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CHINESE-RUSSIAN TRANS-BORDER TRADE AND ECONOMIC RELATIONS AT THE 20TH –21ST CENTURY

Zhang Peiyuan (a)*, Zhambalova Sesegma Gendenovna (b)

*Corresponding author

(a) Xilin Gol Vocational College, 11, Ming' Antu str., Xilinhot City, China, yutu_china@163.com

(b) Institute for Mongolian, Buddhist and Tibetan Studies of the Siberian Branch of the Russian Academy of Sciences, Ulan-Ude, Russia, zhambalovas@yandex.ru

Abstract

The article is devoted to a rather poorly studied topic. It outlines the dynamics of Chinese-Russian border trade and economic relations at the end of the 20th – beginning of the 21st century, which are developing based on agreements on comprehensive strategic partnership. The article is based on information published in Russian and Chinese literature, including the works of Chinese graduate students who prepared thesis research written in Russian on a similar topic in Russia. The article reveals the positive dynamics of the Chinese-Russian border trade and economic relations development, as well as many problems that exist in this segment of cooperation. Consideration of the topic allows drawing the following conclusions. For decades, trade and economic relations between Russia and China were almost interrupted. However, since the end of the XX century, the socio-political situation in both countries changed. At this time, there is a continuous intensification of Chinese-Russian border trade and economic relations with inevitable recessions and ups in some years. The critical initiative of the People's Republic of China "Belt and Road Initiative" opens new horizons for the further development of Chinese-Russian border trade and economic relations at a new level. In border trade, more extensive involvement of inland areas will give a new start to this international cooperation. Transit tourism opens up new opportunities for expanding Chinese-Russian border trade and economic relations. The decisions of the Chinese government demonstrate the country's socio-economic interest in developing this type of international cooperation with the Russian Federation.

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Keywords: Russian, China, Belt and Road, trans-border, economic relations, dynamics.



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1. Introduction

The purpose of this article is to outline the dynamics of Chinese-Russian border trade and economic relations at the end of the 20th – beginning of the 21st century. The relevance of the topic is because Russian-Chinese relations are developing based on agreements on a comprehensive strategic partnership. Strategic partnership implies, as noted by Bazarov (2017), “the large-scale and sustainable development of bilateral relations in many sectors” (p. 7). Trans-border trade and economic relations have become particularly relevant since the end of the 20th century. Trans-border relations often have significant socio-economic importance for creating acceptable conditions for everyday life for residents of trans-border areas.

2. Problem Statement

The historiography of Russian-Chinese cooperation is quite extensive. Published much serious work on this issue in Chinese, Russian, English, Japanese, and other languages. The activation of modern Russian-Chinese relations facilitates this. Russian-Chinese relations have reached a new level of comprehensive strategic interaction and partnership, the development of mutually beneficial practical cooperation, and humanitarian contacts (Denisov, 2013). At the same time, it should be noted that there is not enough work on Chinese-Russian trans-border trade and economic relations in the late XX – early XXI century to fully understand this topic. We carried out a historiographic review of the dissertations of young Chinese researchers on Russian-Chinese trade and economic relations prepared in Russian during the post-graduate studies in Russia in the post-Soviet period (Zhang, 2019). One of these works, namely the Xin Zhan dissertation, is directly devoted to the study of Russian-Chinese trans-border and inter-regional cooperation in 2001-2011 (Xin, 2014). These and other literary sources in Russian and Chinese formed the basis of this article.

3. Research Questions

Since the mid-1980s, Chinese-Russian cooperation in all areas, including trade and trans-border trade, has begun to develop at a relatively rapid pace. This recovery came after a lull due to many well-known socio-political events that cooled cooperation between countries. Renewed collaboration has three inherent characteristics. Firstly, the expansion of the scale and growth of trade. Secondly, trading floors that were previously spread only along the border provinces began to appear in settlements remote from the border. Many enterprises in the central regions of the country began to be included in trans-border trade. Thirdly, the form of trade has expanded: foreign trade, commodity exchange, and compensatory trade have appeared.

Wu Haolin (1995) identified six factors that determine the extent and form of economic ties in the 1950s. and in 1980: 1) political; 2) geographical; 3) demographics; 4) resource; 5) technological; 6) financial. His work shows how, thanks to the improvement of the political climate, since 1980, the dynamic development of Russian-Chinese economic ties have been observed. At this time, there is a transition from state forms of cooperation to direct, trans-border, inter-regional relations, and relevant market principles of relations. At the same time, the volume of trade and forms of cooperation do not

correspond to the potential capabilities of partners. New problems characteristic of the period under review is the lack of coordination of economic mechanisms. This problem included foreign economic calculations, transport, uncoordinated actions of the parties in customs duties, visa regulations, labor migration, and other problems. They led to a significant decline in foreign trade in 1994 (Haolin, 1995).

4. Purpose of the Study

After the collapse of the USSR in 1991, the governments of the PRC and the Russian Federation signed many essential documents aimed at promoting and protecting trade and investment. By their decision, the Chinese-Russian Committee on Economic, Trade, Scientific, and Technical Cooperation are created. At that time, other institutions were also designed to provide the necessary organizational guarantees for the Chinese-Russian trans-border trade. Of course, it contributed to the intensification of the process of interaction between countries.

