

Research on the Development Strategies for Opening up to Russia Along the Border of Heilongjiang Province*

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Abstract—In June 2019, Xi Jinping and Vladimir Putin signed the "Joint Statement of the People's Republic of China and the Russian Federation on the Development of Comprehensive Strategic Cooperation Partnership in the New Era", which means that Sino-Russian relation enters a new era and is going towards a higher and deeper level of cooperation. In this context, as an important region for China's economic and trade cooperation with Russia, Heilongjiang Province should seize the historical opportunity, deeply analyze the deep-seated obstacles to the cooperation and select appropriate development strategies to promote high quality development of the cooperation and provide a good demonstration for better development of economic and trade cooperation between other province (China) and Russia.

Keywords—Heilongjiang Province; economic and trade cooperation; high quality development

I. INTRODUCTION

As an important development and opening-up area along the border of China, Heilongjiang Province is an important area for China to deepen the cooperation with Russia in various fields and an important barrier to ensure Sino-Russian border and homeland security. It is becoming the frontier area of China's "Belt & Road" Initiative, and occupies a very crucial position in the construction of an open economic system in China. In June 2019, Xi Jinping and Vladimir Putin signed the "Joint Statement of the People's Republic of China and the Russian Federation on the Development of Comprehensive Strategic Cooperation

Partnership in the New Era" (hereinafter referred to as the Joint Statement) which provided a God-given historical opportunity for making the economic and trade cooperation between Heilongjiang and Russia (hereinafter referred to as the Cooperation) to a higher and deeper level. Heilongjiang Province should seize the historical opportunity, deeply analyze the deep-seated obstacles to the cooperation and select appropriate development strategies to promote high quality development of the cooperation.

II. DEVELOPMENT STATUS OF THE COOPERATION

By compilation and calculation in accordance with each year of Statistical Yearbook of Heilongjiang Province, it is found that Heilongjiang's scale of trade with Russia fluctuated obviously (similar to the change in the scale of import and export of Heilongjiang Province), and is susceptible to the market environments in China and foreign countries. From 2000 to 2008, Heilongjiang Province experienced a steady increase in the trade with Russia. The trade scale was increased by more than 7 times, from 1.37 billion USD to 11.063 billion USD. In 2009, impacted by the global financial crisis, Heilongjiang's scale of trade with Russia fell sharply. In 2010, the scale had fallen to less than 10 billion USD, and then began to recover. After the outbreak of the Ukrainian crisis, America and Europe jointly sanctioned Russia so that Russian economy appeared many downward cases such GDP decline, withdrawal of large amount of foreign investment, outflow of large amount of capitals, depreciation of the currency (ruble), and stock market decline, and thereafter entered a depression stage. Under this influence, Heilongjiang's scale of trade with Russia reduced dramatically from the \$23.289 billion in 2014 to \$10.85 billion in 2015, as Russia was the major trading region of Heilongjiang Province. Since the beginning of the 21st century, Heilongjiang's trade with Russia has mainly been dominated by deficits except the surplus within

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2004-2010. Among Heilongjiang's foreign trade, the proportion of trade with Russia was relatively stable, generally maintained between 50% and 60%; only in years such as 2000, 2008, 2009, 2010 and 2011, the proportion was less than 50%. Thus, it can be seen that Heilongjiang Province indeed gave full play to its advantages in geography, experience and policy, carried out practical cooperation with Russia in various fields, especially in trade; the bilateral trade accounted for the highest proportion in foreign trade of Heilongjiang Province as Russia was also the major trade region of the Province. This fully shows that Heilongjiang Province as the frontier area of China opening to Russia plays an important role in Chinese implementation of the Cooperation strategy; and a pattern of all-round opening-up development driven by the large-scale opening up to Russia has been basically formed.

III. ANALYSIS OF OBSTACLES TO THE COOPERATION

A. *Russia Has Trade Barrier Which Increases the Cost for Heilongjiang Goods to Enter Russian Market*

In August 2012, Russia officially became the 156th member of WTO. Since then, Russia has begun to fulfill its commitments made for entering WTO, continuously lowered the average tariff level, but still maintained certain protection on some industries that can solve employment issues, increase taxes and are relevant to the national economy and people's livelihood and still had tariff barriers and non-tariff barriers; the main measures taken in aspect of the barriers include: a wide range of tariff items, frequent adjustment of tax rates, setting of more hidden non-tariff barriers. Meanwhile, Russia also implemented a number of discriminatory policies and extensive non-tariff barriers against Chinese commodities. In January 2013, the Eurasian Economic Commission (Russia, Belarus, and Kazakhstan) considered and decided to impose anti-dumping duty against various commodities made in China and exported to the Eurasian Economic Union. This decision significantly increased the cost of those commodities exported from China, reduced the commodities' comprehensive competitiveness in Russian market, and hindered the normal export of various Chinese commodities to Russia.

