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**ECONOMY OF TRANS-BORDER REGIONS OF SIBERIA AND  
THE FAR EAST: EURASIAN INTEGRATION**

T. A. Selishcheva (a)\*, N. V. Sopina (b), E. S. Gavrilyuk (c)

\*Corresponding author

(a) Saint Petersburg State University of Economics, Sadovaya ul., 21, Saint Petersburg, Russia, selishcheva@list.ru,

(b) Saint Petersburg State University of Economics, Sadovaya ul., 21, Saint Petersburg, Russia, nsopina@mail.ru,

(c) University of Information Technologies, Mechanics and Optics, Kronversky Avenue, 49, Saint Petersburg,

Russia, gavrilyukes@gmail.com

***Abstract***

In the article economy of trans-border regions of Siberia and the Far East in conditions of activated economic collaboration with Eurasian countries was investigated. Special attention is devoted to conjunction of Eurasian Economic Union and Chinese Project "Economic Belt of Silk Road" where much attention is paid to regional economic collaboration between countries. The analysis of main infrastructural and other projects of economic collaboration of China and Russia was made. The attention was paid to the possible replacement of Chinese enterprises of twelve fields into Russian regions, such as advanced development territories and Free Port of Vladivostok. The role of Chinese investments in the development of Siberian and Far Eastern regions was analyzed. Mongolian project "Steppe Way" which includes the development of infrastructure and transport economic corridor connecting Mongolia with China and Russia was considered. The effect of this project on the economic development of Russian trans-border regions was demonstrated. The level of investments of South Korean companies into Russian economy was analyzed. Indicators of economic performance, ratings of socioeconomic state and investment climate of trans-border regions of Siberia and the Far East were considered. Causes of low ratings of investment climate of the Far Eastern and Siberian trans-border regions were revealed, the problems of foreign investment attraction were examined. Heterogeneity of economic development of trans-border regions, lower performance of their economies, compared with the economy of the rest of Russia, were found. Structural transformations of Russian cross-border regional economies in the conditions of Eurasian integration were shown.

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**Keywords:** Eurasian integration, foreign investments, infrastructural projects, sustainable development, trans-border region.



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## **1. Introduction**

Economic recovery of Siberia and the Far East is the national priority of Russia in the XXI century. In 2014, Russian Government took an official course “Turn to the East” due to the following reasons: sanctions of Western countries; the ongoing shift of the centre of economic and political dynamics into Asia; prospects of common economic space “Greater Eurasia”, and others. Economic collaboration of Russian trans-border regions with countries of the Eastern Asia, in the first turn, with China, Mongolia, the Southern Korea, has been developing. Nevertheless, the influence of this collaboration at steady development of trans-border regions of Siberia and the Far East has not been examined sufficiently. However, such examination is very important in order to contribute to effective international collaboration of Russian trans-border regions with Eurasian countries. The necessity of such contribution makes clear the urgent scientific practical significance of the research represented by the given article.

## **2. Problem Statement**

Policy of “Turn to the East” performed by Russian Government attracts much attention to the development of the regions of trans-border interaction of Siberia and the Far East which collaborate economically with border Eurasian states. Due to this, it is necessary to reveal the stability of these regional economies, the efficacy of their trans-border international collaboration, and existing problems, in order to correct and increase the performance of public regional and foreign economic policy.

## **3. Research Questions**

- 3.1. What is the influence of the conjunction of Eurasian Economic Union with Project “Economic Belt of Silk Road” in Russian trans-border regions of Siberia and the Far East?**
- 3.2. What are the main trends of economic collaboration of Russian border regions with Eurasian countries?**
- 3.3. What is investment attractiveness, and what are obstacles in the way of attracting foreign investments in Russian border regions of Siberia and the Far East?**
- 3.4. What are structural transformations of Russian and Chinese border regions?**

## **4. Purpose of the Study**

In the given article, the purpose of the study is to analyze economies of trans-border regions of Siberia and the Far East, to reveal existing problems of development in the conditions of economic collaboration with Eurasian countries, and to develop the system of measurements of optimizing public regional policy on this basis.

## 5. Research Methods

**5.1.** To achieve the declared purpose of the research, we use evolutional and systemic approaches which allow considering non-equilibrium processes; the economy of Russian trans-border regions is regarded as the system which changes constantly in the conditions of Eurasian integration.

**5.2.** The method of comparative analysis of statistic data which matches separate socioeconomic phenomena in order to detect their similarities and differences allowed revealing the characteristic features and problems of trans-border regions of Siberia and the Far East in Eurasian integration.