5. Research Methods

Since 2000, Chinese-Russian trade has entered a new period of development, and Chinese-Russian trans-border trade has become an essential part of it and a driving force. Zhou Jianying, exploring the evolution of relations between China and Russia in 2001 – 2006 Zhou Jianying comes to the following conclusions. Between China and the Russian Federation during this period, a "trusting" and strategic partnership was established. This partnership is characterized by a high degree of political and relatively low economic cooperation. The fundamental, ramified international legal base of bilateral relations can resolve such a contradiction, in his objective opinion. The fact of positive cooperation is the resolution of the border issue. The researcher believes that the partnership will continue to be progressive (Zhou, 2010). All this is also directly related to trans-border trade, as part of interstate cooperation.

Xin Zhan revealed that trans-border trade between Russia and China has a solid contractual basis and legislative framework. The governments of both states have signed many agreements on transnational and interregional cooperation. Among them is the "Program of cooperation between the regions of the Far East and Eastern Siberia of the Russian Federation and the North-East of the People's Republic of China (2009-2018)." This cooperation program is the beginning of a new stage in the development of interregional cooperation between the two countries. The cooperation program identifies key projects for interregional cooperation in the energy, scientific, technical and transport sectors, as well as in the construction and reconstruction of border infrastructure, in expanding cooperation zones to improve living conditions in the border areas and the development of trans-border trade (Xin, 2014).

6. Findings

At present, the Chinese-Russian trans-border trade has many directions. On the one hand, trans-border trade is a limited type of international trade in border areas to satisfy local people in everyday needs. On the other hand, trans-border trade is trade carried out by legal entities and organizations located in these territories, which are given a particularly favorable foreign trade regime. Trans-border trade is small-scale trade within 20 km of the border, carried out within the framework of the approved rules

(points, quantity, and other features). Usually, these are enterprises registered with state bodies. These enterprises have the right to manage small-scale trade in the border areas along the land border and through the land border ports designated by the country. These enterprises carry out trading activities between companies or other trading organizations in the border regions of neighboring countries. Small-scale cross-border trade has many advantages for implementation. Benefits are proximity to foreign markets, a quick exchange of goods, and low freight rates. It allows residents of the two countries to easily purchase the necessary products and products of a neighboring state. In the Chinese-Russian trade, small-scale cross-border trade is relatively simple and cannot satisfy the rapid development needs of the Chinese-Russian trans-border trade (Zhang & Li, 2017).

Xin Zhan notes that from 2001 to 2011, Russian-Chinese cooperation in all areas is continuously deepening and brings significant results. At the same time, she revealed that political and economic relations between Russia and China are not natural. She sees the reason for this in the imperfection of the legal framework, the narrowness of the product structure, the weak transport infrastructure, the lack of cooperation in high technology, the changing political climate in the world, Russia's fears related to a possible increase in the number of Chinese migrants and China's policies in Central Asia in the energy sector, the problem of the export of substandard goods from China to Russia (Xin, 2014).

The development of the "One Belt, One Way" initiative is a modernization breakthrough. The effort was put forward in 2013 by China and is aimed at creating the Silk Road Economic Belt and the 21st Century Sea Silk Road joint projects with Russia. Bazarov (2017) quite objectively considers: "This global project, which has become a large-scale program of international cooperation, can become the basis of a systemic shift in the global economy and geopolitics" (p. 10). The initiative opens up new opportunities and prospects for cooperation between Russia and China. This initiative is vital for Chinese-Russian trade and economic cooperation, in particular for trans-border. Thanks to this initiative, the Chinese-Russian mutual trade zone has noticeably intensified, and, accordingly, trans-border trade has expanded.

An example is the Chinese-Russian trans-border trade in Manchuria, which has been developed since 1992 and has become the first national trans-border trade zone. In 2016, Manchuria completed the creation of a duty-free zone between China and Russia, and the Chinese-Russian border trade platform was put into trial operation. Against the background of this initiative, trade between China and Russia in Manchuria continues to intensify; the volume of business is growing. According to official statistics from Manchuria, in 2018, the size of import and export operations amounted to 171 million yuan (Ha, 2019).

Another positive aspect of the "One Belt – One Way" initiative is the creation of a pilot zone of the Chinese-Russian border tourism. Of course, this process helps boost cross-border trade. The number of people traveling due to the available transportation opportunities across the Chinese-Russian border is increasing annually. Chinese, Russian tourists, cross the border, as well as tourists from Western European countries traveling in transit through Russia, Mongolia to China, and vice versa. As the Chinese-Russian border tourism continues to develop, the volume of various trade operations in the field of tourism goods and services increases. Trade aimed at serving tourists has become a new form of Chinese-Russian trans-border trade.

At the same time, it should be noted that in the Chinese-Russian economy and trade, the next initiative of the "One Belt – One Way" program, some problems that need to be solved for a long time remain. China believes that the issues are that the infrastructure in the Chinese-Russian border zone is still not perfect; Chinese-Russian trade and economic cooperation is still not complete; many bottlenecks have not yet been eliminated; Chinese-Russian border trade not sufficiently stimulated by inland areas. These problems have, to varying degrees, limited the healthy and sustainable development of Chinese-Russian business, including trans-border trade.

