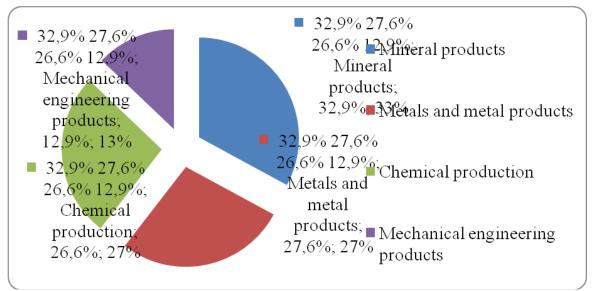


Chart 1.The commodity structure of exports in 2012

Mineral products (32,9%):

- ✓ Plastering materials (18,2%)
- ✓ Slags (14,2%)

Metals and metal production (27,6%):

- ✓ Ferrous metals (11,6%)
- ✓ Aluminum (9,6%)
- ✓ Metal ceramics (6,4%)

Chemical production (26,6%):

- ✓ Inorganic chemicals (25%)
- ✓ Organic chemicals (1,6%)

Mechanical engineering products (12,9%):

- ✓ Mechanical equipment (9,2%)
- ✓ Electrical equipment (1,6%)
- ✓ Optical devises (2,1%)

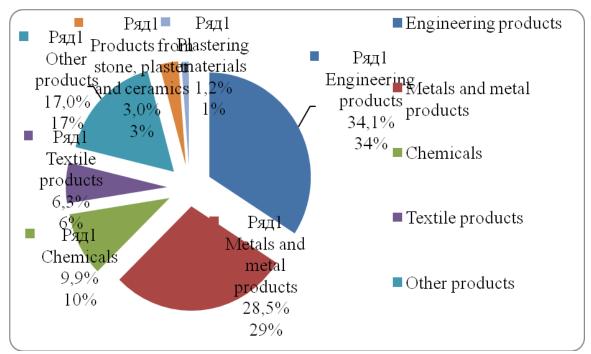


Chart 2. The commodity structure of imports in 2012

Engineering products (34,1%):

- ✓ mechanical equipment(16,4%)
- ✓ electrical equipment (12%)
- ✓ road transport facilities (5,7%)

Metals and metal products (28,5%):

- ✓ Ferrous metals (7,7%)
- ✓ Ferrous products (10,2%)
- ✓ Products of base metal (7,7%)
- ✓ Cutlery and tools (2,9%)

Chemicals (9,9%):

- ✓ Plastics (5,2%)
- ✓ Rubber (1,9%)
- ✓ Inorganic chemical products (1,6%)
- ✓ Organic chemical products (1,2%)

Textile products (6,3%):

- ✓ Clothing textile (3,3%)
- ✓ Knitwear and other textile products (1,5%)

Other products (5,8%):

- ✓ Toys (3,4%)
- ✓ Furniture (2,4%)

Products from stone, plaster and ceramics (3,0%)

Plastering materials (1,2%) [2]

By agreement of the Sverdlovsk region's Minister of International and Foreign Economic Relations Andrey Sobolev and Chinese Consul General in Ekaterinburg Tian Yongxiangthe negotiations on the possibility of investment cooperation in various sectors of industry delegation will be held with the representatives of big business's Republic of China in 2015.

Chinese companies have plans to participate in investment projects in Russia, including in the Sverdlovsk region. Directionsvary of mechanical engineering, pharmaceuticals, chemical industry, construction and building industry, agriculture, logistics, trade, and some others.

There is a need to work together to remove administrative barriers for investment, trade and economic cooperation between countries, to build a relationshipsbased of trust in business. The Consulate General is ready to assist in the invitation to the Sverdlovsk region the heads of the leading Chinese companies to conduct negotiations on this subject.

Sverdlovsk government on behalf of Governor Eugene Kuyvashev intensified the workon the details of the investment partnership with China. At present, several Chinese companies have confirmed their interest in the development of production in the Russian Federation and consider the Sverdlovsk region as a potential site. [3]

The minister said that despite the fact that there are already close working relationships on industrial cooperation with a number of Chinese companies, it's too early to talk about specific agreements. Today it is necessary not only to identify the priority areas of bilateral and mutually beneficial cooperation, but also to provide the most comfortable conditions for working in the Sverdlovsk region – from the first steps of production in the region to the marketing of products.

Taking into account the high level of interest and the possibility of the Chinese side, as well as strong industrial potential of the Sverdlovsk region, the aim is to find the common points of growth. It's about the introduction of the most advanced technology, the most popular marketsof product's localization, which are not in the direct competition with the Sverdlovsk manufacturer. Joint projects will ensure the demand for the high-quality products of domestic market in the region, they will create new jobs and place the new orders into industries.

Due to the high level of public partnership between Russia and China, inter-regional cooperation can get a new boost which is highly important, especially at present unstable economic and political situation on the global market.

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