

CONCEPTION OF ESTABLISHING THE SINO-RUSSIAN BORDER FREE ECONOMIC REGION

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ABSTRACT: So-called free economic region is a special region without jurisdiction of customs, delimited by one country. There are mainly four types of free economic region, that is, commercial type of free economic region — free port, industrial type of free economic region — export processing area, integrated commercial and trade type of free economic region — free trade zone, and scientific and technological type of free economic region — scientific industrial park. With the development of free economic region of different countries, besides free economic region within one country, there appear transnational border free economic region established by two or multiple countries. Analysing favorable factors and unfavorable factors to establish the free economic region for China and Russia, for example, China and Russia have land boundary line of 4282.7 km; China and Russia may strengthen overall cooperation in politics, military, economy, science and technology, culture, etc. making full use of geographical factors of the two countries, borders; there is a strong complementarity in resources, labour force etc. for China and Russia; strengthening the Sino-Russian economic trade cooperation is needed, the authors proposed a conception and selected four comparative ideal locations for establishing the Sino-Russian border free economic region: Manzhouli-Zabaikalye Free Economic Region, Heihe-Blagoveshchensk Free Economic Region, Suifenhe-Pogranichnyy Free Economic Region, Hunchun-Hasan Free Economic Region. Finally the principles and patterns for establishing free economic region are discussed.

KEY WORDS: free economic region, the Sino-Russian borders, border trade

So-called free economic region is a special region without jurisdiction of customs, delimited by one country. In this region various preferential policies of reducing or remitting taxation are implemented. It can provide many convenient conditions for free flow of international commodity, capital, and personnel, carry out such economic activities as processing production, trade, research and exploitation for international market, so as to develop foreign trade, to create employment opportunities, to increase foreign exchange income, to introduce capital, advanced technology and management experience, to promote economic development of a country or a region.

There are mainly four types of free economic region (Gu, 1993), that is, commercial type of free economic region — free port, industrial type of free economic region — export processing area, integrated commercial and trade type of free economic region — free trade zone, and scientific and technological type of free economic region — scientific industrial park.

With the development of free economic region of different countries, besides free economic region within one country, there appear transnational border free economic region established by two or multiple countries. There are some successful examples of transnational free economic region in the world. For example, in America, America-Canada-Mexico

free trade zone has been established, forming an integration market. Central American Common Market, Andes Community and Caribbean Common Market in Latin America, all started with promoting trade, took customs union as foothold, carried out overall cooperation in the aspects of finance, labour force migration. Five member states of Bolivia, Colombia, Ecuador, Peru and Venezuela in Andes Community have set up free trade zones, where the five member states are exempt from import tariff. After implementing free trade the trade value among the member countries increased from US\$ 1.33 billion in 1990 to US\$ 5.557 billion in 1997. The member countries accelerated free mobilization in service trade such as transport, insurance, finance and tourism, etc. Besides, there are also Jabar Free Economic Region of Syria-Jordan borders. This paper preliminarily approaches the establishment of the free economic region of the Sino-Russian borders.

1 CONDITIONS AND FACTORS FOR ESTABLISHING FREE ECONOMIC REGION OF THE SINO-RUSSIAN BORDERS

1.1 Favorable Factors

1.1.1 Geographical factors

China and Russia have land boundary line of 4282.7 km. China and Russia may strengthen overall cooperation in politics, military, economy, science and technology, culture, etc., make full use of geographical factors of the two countries' borders. So China and Russia establishing jointly the border free economic region completely conform with the present and future basic benefits of the two countries, also conform with the need of strategic partner.

The Sino-Russian border area consists of two parts. The east area includes the northeast region of China, Far East and east Siberia in Russia. The west area includes Altai region in China and Gorno-Altai Autonomous Region in Russia, with 54 km of borderline. The west area is also an international border area of China, Russia, Mongolia and Kazakhstan. At present,

there are trade passage ways for China and Kazakhstan, China and Russia, Russia and Kazakhstan, Russia and Mongolia, only there is no one for China and Russia. If the Sino-Russian port opens, the Sino-Russian economic trade cooperation in this area will become an important component of economic trade cooperation of international border areas of China, Russia and Kazakhstan in Northeast Asia. In the Sino-Russian east border area there are 19 pairs of corresponding port towns, through border trade the border area market has been formed. The industrial structure has gradually developed from agriculture, to manufacturing industry, and tourism and service trade, made the traditional backward area turn to relatively developed area, and correspondingly formed several sub-regional economic cooperation belts. Along the Sino-Russian borderline, from northwest to southeast, are these areas: the juncture of China, Russia and Mongolia, the middle and lower reaches of the Heilong River, the Wusuli River valley, the Suifen River valley, the lower reaches of the Tumen River. The formation of these sub-regional economic cooperation belts lay a strong foundation for the free economic region of the Sino-Russian borders.