**5.3.** The method of formal logic allowed examining the processes ongoing in the trans-border regions considering their structure and forms, and revealing the transformation of the structure of the economy of Russian and Chinese border regions.

## 6. Findings

The development of economic collaboration with Eurasian countries is now determinant for Russia. Thanks to the conjunction of Eurasian Economic Union and Chinese project “Economic Belt of Silk Road” (EBSR) signed in 2015, the developing trans-border regions of Siberia and the Far East have begun to play a great role (Minakir, 2017; Khasbulatov, 2017). Thus, transport infrastructural projects have been defined: modernization of Transsib and Baikal-Amur Mainline; highways “Moscow – Beijing” (as the link of the corridor “Europe-Asia”), “Moscow-Kazan”, “Western China – Altai – Novosibirsk”.

According to the concept of “Economic Belt of Silk Road”, strategic interests of China come out of the borders of this country, and concentrate in the territories of Eurasian states in the form of regional collaboration in the fields of political and trade freedoms, transport infrastructure, investment activities, financial interaction. No doubt, such a large-scale project as EBSR (concerning the interests of 65 states, total population – 4,4 billion people) influences the economy of neighboring states, particularly, the trans-border regions of Siberia and the Far East (Selishcheva, 2017). The goal of EBSR is to aid free replacement of manufacturing factors, optimal distribution of resources, close integration of markets, development of a large-scale regional collaboration (Solovieva, 2016).

Development of the Far East is the component of a transcontinental Chinese initiative. Along EBSR, there are territories of advanced development. There are programs of economic growth of Russian Far East and the Northeast of the People’s Republic of China (China is advancing to the Far East. What for does Russia need “dirty” industry of neighbour, 2018). In the Far East, the construction of a large deep-water port is planned with the participation of Chinese investments. There is an active collaboration between Russian and Chinese parts in developing the Arctic Ocean, particularly, in passing Chinese vessels along the Northern Sea Route.

China suggested replacing some Chinese enterprises of 12 economic fields into the territory of Russia, including mechanical engineering, shipbuilding, energetics, metallurgy, cement industry, chemical industry, textile industry, telecommunications industry, agriculture. China has excess production capacity, which requires replacing abroad, but it is necessary to provide consumer demand in Russia (Drobyusheva, 2017). Enterprises will be constructed in the territories of advanced development and Free Port of Vladivostok, obtaining preferences and tax privileges. Besides, Ministry of Eastern Development

requires job quota for Russian citizens not less than 80 %, this being an obligatory requirement for the replacement of Chinese enterprises into our country, along with ecological limitations (Pogorelsky, 2018).

In 2016-2017, 80 % of investments of Asian-Pacific countries in the economy of the Far East were the investments of the PRC. Nowadays, in the Far East region, 28 projects with the participation of Chinese funds are being carried out, the total investment being about 4 billion dollars (Gavrilova, 2015). Trans-border transport projects are being promoted; the most large-scale project of them is the development of international transport corridors “Primorye -1” and “Primorye-2”. These projects can give a great multiplicative effect for Chinese and Russian economies.

At the Baikal, Russian-Chinese project of constructing an up-to-date world class tourist cluster is carried out by Russian firm “Grand Baikal” and Chinese firm “Chzhuntszinsin”, the investment size will be 11 billion dollars, exceeding the budget of Olympic building in Sochi. It is supposed that tourist flow will increase by 10-25% (Onopriyuk, 2018).

In Primorsky Krai, Chinese group of companies “Chongqing Tianci Hot Springs” plans to construct a recreational complex for 2 million people per a year. Chinese businessmen plan to construct several balneological resorts and hotels in the territory of Sakhalin region.

Russia and China collaborate in the field of nuclear power. Till 2030, the PRC plans to put about 110 nuclear power units into operation; this is caused by the necessity to decrease the emissions of greenhouse gases as well as by the demand to reduce the dependence on oil and gas import. In its turn, Russia is one of the leaders in the nuclear technology market, its share being 14 % in the reactor construction market and 17 % - in the market of nuclear fuel supplies for nuclear power plants (Chichkin, 2015).

Tianwan NPP is the largest construction in the field of nuclear power of two states. Russia supplies enriched uranium for NPP of China. Two countries collaborate actively in the field of alternative energy, and in some other directions.

