

## INTERNATIONAL BORDER COOPERATION OF RUSSIA AND CHINA: CHANGE OF PRIORITIES OR CHANGE OF THE PARADIGM?

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The article delves the state, problems and main directions of development of border cooperation of Russian Far East territories under the conditions of advanced asymmetrical centre-peripheral regional management. The attention is put to the analysis of Russian-Chinese border cooperation with the major features highlighted. The article offers priority directions of further sustainable development of Russian Far East economics on the base of realization its border territories transit function. The article also elaborates possibilities of national and international transport corridors, forming of «point» innovative regional systems and using of recreational and tourist resources of the territory.

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1. One of the most urgent challenges for the Russian Far East development – a challenge, that substantially differentiate this region from the other ones, is its *advancement of central-peripheral management of space*, that was inherited from the previous process of development.

There can be distinguished three reasons for such regional differentiation, which are connected at first, with introduction of market competition mechanism that has split the regions according to their advantages and shortcomings; secondly, with the weakening of government's controlling role that also has been shown in decrease of public investments into the regional development; and thirdly, with the actual consolidation of region's inequality with the centre.

As a consequent of this social-economic and legal inequality, there has increased the weakening of inter-regional economic interaction and mounting economic and social conflicts. From the 90-ies on, the relations of Far Eastern regions with far abroad have been replaced by the relations with the near abroad, and inter-district cooperation's become locked into itself. Under some estimation, the internal inter-regional exchange of GNP's fallen from 22% in 1990 to 16% in 1994, and fell to 12-14% for the 1995-2008 period [2].

This situation suggests several conclusions about the competitive ability of the region. First, the production of Russian regions on home market is highly uncompetitive suggesting its high cost. Second, the main consumer (the local consumer) of these products has no choice. And third, the rise of consumption on external market, following the rise of trade surplus, is not and evidence to the growing competitive ability. Moreover, the specialists estimate that the share of foreign direct investment (FDI) of the total amount of investment into the Russian Far East at the peak of its inflow didn't exceed 7-8% and was lower than average sum of investment to Russia.

Thus, the Russian Far East isn't only weak in the realization of its comparative advantages

in development of foreign-economic activity, but also lags behind other regions. That is why the federal and regional governments face the challenge of Far East integration into the Northeast Asia on the hand, and on another – its re-integration with other regions of Russia. To solve the second part of the challenge, the frontier cooperation may prove to be a decision. It must be considered as a strategic competitive resource of the territory, which, developed under the effective management, can become a foundation of internal and external integration under the conditions of inclusion of Russian economic space into the world processes.

2. As European experience shows there can be *three possible levels of integration*: *low* (two frontier regions behave as independent units); *medium* (various forms of cooperation between social institutions, private enterprises, and private individuals are partly integrated or well-coordinated); and the *high* (two frontier elements are effectively functioning as a socio-economic integrated unit) [5]. Here the frontier cooperation promotes both vertical (traditional) and horizontal regionalization. The vertical regionalization is a form of decentralization inside the country that is delegates powers from federal to regional level. The horizontal regionalization assumes the development of inter-regional contacts and a kind of partnership between municipal councils and institutions of frontier territories on a local level. The advancement of cooperation between frontier territories that stimulates the emergence of business, social and physical (water- or energy supply, transport, communication, etc.) connections facilitates better regional integration of a higher amount of regional and non-regional economic units and favors gradual shift from the inter-frontier cooperation into the trans-frontier one.

Frontier cooperation plays an important role in development of economic space. It helps to overcome a peripheral system, the marginalization of border regions. By the frontier cooperation countries can transmit

their political and economic influence to the neighbor countries. Frontier regions are natural constructions in building the «big economic spaces» that include national economic spaces of two and more countries. This point is very important for Russian Far East federal district, where realization of frontier cooperation that comes in shape of internal and external integration faces two difficulties: from the one side – isolation of Far Eastern territories from the national market, from the other – deformation of regional economy structure.

The appeal of frontier regions for the foreign investors is formed by transport facilities relative to the investor countries, peculiarities of national investment climate, the cost of main factors of production, capacity of the market and transaction costs connected to crossing the national border.

Russian-Chinese relations took as an example because of its large scale and dynamics of progress in foreign trade volume structure, can distinguish *five features of Far Eastern model border cooperation* [1]:

a) fast pace of development of frontier and shuttle trade, esp. in first half of 1990-eis was caused by liberalisation and high rate of inflation;

b) huge gap between officially registered and hidden commerce;

c) irrationality of frontier trade structure, where product types of Russia and China are opposite;

d) cyclicity of frontier trade. Strong dependence on price situation on external market and on trade regime in Russian-Chinese relations with the ongoing structural crisis and inflationary expectations in Russia, conduces short-term effects that influence promotion of frontier trade turnover;

e) there are barriers that are attributed to cultural and civilization paradigms.

3. One of the major directions of further sustainable development of Russian Far East economics can be its mastering the world through traffic markets, as the shortest land, sea and air tracks which connect Western Europe and Northeast Asia and Asian-Pacific Region (APR) lay in its Far East territories. In other words, *we can speak about the realization of transit function of a border territory through its national and international transport corridors* (NTC and ITC).

For example, with good reason we can talk about creation of international transport corridor «Harbin-Bolshoi Ussuriyskiy Island-Vanino» in Khabarovskiy Kray. That would enable direct transport way of Chinese goods to the Kray's sea ports and shorten its delivery to Japan, the USA and South Korea for 4-6 days at the minimum. The creation of this corridor is possible on the base of forming through transit

traffic of supersize containers from the northern part of Heilongjiang province to Vanino port (Vanino-Soviet-Gavan transport hub in future) and further to Japan, South Korea and the USA via regular shipping operations.

