

RUSSIA-EUROPEAN UNION AND RUSSIAN-CHINESE BORDERLANDS: ECONOMIC AND DEMOGRAPHIC DIMENSION

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In the modern world, the intensity of inter-civilizational, intercultural and interstate interaction is increasing. Border regions, territories where this interaction involves direct contact, are of great importance in this process. This has given rise to a new area of research — border region studies. The Russian Federation has the longest state border, the largest number of neighbouring countries, and centuries of experience in the peaceful existence and cooperation between different cultures. Most importantly, the country straddles two continents. Located between two principal economic actors (the European Union and China), Russia binds the huge Eurasian continent into a single whole. It is very important to study Russian-European and Russian-Chinese border regions to make full use of their strategic advantages for the economic development of Russia. This task has been especially relevant since the deindustrialization of Russia, which occurred in the 1990s and most deeply affected the economy of the Russian periphery. In this article, I rely on the literature, national and regional statistics, and survey results to essay a border region study — a comparative analysis of the socio-economic and demographic processes taking place in Russia's western regions bordering on the EU and eastern ones bordering on China. My findings may contribute to providing a rationale for the need to abandon a commodity-driven economic model, as well as to creating a broader theoretical and methodological framework for Russia's strategy towards its neighbours.

Keywords:

border region studies, economy of border regions,
dynamics of demographic processes, shadow business

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Introduction

Relations with neighbouring countries have always topped the agenda of any state. The idea of good neighbourly relations, the economic significance of which is evidenced by practice, is becoming increasingly tangible these days. The Nobel prize winner Paul Krugman has calculated that if the US and Canada did not share a border, bilateral trade between the two countries would be one-fourteenth of the actual value [1, p. 184]. This idea has special significance to Russia — the country with the longest land border in the world and the largest number of neighbouring states. Out of eighty-five Russian regions, forty-seven share a border with another country. The western and eastern borderlands are responsible for immediate contacts with two actors creating a new configuration of the world system: the EU and China. Located between them, Russia has a strategic position, which geopoliticians, starting from the father of the discipline Halford Mackinder, have described as the ‘geographical pivot of history’, the heartland, the pivotal state, the core, or the bridge consolidating the giant continent of Eurasia. ‘Geopolitical pivots’, Zbigniew Brzezinski writes, ‘are the states whose importance is derived not from their power and motivation but rather from their sensitive location’ [3, p. 55]. The importance of the bridge in question is increasing as the centre of the world economy shifts to Asia-Pacific [4, p. 33–34] and economic cooperation between Europe and Asia grows. There are economic factors at play too: the EU and China are Russia’s key economic partners. In 2018, they accounted for 42.7% and 15.8% of the country’s international trade respectively. They are also the most promising partners: bilateral trade with the EU increased by 19.3% and that with China by 27.1% in comparison to 2017.

Russia’s western and eastern borderlands: differences and similarities

Five regions of north-west Russia (the Murmansk, Leningrad, Pskov, and Kaliningrad regions and the Republic of Karelia) comprise the EU-Russian borderlands. These territories border on five states of north-eastern Europe: Finland, Estonia, Latvia, Lithuania, and Poland. For a long period in history, the five countries and Russia were a single state.

Five regions of the Russian Far East (the Zabaykalsky, Khabarovsk, Primorsky, and Amur regions and the Jewish autonomous region) comprise the Russian–Chinese borderlands. These territories border on Northeast China (Dongbei), which consists of five administrative units: the province of Heilongjiang and four prefectural-level municipalities of Inner Mongolia. Once parts of the historical region of Manchuria, these territories were under a strong Russian influence.¹ For

¹ At the turn of the twentieth century, for example, there was a Zheltorossiya (‘Yellow Russia’) project, which emerged in the context of the Chinese Eastern Railway and the Russification of the cities of Harbin and Dalian [6].

Russia, the significance of the western and eastern borderlands will be growing as Europe and Asia will continue to integrate to form a single Eurasian continent [5, p. 202]. The regions of the two borderlands differ in environmental conditions, area, remoteness from the centre, the length and equipment of the border, population size, demographic trends, the distance between the regional capital and the border, GRP, the proportion of shadow economy, per capita income, the degree of urbanisation, history of interactions with neighbours, involvement in international trade, the degree of institutionalisation of cross-border cooperation, and, most importantly, cross-border economic cohesion. They are nevertheless parts of a single whole fused by a common meso-space of the borderland where immediate contacts with a different state, a different culture, and a different civilisation take place to induce sociocultural diffusion [7].

Russian border regions are, as a rule, a distant periphery. They are industrially underdeveloped because of the natural reluctance of the state to build major economic facilities near the borders. Thus, most Russian borderlands are sparsely populated. This, in turn, narrows down opportunities for regional economic specialisation and the range of economic development variants.