An oil pipeline “Eastern Siberia – Pacific Ocean” (ESPO), with the capacity of 80 million tons per year and the length of 2,694 thousand kilometers, will connect oilfields of the Western and Eastern Siberia with the ports of Russian Primorsky Krai, thus providing, first of all, the access to markets of the Asia-Pacific region and, especially, to those of China. In 2015, Russia and China started constructing a trans-Asian gas pipeline “Power of Siberia”, in order to supply gas from Yakutia and Irkutsk region to Primorsky Krai and countries of the Asia-Pacific region. This is a joint project of “Gasprom” and Chinese company CNPC. It is planned to dock the gas pipeline “Power of Siberia” with gas transport system “Sakhalin-Vladivostok”. At the same time, in the Amur region, it is planned to develop gas chemical enterprises for the production of helium; this will create new jobs and allow Russia to become the leader on the world helium market. It is estimated by analysts of “Gasprom” that the extraction of helium in the composition of natural gas from the same deposits will be about 150 million cubic meters per year (Bateneva, 2018). In 2019, in the Amur region, gas processing and helium plants will be constructed. There are projects of constructing a plant producing ethylene and polyethylene, as well as other gas chemical manufactures. No doubt, this will further industrialize the region.

Russia and China also develop projects in the field of high-tech industries, e.g. a high technology park, and others.

Russia and China collaborate actively in the fields of agriculture, forestry, and others.

Among all Asian countries, China takes the first place in trade with the RF – 14,7 % in foreign trade of Russia. In 2017 alone, the trade increased by 30 %, from 65,3 to 84,8 billion dollars. In 2017, Russia became the largest oil supplier in China, leaving behind Saudi Arabia. China supplies mainly machines and equipment to Russia (Steppe way will connect Mongolia with China and Russia, 2018).

Russia collaborates actively with the Republic of Korea in the fields of agriculture, fishing, development of the Far East, ecology, health, energy, science and technology, Space. In 2017, the trade turnover between the South Korea and Russia achieved 18 billion 960 million dollars, thus taking the second place after China. Investment of the South Korea companies in the economy of Russia is now 1,5 billion dollars.

“Economic Belt of Silk Road” is also associated with Mongolian project “Steppe Way”, which includes the development of infrastructure connecting Mongolia with China and Russia, 997 km long highway construction, 1100 km long electrified railway construction, gas and oil pipeline construction, transit services to China and Russia. Total investment planned will be about 50 billion US dollars (Oyuuntegsh, 2018).

Transport economic corridor construction agreement between Russia, China and Mongolia, signed by Heads of mentioned countries, includes about 30 projects, and contributes to the formation of Common Economic Space of Eurasia. This corridor will allow shortening the distance from the south of the PRC to the European part of Russia by 1,4 thousand km and reducing the travel time by four days (Investment climate of regions, 2017).

Nowadays, the trade turnover between Mongolia and Russia is about 10 % of total foreign trade of Mongolia. Mongolian export share to Russia is only 5 %, and Mongolian import share from RF is 95 %, i.e. there is significant imbalance (Samsonov, Kryukov, & Yatsenko, 2017).

Nevertheless, it should be noted that, in 2017, the trans-border regions of the Far East and Siberia took low positions in the investment climate rating, according to Rating Agency “Expert RA” (see tabl. 01). The border regions of Siberia and the Far East have insignificant, reduced and low potentials and risks from moderate to high and extreme. At the same time, the majority of investment projects in these regions exceed the needs of Russian economy in this or that mineral raw material. That is why foreign companies, especially from China and other APR countries, are required, as they have investment resources and scientific technological basis to develop hard-to-reach deposits. However, a foreign investor has not any guarantees that the conditions of investing in mineral raw material business of the Far East and Siberia will be favorable (Yusupov, Yangirov, Akhunov, & Toktamysheva, 2017).

**Table 01.** Distribution of Russian trans-border regions by investment climate rating in 2017 (Rating of socioeconomic state of the RF subjects, 2018)

Investment climate rating	Regions
Insignificant potential – moderate risk (3B2)	the Amur region
Reduced potential – high risk (3C1)	Transbaikal region
Insignificant potential – high risk (3C2)	Kamchatka Krai, Jewish autonomous region
Low potential – extreme risk (3D)	Irkutsk region
Reduced potential- moderate risk (3B1)	the Republic of Buryatia, Primorsky Krai, Khabarovsk region, Sakhalin region

Significant capital intensity should also be considered, due to institutional, geographic, natural conditions of development of raw mineral resources in the Eastern region of our country. You should also consider inaccessibility and remoteness of many raw mineral deposits from markets of the Western and Central regions of Russia, high manufacture dispersion in the territory of the Far East and Siberia, small population and low mobility of labor resources, the lack of qualified specialists, intense population migration. Some authors believe that, due to above numbered problems, Chinese investors are not sufficiently motivated to invest into Russian raw mineral projects as well as into the production with high value added (Zabelina & Klevakina, 2017).