As it's known, south of Russian Far Eastern Federal District borders on Heilongjiang province, which is supposed to take all load of planned increase of foreign trade turnover with Russia – approximately up to 60-65 bln USD by the end of 2011. Although now the carrying capacity of the province can't secure unobstructed movement of foreign shipment and it is yet to meet the requirements of international markets. That's why the underdevelopment of transportation is a constraint for the economic growth of the province. Advancing economically at a fast pace, China makes efforts to develop its transport infrastructure as quickly as possible. Expectations are especially put on ITC as an essential element of the country's integration into the global economy. In the northeast of China these ITC, which have ways out to Russian through Far Eastern Federal District, are:

1) ITC «Suifenhe»: ports Nakhodka/Vostochny Port – Suifenhe-Harbin – Manchuria- Zabaykalsk – Trans-Siberian Railway (TSR);

2) ITC «Tumangan»: North Korea ports – Changchun – TSR;

3) ITC «Dalian» : Dalian – Harbin – Heihe – Blagoveshchensk – TSR;

4) ITC «Tianjin»: Tianjin – Beijing – Erenhot (Erenhot) – Ulan Bator – TSR;

5) Western trans-Korean corridor: Busan – Seoul – Pyongyang – Sinuiju – Shenyang – Harbin – TSR;

6) Eastern trans-Korean corridor: Busan – Rasŏn (Rajin) – Sonbong – Khasan – TSR.

4. It's a known fact that border regions of Russian Far Eastern Federal District, which have deformed economic structure, lack the necessary innovative base. At the same time, we believe there are prerequisites for its origination yet and creation of so-called «*point*» *innovative regional systems* on this territory. That is why we consider *prioritized use of scientific and technical, academic and intellectual potential* of Russian Far East universities, research institutes and branches of Russian Academy of Science to be one of the major directions of border cooperation.

The special attention should be put on the export potential of Far East universities. Bordering China – the largest importer of educational services, Russian Far East has a chance to develop its competitive advantage and promote Russian education to China and other universities of APR region via universities of Far East. The realization of this export poten-

tial can be done by introducing innovations not only into educational structure, but also into regions themselves and whole country. The realization can come in form of large university complexes, where universities' and various professional education institutions' intellectual resources will be integrated into the academic science infrastructure. The example of such complex can be Far Eastern Federal University in Vladivostok.

These innovation complexes both modernise the higher education system and create a system of foreign personnel training in Russia. Teaching of international students can have positive effect for the Far East region, as it can help to solve demographic problems, scarcity of labor, certain difficulty that follows the transition from raw-material based economics to the innovative one.

Besides, the service infrastructure for should also be improved, so that foreign students could live comfortably and study effectively in the university campus. Considering the fact that the share of service in Gross Regional Product of Far Eastern Federal District is permanently growing, it can be a catalyst for the growth of economics of the whole region, although we must acknowledge that there should be developed appropriate normative legal and personnel support from the central government. This direction should become a part of regional policy of the government. There is a lot of work ahead in this direction now, as the implementation of this policy has just begun. In addition to that, in recent years there has seen a visible trend of university entrants, student and graduates from Far East Universities going to study (for both undergraduate of graduate studies) abroad to the nearest APR countries, such as China, Korea, Australia, etc.

5. Another widely underused and underdeveloped resource of Russian Far Eastern territories (both land and seaside) is *recreation, tourism (first of all extreme and eco-tourism) and exclusive hunt and fishing tours*. Beside positive economic impacts it can bring, it is also a great possibility to include *territories with ecologically clean plants* (e.g. for medical use) into economic sphere, develop *marine culture, create a network of marine biotech parks, and lay the foundation of recreation-touristic-medicine cluster*; in the first place it can be done in the southern regions of Far Eastern Federal District – Amur Oblast, Primorskiy and Khabarovskiy Kray, etc.

According to studies made by S. Maslennikov, if we assume that the price of goods decreases with the expansion of its manufacturing, and consider the average cost of hyd-

robiontes cultivated today to be 1 USD, gross revenue from the marine products will exceed 600 mln USD a year. Moreover, this low cost will enable Primorskiy Kray production to penetrate huge markets of Japan, Korea and China. In addition, the development of marine cultures can secure more than 500 000 work-places (including those created in the related spheres like service, building or transportation, etc.), which is comparable to the total number of working population in Primorskiy Kray. It also draws us the perspective of developing of network of marine biotech parks along the coast of Russian Far Eastern seas (estimated to bring 1,5-3 mln tons of rough materials a year) and creating of approximately 1 million work-places on the coast, which would partly compensate the decrease in the resource production. These figures show the great potential of developing of mariculture and marine biotech parks as a unique reserve of attracting people to Russian Far East and securing their living on the border regions [3-4].

6. It's obvious today that the capabilities of frontier and shuttle trade are exhausted, but there haven't been developed new directions of frontier cooperation yet. To overcome the challenge of frontier collaboration we need a broadening of interaction, including the advancement of nonmaterial and investment spheres. Moreover, the concepts of frontier trade themselves must be reconsidered. That is why a new model, under which the main motive of Russian economic space development should become manufacturers' interest in raw material and sale markets, partners and mediators and in creation of new production chains, is worth consideration. For Russian-Chinese relations on Far East this means the need to provide conditions for activation of frontier cooperation.

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