B. *Main Bodies of the Cooperation with Russia Are Relatively Small and Weak and Have Poor Anti-risk Capabilities*

According to data disclosed by governmental departments, the main bodies involved in the Cooperation are mainly small and medium-sized private enterprises. The common features of those enterprises are limited funds, insufficient management capability, weak technology research and development capability, and weak market development capability. Hence, no matter in quantity and quality, it is not available for those enterprises to meet the practical needs of carrying out economic and trade cooperation with Russia. For example in 2013, according to relevant statistics, it was found that among the enterprises involved in the Cooperation, only one enterprise had revenues exceeding \$ 1 billion; only 2 enterprises had

revenues exceeding US\$ 500 million; private enterprises' scale of export to Russia was far more than state-owned enterprises', accounting for more than 90%. That is to say, small and medium-sized private enterprises in Heilongjiang Province had become the main bodies of exports to Russia; inevitably, this would lead to a series of problems such as low scale of economic and trade to Russia, low-grade commodity structure, limited market development capability, docking difficulty in full-industry-chain cooperation, and difficulty in participating in large cooperation program. In particular, when doing border trade, some private enterprises, individuals and residents in border area paid so much attention to short-term interests that commodities sold to Russia had poor quality and price/performance ratio; their acts seriously damaged the "word of mouth" of Chinese goods in Russian market and the reputation of Chinese businessmen in Russian market so that Russian consumers no longer trusted Chinese goods and businessmen.

C. *Border Ports Are Inadequately Accessible and the Transaction Costs of Import and Export Commodities Are Raised*

Heilongjiang Province is located in the center of Northeast Asia. It has 1 national railway port along the border (Suifenhe), 4 highway ports (Hulin, Mishan, Suifenhe, Dongning), 6 border cities (Heihe City, Tongjiang City, Hulin City, Mishan City, Muling City, Suifenhe City), and 2 border economic and trade cooperation districts (Heihe Border Economy Cooperate District, Suifenhe Border Economy Cooperate District); although Heilongjiang Province has obvious geographical advantage in the Cooperation, there are still many restriction factors such as transportation infrastructure, laws and regulations, port facilities and climatic conditions, leading to many problems such as low customs clearance efficiency, cumbersome formalities, and high transportation costs (one of the transaction costs). Those problems not only restrict the quantity of import and export commodities, but also pose influence on the quality of the commodities and bring certain losses to the import and export enterprises.

D. *The Marketization Degree Is Low and Government Needs to Enhance Its Service Awareness*

In the early stage of New China, three provinces in the northeastern of China (i.e., Liaoning Province, Jilin Province, Heilongjiang Province), as the important industrial bases of China, established a relatively complete industrial system, with priority given to the development of heavy industry and military industry, to defend the regime of New China. In this stage, Soviet experts' technical assistance projects to China mainly concentrated in the old industrial bases in Northeast China. Vigorously developing national industries and heavy chemical industries, and defending the new regime, became the historical mission of the three provinces at that time. Therefore throughout China, Heilongjiang Province is the first region being incorporated into the planned economic system. The planned economic thinking lasted for a long time; government's act was accustomed to exerting the role of management and regulation. Planned economy had deeply

imprinted on the Province. After the reform and opening up in 1978, especially after the successful convening of the 18th National Congress of Chinese Communist Party, local governments increased the degree of streamline administration and institute decentralization; government's functions were transferred from supervision, management and regulation to services. However in Heilongjiang Province, there were still many problems such as over much and over strict governmental interference and regulation on the market, insufficient public service delivery, incomplete market mechanism construction, lack of entrepreneurial groups, and lack of flexibility in independent business operation. Those problems also led to relatively lagged development speed and level of open economy in the province, restricted the province's economic growth and hindered the sustainable and health development of the Cooperation.