Ratings of socioeconomic state of the border regions of Siberia and the Far East are various (Kislitsyna, Cheglakova, Karaulov, & Chikisheva, 2017). In 2017, Primorsky Krai, Irkutsk region and Khabarovsk Krai took higher positions in the first thirty of the region rating, while the Amur region, Transbaikalsky Krai, the Republic of Buryatia and Jewish autonomous region were in the second, low, part of the rating, after the 50th place of all 85 possible (see table 02).

**Table 02.** Rating of socioeconomic state of trans-border regions of Siberia and the Far East for 2017

Regions	Place of region for the year		
	2015	2016	2017
Primorsky Krai	27	26	26
Irkutsk region	25	23	29
Khabarovsk Krai	33	31	37
The Amur region	51	49	51
Transbaikalsky Krai	69	66	65
The Republic of Buryatia	61	65	70
Jewish autonomous region	84	85	85

Source: (Rating of socioeconomic state of the RF subjects, 2018)

Table 03 gives the figures of Rating Agency "RIA Rating" concerning the performance of the economy of the trans-border regions of Siberia and the Far East for 2017 by two parameters. The first parameter "production and services per capita" in all regarded trans-border regions of Siberia and the Far East is much lower than the similar average parameter in Russia. The second parameter "fixed investment per capita" in these regions (except the Amur region) is lower than the average value around the country: in JAR – 2,5 times lower, in Khabarovsk Krai – 2,3 times, in Transbaikalsky Krai – 1,9 times, in Irkutsk region – 1,5 times, Primorsky Krai – 2,5 times, in the Republic of Buryatia – 2,6 times, i.e. these regions are less provided with investments.

**Table 03.** Performance indicators of trans-border regions of Siberia and the Far East for 2017

Subject of the RF	Production and services per capita for 2017, thousand rubles per person	Fixed investment per capita for 2017, thousand rubles per person
The Amur region	422.91	233.32
Jewish AR	262.12	64.08
Khabarovsk Krai	452.66	88.08
Transbaikalsky Krai	213.36	84.83

Irkutsk region	554.27	106.76
Primorsky Krai	299.20	65.55
The Republic of Buryatia	197.22	42.16
<b>The RF</b>	<b>618,96</b>	<b>160,80</b>

Source: (Rating of socioeconomic state of the RF subjects, 2018)

While Russian trans-border regions of Siberia and the Far East interact with China, sectoral economic structure of Russian trans-border regions as well as that of Chinese regions are transforming gradually (Baklanov & Moshkov, 2016). Thus, for 2004 and 2013, in trans-border Chinese provinces, the tertiary sector increased in absolute terms: services, including financial ones, increased. In Russian regions bordering China, the primary sector increased in absolute terms (Zabelina & Klevakina, 2017). These facts can be explained by the growth of raw mineral sector in Siberia and the Far East, followed by environmental pollution and economic lag in these regions (Selishcheva, 2018). In order to reduce environmental risks, it is necessary to harmonize ecological legislations of Russia and border Eurasian states.

Collaboration of trans-border Russian and Chinese regions becomes more planned, and it passes from local projects to trans-border cooperation. Thus, in the end of 2016, Intergovernmental Commission for Development of the Far East of Russia and Northeast China was formed; its aim is to make favorable conditions for business and to promote specific projects in border regions. Also, Far East Support Center for Chinese Investors was formed. Nowadays, in the Far East, China carries out 28 projects for 4 billion dollars (Gavrilova, 2015).

To collaborate more effectively with trans-border Eurasian countries, Russian state must legally guarantee favorable conditions of business in raw material and high-tech industries for foreign and domestic investors in Siberia and the Far East.

## 7. Conclusion

The participation of Siberian and Far Eastern regions in Eurasian integration gives great opportunities of sustainable socioeconomic development of the Eastern regions of Russia. Investments in transport infrastructure give great multiplicative effects for the economy of the whole country and contribute to economic growth. It is necessary for our country to stimulate domestic investors as well as foreign ones in these regions. Eurasian integration stimulates the rapprochement between countries of Eurasian region and the formation of “Greater Eurasia” which can turn into a new center of economic development of global level.

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