1.1.2 The development of economic integrity of the Sino-Russian border areas

With the acceleration of the world economy integrity course, the development of commodity economy and the internationalization of modern economic life require the national economy of the Sino-Russian border areas to break national limitation and regional boundary. And as the organic component of the world economy and the world market, China and Russia must continuously strengthen the economic association and economic contact of the two countries' border areas, make the economic integrity inevitable (Yu, 1996).

There are connected waterways, railways and highways, and comparative perfect infrastructure of ports, passage ways and harbours, etc. for developing economic integrity in the Sino-Russian border areas. The infrastructure integrity is one of the basic conditions of economic integrity.

1.1.3 Complementarity in resource structure, economic structure and import export goods structure

There is a strong complementarity in resources, labour force, etc., for China and Russia. Russia has abundant fuel power and raw materials, which can make up for shortage of some resources of China, while abundant labour force resource of China can meet the need of labour force shortage of Russia. Comparatively speaking, China's food-processing industry, light industry and agriculture have superiority, Russia's agriculture and light industry are comparatively backward, but its raw materials, heavy equipment and heavy industry technology have obvious superiority. The characteristics of the Russian economic structure are that heavy industry is developed, the development of agriculture and light industry is lagging, which are reflected obviously by the Russian import-export goods structure. Among the import goods, food stuffs and their raw materials, daily consumer goods make up about 50% of the total import, energy and raw materials make up 75% of the total export. In terms of the Russian recent goods export structure, among goods export from Russia to China, machinery equipment make up 11.4%, chemicals, steel, nonferrous metals, lubricating oil, timber, mineral fuel, paper pulp, and marine products make up 80%. Among the import goods from China to Russia, food stuffs and consumer goods make up 70%. These facts reflect that there exists obvious complementarity in the Sino-Russian import-export goods structure. In terms of regionalism, the complementarity of the northeast of China and Far East of Russia is specially obvious. The complementarity of China and Russia can make the establishment of free economic region have reality, and fully realize complementation of economy after the establishment of free economic region.

1.1.4 Needs of strengthening the Sino-Russian economic trade cooperation

The trade value of China and Russia in 1992 was US\$ 5.862 billion, increased by 50.10% than 1991, that in 1993 was US\$ 7.679 billion, increased by 30.9% than 1992. The trade value of

China and Russia decreased in 1994 obviously, was only US\$ 5.076 billion, decreased by 30.4% than 1993, that of 1996 from statistics by Russia was US\$ 5.5 billion, decreased by 28.4% than 1993, but increased by 8.4% than 1994. The trade values of China and Russia in 1996 and 1997 were US\$ 6.85 billion and US\$ 6.12 billion respectively, the Sino-Russian trade development is unstable in recent years. The Sino-Russian border trade places an important position in the Sino-Russian trade in recent years although it is limited by trade forms, regionalism and scale. For example, in 1993, the Sino-Russian border trade value was US\$ 3.2 billion making up about 41% of that year's Sino-Russian trade value. Since the macro-environment of the Sino-Russian trade is not so good, and the border trade itself is restricted by many factors, the Sino-Russian border trade is not stable. In order to overcome the short-term behavior in the Sino-Russian economic trade relation, establishing the Sino-Russian border free economic region make not only the Sino-Russian economic trade relation develop stably, but also the Sino-Russian economic trade relation in adjustment period, particularly the border trade develop towards high-level from border commodity trade to border service trade.

The spirit of "setting up economic technical development area and border mutual trade area, promoting economic cooperation between areas especially border areas on the basis of long-term coordination" in the "Sino-Russian joint statement" proposed by the Sino-Russian governments in November 1997, will favour strengthening the construction of the Sino-Russian border free economic region and the cooperation of the two countries' border areas. So establishing the Sino-Russian border free economic region will be an important measures to promote the economic trade development of the two countries.