In response to the above problems, the following solutions are proposed. Firstly, it is necessary to strengthen the construction infrastructure in the border areas of China and Russia. It is essential to eliminate the problems of backward infrastructure, obsolete equipment, and outdated technologies between China and Russia. It is necessary to further accelerate the construction of the national road network and the local road network in the border areas of China and Russia. It is planned to further strengthen the construction, reconstruction, and modernization of border roads, port roads and tourist roads between China and Russia, and further rectification of the critical water transport of the border. Development of water transport and the construction of canals, such as the Heilongjiang waterway and the Songhua River, the structure of critical open ports on the Chinese-Russian border. All this will help ensure developed transport links between the Chinese-Russian border roads, railways, waterways, and the national transport network, as well as expand the Chinese-Russian border trade. Further development of new transport routes to Russia in northwestern China is planned. Strengthening the construction infrastructure in the border regions of China and Russia is an essential task in achieving sustainable development of the Chinese-Russian border trade.

Secondly, it is necessary to strengthen the economic power of private enterprises in the Chinese-Russian border territories. The development of private enterprises is one of the points of the "One Belt – One Way" initiative. In the border Chinese-Russian regions, it is necessary to gradually increase the number of private enterprises that will become the basis of modern Chinese-Russian cross-border trade. To strengthen the presence of private enterprises in Chinese-Russian cross-border trade, a number of conditions must be met. Government departments should increase economic power and help private enterprises in Russia. Private enterprises in the border areas cooperate in various fields, such as deep wood processing, intelligent logistics, agricultural agriculture and environmental energy. Private enterprises should use the "One Belt – One Way" initiative as an opportunity to create a mechanism for bilateral trade cooperation. It is advisable to use the Chinese-Russian border city exhibition as a platform for promoting goods and services.

The third decision is to improve financial services. The financial assistance is a long-standing problem, a bottleneck in Chinese-Russian trans-border trade in regulating work with local currency, arbitration in business disputes, and the cargo insurance system. To solve these problems, Chinese government departments should increase the number of consultations and exchanges of experience with Russia on the financial structure, payment methods, and information technologies. The study of a new mechanism for settlements in local currency between enterprises in the border Chinese-Russian region to reduce risks in case of exchange rate fluctuations. It is necessary to make fuller use of the functions of the China International Economic and Trade Arbitration Commission of the Silk Road Arbitration Center. It

is also essential to strengthen pragmatic cooperation with Russia in the field of commercial and legal services. Chinese-Russian border trade enterprises strive to resolve disputes promptly and increase their ability to overcome Russian trade barriers. The development of border trading enterprises will improve the service capabilities of the Single Window of banks, insurance organizations, and other countries of China's international trade. Trans-border trade relations and provide high-quality and efficient global goods for Chinese and Russian border enterprises, transport insurance services.

Particularly important for the topic of our article is the fourth solution, namely, the need to strengthen Chinese-Russian trans-border trade by attracting the country's internal regions. From economic geography, in the context of "One belt - one way," government departments should use Chinese-Russian trans-border trade as an engine of Chinese-Russian commerce and promote the development of Chinese-Russian business in the interior (Wang, 2017). To increase cooperation between China and Russia inland, government departments must do three things. There is a need to strengthen communication between port cities and provinces and cities located in inland areas. It is necessary to increase Chinese-Russian trans-border trade and Chinese-Russian trade in the interior. It is planned to increase the activity of towns situated in the country in the Chinese-Russian business. Raise awareness, including logistics, of inland areas about port cities, is necessary. Raising awareness will lead to the qualitative use of the country's geographical advantages and the overall development of Chinese-Russian trade in the provinces and cities.

7. Conclusion

Thus, we can come to the following conclusions since the end of the XX century. There is a continuous activation of Chinese-Russian border trade and economic relations with inevitable recessions and ups in some years. But the positive dynamics of the process is not in doubt. Over the years, a particular system of trans-border trade and economic relations has been created. Today, there are prospects for further development. China's outstanding initiative, "One Belt, One Road," opens up new horizons for the further development of Chinese-Russian trans-border trade and economic relations at a new level (Xu, 2019). In trans-border trade, more extensive involvement of inland areas will give a new impetus to this international cooperation. The increase in tourist flows passing through trans-border areas; transit tourism opens up new opportunities for expanding Chinese-Russian border trade and economic relations. The decisions of the Chinese government demonstrate the country's socio-economic interest in developing this type of international cooperation with the Russian Federation.

The study of the dynamics of Chinese-Russian trans-border trade and economic relations during the late XX – early XXI century has excellent prospects. Chinese-Russian transnational relations is a process that throughout the entire period has shown constant dynamics, revealing not only positive aspects but also essential problems. Emerging problems require solutions to ensure further sustainable development of trans-border trade and economic relations. Solving the existing issues will increase the well-being and everyday life of the peoples of the two countries living not only in the border zone of the states but also in their private areas.

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