IV. ANALYSIS ON THE DEVELOPMENT STRATEGY FOR THE COOPERATION

A. *Enhancing Mutual Political Trust and Reducing Barriers and Frictions Between the Two Sides*

The Joint Statement signed by China and Russia in June 2019 meant that the relationship between the two countries entered a new era, and their dependence on each other was increased. In response, the two countries improved their consensus in many topics for discussion such as the global economic governance, the development of emerging economic countries, the construction of regional economic integration, the "Belt & Road" initiative's docking with Eurasian Economic Union, and the formulation of international trade rules, established prime ministerial meeting mechanism, and set up leading groups for various fields to enhance mutual trust and cooperation. With the meetings of the two countries' presidents, many practical cooperation related consensuses have been reached and both parties' mutual political trust have been enhanced; governments of Russia may also realize that the construction of platforms such as the "Belt & Road", Asian Infrastructure Investment Bank and BRICs Development Bank as initiated by China is for the purpose of enabling countries in the region to actively participate in the cooperation and realizing mutual benefit, win-win result and mutual development; various countries are also welcome to hitchhike on the bus of China's economic development. Therefore, with the relation between the two countries entering a new era, Russia has already been universally supporting the cooperation with China in various fields, strengthening mutual trust between governments, reducing trade frictions, and promoting economic and trade cooperation to drive economic growth.

B. *Calling Enterprises Together to Jointly Develop the Russian Market*

The main bodies in Heilongjiang Province involved in the Cooperation are mainly small and medium-sized private enterprises. However, those enterprises have many competitive disadvantages such as the limited funds, limited management capability and insufficient technology research

and development capabilities so that no matter in quantity and quality, it is not available for those enterprises to meet the practical needs of carrying out economic and trade cooperation with Russia. Hence, the Province should more strengthen information, resource and risk sharing and joint coping with market opportunities and challenges between the said private enterprises involved in the Cooperation while enlarging investment attraction degree. Only in this way can the private enterprises reduce the transaction cost, trade frictions and marketing risks in engaging in the import and export trade with Russia so as to constantly enlarge the bilateral trade scale and enhance the level of trade.

C. *Relying on the Construction of Industrial Parks to Give Full Play to the Role of the Platforms*

Heilongjiang Province has built up industrial parks based on preferential policies granted by the Government of Far East Region of Russia. In Russia, there have not been national legislations specific for industrial parks. Therefore, the establishment of industrial parks in Russia is relatively free, enjoys preferential supporting policies, and is more attractive for enterprises residing in the industrial park; but there is legal risk for enterprises residing in the industrial park as the lack of legislative basis for construction of the industrial park. Thereby, governments of the two countries should strengthen cooperation and conscientiously implement the consensus having already reached by the presidents of the two countries. With respect to the construction of industrial parks, it is necessary to speed up the national legislative process, to safeguard the legal rights and interests relevant to the residing enterprises from the national legal level, give full play to the platform role of industrial parks, and further drive the development of the Cooperation.

D. *Strengthening Infrastructure Construction and Reducing Transportation Cost*

The Sino-Russian border region is the frontier zone of the economic and trade cooperation between the two countries and is also the zone experienced frequent cooperation of the like; however, infrastructure construction in the border area is backward, which restricts the customs clearance efficiency of the two countries, limits the total volume of goods transportation, and increases the cost of cargo transportation, so that the location advantage of the border areas of the two countries was not fully taken. Against this background, in the next stage, governments of the two countries will enlarge the extent of infrastructure construction in the border areas, focusing on key constructions of ports, stations, bridges, airports, railways, and so on; especially the development of the international traffic corridor "Binhai No. 1" (the route is Harbin — Mudanjiang — Suifenhe — Пограничный — Ussuriysk — Vladivostok Port / Vostochny / Nakhodka port) and "Binhai No. 2" (the route is Changchun — Jilin — Hunchun — Zarubino Port) is more important for cooperation between China and Far East Region of Russia, and thus should be provided with key guarantee, and put into practice highly; further the construction extent of infrastructure interconnection and exchange will be enlarged

to reduce the transportation costs and promote the economic and trade cooperation.

V. CONCLUSION

In June 2019, Xi Jinping and Vladimir Putin signed the "Joint Statement of the People's Republic of China and the Russian Federation on the Development of Comprehensive Strategic Cooperation Partnership in the New Era". This Joint Statement provided a God-given historical opportunity for making the Cooperation to a higher and deeper level. Over an in-depth analysis, it is known that there are many obstacles in the Cooperation. For example, Russia has trade barrier; main bodies of the cooperation with Russia are relatively small and weak; border ports are inadequately accessible; and the marketization degree is low. Hence, it is proposed to enhance mutual political trust, call enterprises together to jointly develop the Russian market, rely on the construction of industrial parks to give full play to the role of the platforms, strengthen infrastructure construction and other specific development measures to promote high quality development of the Cooperation.

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