1.2 Unfavorable Factors

1.2.1 Russian side

In recent years, in Russia political situation is turbulent, society is turmoil, domestic economic sta-

tus is not so good, funds are short, economic and trade policies are changeable. These factors will influence directly or indirectly the establishment the Sino-Russian border free economic region.

1.2.2 Chinese side

Considering the hinterlands in Chinese side, Manzhouli-Zabaikalye Free Economic Region, Heihe-Blagoveshchensk Free Economic Region, and Suifenhe-Pogranichnyy Free Economic Region to be established, all depend on Harbin as their hinterlands. Harbin, as the economic center of Heilongjiang Province, must also support ports such as Dongning, Hulun, Raohe, Tongjiang, Xunke, Huma, Mohe. It is evident that it is difficult for any central city even having strong economic force to support so many ports.

1.2.3 Both sides of China and Russia

To establish transnational border free economic regions jointly by China and Russia is more difficult than free economic region establishing respectively by China or Russia, it is transcenary huge project, which needs long-term constant efforts of scholars, local governments, enterprises and central governments of China and Russia. There appear certainly various complicated problems and obstacles in starting and program implementation, it is necessary to do wide and deep researches.

At present there are some problems in border port entry, transport forms, trade settlement, item implementation, imperfect arbitration mechanism in the Sino-Russian border trade, which will hamper the establishment of border free economic region. The Sino-Russian border areas have differences in economic development level, industrial structure, economic reform direction, and China and Russia have their own culture background. These facts are all unfavorable factors.

Owing to the change of international environment, and the changes of their own domestic political and economic situation of both countries, there will be some unforeseen unfavorable factors which will be influence the establishment of the free economic region. China and Russia must overcome constantly

these unfavorable factors, actively enlarge commonly mutual benefits.

2 SELECTION OF LOCATIONS OF THE SINO-RUSSIAN BORDER FREE ECONOMIC REGION

There are four comparative ideal locations for establishing the Sino-Russian border free economic region(Fig. 1).

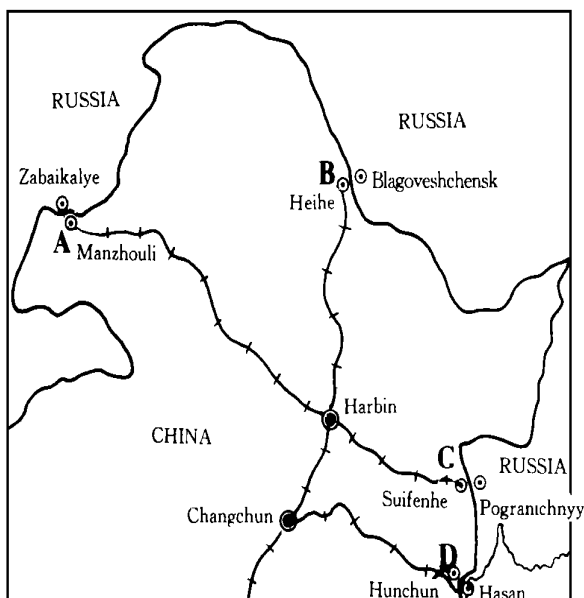


Fig.1 Sketch map of the Sino-Russian border free economic region

- A. Manzhouli-Zabaikalye Free Economic Region
- B. Heihe-Blagoveshchensk Free Economic Region
- C. Suifenhe-Pogranichnyy Free Economic Region
- D. Hunchun-Hasan Free Economic Region

2.1 Manzhouli-Zabaikalye Free Economic Region

This free economic region should be established in bounded area of Chinese and Russian border ports: Manzhouli and Zabaikalye. This location has a wide and open terrain, and great development potential. Manzhouli railway port is the largest border railway port in China. Beijing - Manzhouli - Moscow international train passes in and out Manzhouli. Manzhouli highway port has been opened. A Sino-Russian mutual trade zone has been set up in Manzhouli. In Chinese side, the construction area is 100 000 m², inside the closed line is trade area, the outside are service ar

ea, recreation area, production duty free area and management area. Zabaikalye in Russia is located in 117°20' E, 49°40' N, it is the administrative center of Zabaikalye in Chita Region. Zabaikalye railway port and highway port correspond with Manzhouli railway port and highway port. The establishment and operation of the Sino-Russian mutual trade zone lay a good basis for establishing Manzhouli-Zabaikalye Free Economic Region. In January 1997, the Russian government formulated "Comprehensive Development Planning of Zabaikalye Free Economic Region", would invest US\$ 0.22 billion for establishing Zabaikalye trade and industrial complex. Manzhouli City and Chita Region jointly build Manzhouli International Airport, lay Zabaikalye-Manzhouli petroleum pipeline, the development of Manzhouli trade area and Zabaikalye trade industry complex will certainly promote the construction of Manzhouli-Zabaikalye Free Economic Region. The unfavorable factor for establishing this free economic region is that it is far away from its hinterland. It is 196 km from Hailar with limited economic force, 697 km from Qiqihar with comparatively developed industry, 944 km from large city Harbin in northeast China.

2.2 Heihe-Blagoveshchensk Free Economic Region

Heihe and Blagoveshchensk are the only pair of corresponding port cities with the largest scale, highest level, the highest economic force, the most complete functions and the shortest distance. In the Sino-Russian borders, this pair of water transport port has the characteristic of transport by ships in summer, and truck in winter. Compared with Manzhouli, Heihe has a short distance (567 km) to its hinterland, Harbin of economic center. Opposite Heihe, Blagoveshchensk, the capital of Amur Region in Russia is located at 127°30' E, 50°18' N. As the economic center of the region, Blagoveshchensk has developed economic force. The inhabitants' mutual trade in Heihe and Blagoveshchensk creates good conditions for establishing free economic region here. The free economic region should be located at both ends of

Heilongjiang Bridge, which will be built by China and Russia. The Chinese side has high and flat terrain, convenient communications, supplying water, electricity and heat, while the Russian side has some infrastructure conditions.

2.3 Suifenhe-Pogranichnyy Free Economic Region

Suifenhe is located in the southeastern part of Heilongjiang Province. Its railway port and highway port play an important role in the Sino-Russian economic trade cooperation and exchange. Suifenhe has better hinterland conditions than Manzhouli and Heihe for establishing free economic region. Harbin is 545 km apart from Suifenhe. Mudanjiang of communication hub, with stronger economic force is 194 km from Suifenhe. Pogranichnyy bordering on Suifenhe is located at 131°20' E, 44°25' N, is the administrative center of Pogranichnyy district, 97 km to the northwest of Ussuriysk City, is 208 km away from Vladivostok, and it connects with harbour group of southern part in the Far East. If mutual trade zone is set up in Suifenhe and Pogranichnyy, and an agreement of through transport by railway and sea near Suifenhe and Nakhodka is reached, they are all favorable to establishing free economic region. And it shows that Suifenhe-Nakhodka Free Economic Region have begun direct economic cooperation. This free economic region locality connects with developed communication and transport network, which will develop first service trade taking international combined transport as the main task.

2.4 Hunchun-Hasan Free Economic Region

This free economic region will be set up at China's and Russia's border towns: Hunchun and Hasan. Hunchun is located in the lower reaches of the Tumen River which is juncture of China, Russia and North Korea. Hunchun highway port is the only border port of Jilin Province of China to Russia. Hunchun railway port is being constructed. The hinterland conditions of Hunchun are better than Manzhou-

li, Heihe and Suifenhe. The western hinterlands of Hunchun are Yanji, Jilin and Changchun, with the distance of 115, 468 and 596 km respectively. They are different economic centers supporting Hunchun. Hasan which borders on Hunchun is located at 130° 40' E, 42° 25' N. It is a part of Great Vladivostok Economic Region including Hakhodka Free Economic Region. Hunchun-Hasan Free Economic Region is the nearest to the south part of Russia Far East and Japan coastal Harbour group. And this free economic region is the component of the Tumen River Economic Development Area to be established jointly by China, Russia and North Korea, which is determined by the United Nations Development Program (UNDP). Jointly establishing free economic region by China and Russia is not only the important basis for China, Russia and North Korea to cooperatively develop the lower reaches of the Tumen River, but also take bilateral cooperation as breakthrough point to promote three countries' cooperation in this area. Therefore, establishing Hunchun-Hasan Free Economic Region has a bright prospect.

3 PRINCIPLES FOR ESTABLISHING FREE ECONOMIC REGION AND DEVELOPMENT STAGES

3.1 Principles

The basic principles for establishing the Sino-Russian border free economic region should be mutually beneficial, nurtural prosperous, permit third countries' persons and goods to go in and out freely, attract other countries' cooperation, give consideration to both local benefits and the countries' benefits. At the early stage of the region establishment, one must give the locality bigger benefit, so as to get the great support from both countries' local governments, to concentrate on economic prosperity and social development under the prerequisite not reducing environmental quality, not making ecology unbalanced.

3.2 Stages

The first stage is government planning stage. Firstly, scholars and local governments of both countries carry out feasible study, then both countries' governments have a basic negotiations, for common idea, propose preliminary program, reach an agreement in aspects of cooperation principles, contents, preferential policies, etc. (Xu, 1994). The second stage is starting construction stage. China and Russia both set up a plot of 1-2 km², take infrastructure construction as the main project, carry out different preferential trades and industrial item cooperation. The third stage is the overall development stage. Commodity trade and service trade develop simultaneously, gradually cancel tariff and non-tariff wall, realize trade liberalization, strengthen and enlarge cooperation fields and scale. The fourth stage is high-level development stage. In this stage both sides will realize the complete free flow of productive elements, and the coordination and integrity of economic and trade policies, realize group, systematization and economic integration.

4 DEVELOPMENT PATTERNS, OBJECTIVES AND FUNCTIONS

4.1 Patterns

To chose correctly the development patterns of the Sino-Russian Free Economic Region play a direct part in the achievement of the region establishment. Additionally, the higher the patterns, the more difficult the negotiation and reaching an agreement, so over-high-level patterns are not suitable to selection in consideration of reducing cost, shortening negotiation time, reaching an agreement and make benefits as soon as possible. Especially in starting stage, the development pattern of constructing free ports and scientific parks cannot be chosen, because there are no conditions in overall technical personnel, management and infrastructure. Therefore, two development patterns of free trade and export processing can be only

considered. Whether setting up free trade zone or export processing zone, their developing processes involve spatial and temporal processes and industrial evolution process, undergo a developing stage from emergence, growth to maturity. In terms of spatial and temporal process, its locality gradually expand outside from near two countries' borders initially. From the viewpoint of industrial process, one must start trade, commerce, tourism, transport, service, then develop processing industries (Ding *et al.*, 1994). Generally speaking, both processes mentioned above occur simultaneously, promote each other. As time goes by and space expansion naturally, the structure of industrial sectors change, and the increase and evolution of industrial sectors are also influenced by spatial and temporal factors. Therefore, the developing patterns should mainly take comprehensive free economic region of commerce, trade and industry type as the main task.

4.2 Objectives and Functions

There are many kinds of objectives, such as developing foreign trade and foreign contact as the main objectives, attracting capitals and increasing employment as the main objectives. The strategic objectives of the Sino-Russian Free Economic Region are trade development, industrial development and regional development. Trade development should first take commodity trade as the main, then transit to service trade, including border economic cooperation, border tourist trade, border technical trade, transport cooperation, financial cooperation, labour services cooperation (Zeng *et al.*, 1995). Industrial development includes border tourist, transport, finance, service, export processing, information business. Regional development means that the development of free economic region itself expand the development of the Sino-Russian border area where the free economic re-

gion is located. And the regional development rely on trade development, industrial development, they are related and influenced each other. The development of border trade certainly bring along the development of commerce, transport, tourism, processing industry of border port cities. And the development of these industrial sectors directly promote the expansion of border service trade.

Different types of free economic region have different functions. According to the developing objectives of the Sino-Russian Free Economic Region, the functions must involve the comprehensive functions of free trade zone and export processing zone, including flow and production functions of trade, tourism, commerce, transport, service, finance and export processing. In the process of developing export-oriented economy, the functions are gradually perfected. We can believe that the establishment of the Sino-Russian border free economic region not only promote the healthy and steady development of the Sino-Russian economic trade relation, bring along sustainable development and prosperity of the Sino-Russian border areas, but also exert a significant influence on promoting regional economic cooperation of Northeast Asia

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