Border regions have a contradictory status: they are a deep periphery of their mother states, on the one hand, and geoeconomically and geopolitically significant territories and major nodes of interactions between two neighbouring states, on the other. The exports from Russian border regions to both the EU and China are dominated by raw materials and low value-added products, whereas imports to these regions are led by highly processed goods. Russia's border regions perform below the national average in terms of socio-economic development; this is especially true of the eastern borderlands. In 2017, the average GRP per capita in the northwestern regions was 373.7 thousand roubles and that in the Russian Far East (RFE) 327.8 thousand roubles, i.e. 84.2% and 73.3% of the national average respectively.² Over the past five years, the northeastern regions have caught up (in 2013, their GRP per capita was 82.6% the national average), whereas the RFE has lagged further behind (76.9% in 2012).³ This gap affects human wellbeing: Russia's western borderlands are thirty-eighth and eastern borderlands fifty-third in the national ranking.

The differences between the western and eastern borderlands have several causes. The Russian regions adjoining the EU are among the most industrially developed in the country, whereas those bordering China lag behind in terms of industrial performance. The eurocentrism of the Russian economy became especially pronounced during the transition period. The bias was most conspicuous in international trade — an area key to the development of border regions.

² *Rossiyskiy statisticheskiy ezhegodnik. 2018. [Russian statistical yearbook. 2018].* Moscow, 2018. Pp. 143–144.

³ *Regiony Rossii. Sotsialno-ekonomicheskie pokazateli. 2018: stat. sb. [Russian regions: socio-economic indicators. 2018: a book of statistics].* Moscow, 2018. Pp. 184–191.

The EU remains the principal trade and economic partner of north-west Russia [8]. The ties are the strongest with the neighbours: Finland, Estonia, Latvia, Lithuania, Poland, and Norway (although not an EU country, the latter is a member of the EFTA). The principal partner of the RFE is China. In 2018, the proportion of the EU was 42.7% in Russia's international trade and 65.3% in the international trade of the borderlands. In the east, the effect of the border is even more evident: China accounts for 79.8% of the RFE's trade and 15.7% of Russia's international trade.⁴

An economic policy characterised by complete liberalisation and minimum intervention from the state had a profound effect on the Russian economy. The 1990s witnessed a rise of a massive shadow sector. Criminalisation resulted in over 15,000 organised crime groups functioning in Russia at the end of 1994 (in 1990, there were fewer than thirty) [9, p. 77]. According to the data published by the IMF on January 24, 2018, the shadow sector of the Russian economy accounts for 38.4% of the GDP.⁵ Loose public control over international trade made both eastern and western border regions virtually defenceless against the shadow sector. The east, however, proved to be more vulnerable to the activities of trans-boundary criminal communities. To a large degree, this situation is explained by differences between the EU and China.

Most of Russia's western neighbours are smaller states, whereas, in the east, the state borders a colossal country with a population of 1.4 billion people. China's annual natural increase is the population of Finland, Estonia, and Latvia taken together. The difference in the economic potential is even more striking. In 2017, China produced USD 12.27 billion worth of GDP, which is ten times that of Russia's performance (USD 1.26 billion).⁶ Interactions between countries follow immutable laws. One of them is the law of asymmetry: a more powerful state influences a weaker one; a less developed state adopts and assimilates the elements of the one at a higher level of technological development.

Economic ties with Europe date back to the earliest days of Russia, whereas the first contacts with China happened a thousand years later. In the western borderlands, interactions occur between two Christian civilisations: the Western and the Eastern ones. In the east, a Christian civilisation meets Confucianism, Buddhism, and Taoism. The neighbours in the west enjoy higher living standards, whereas the difference between Russians and their eastern neighbours is negligible.⁷

⁴ *Regiony Rossii. Sotsialno-ekonomicheskie pokazateli. 2018: stat. sb. [Russian regions: socio-economic indicators. 2018: a book of statistics].* Moscow, 2018. Pp. 578–579.

⁵ For more detail, see: Tenevaya ekonomika stran mira [The shadow economy of the countries of the world]. *Fincan.ru*. URL: <http://fincan.ru/articles/95tenevaya-ekonomika-stran-mira/> (accessed 08.04.2019).

⁶ In 1978, the year when Deng Xiaoping launched the economic reforms, the GDP of Russia (the RSFSR at the time) was 4.7 times that of the GDP of the PRC.

⁷ The 2018 GDP ranking by the IMF places Finland 18th in the world (USD 45,000), Estonia 41st (USD 20,600), Lithuania 49th (17,000), Latvia 52nd (16,200), Poland 56th (13,900), China 71st (9,500), and Russia 73rd (9,300).

Finally, the border regime between Russia and the EU is tightly regulated: there are entry visas and strict customs and border control. The Russian–Chinese border, which has been open since 1992, does not pose a serious barrier. Thus, the common generic properties of border territories are complemented by the effects of geographical, cultural-historical, political-economic, and administrative-legal factors. Within the national trend of overcoming the crisis of transition, these factors shape the features of the western and eastern borderlands and strongly affect the economic and demographic processes taking place in these territories.

The economy of Russia's northeastern borderlands in the post-Soviet period

The 1990s decline in production and the economy caused a historically unprecedented 56% decrease in industrial manufacturing [12, p. 249]. This reduction severely affected the large industrial centres of Moscow and Saint Petersburg and even more so the northwestern regions, which today border on the EU.

Once the largest in the Murmansk region, the fishing industry had 435 fishing boats in 1991, 279 in 2000, and only 191 in 2017. One-third of the latter figure is small boats that operate in nearshore waters. The decline in the industry was caused by the privatisation of the fishing fleet when the personal interests of boat owners came to the fore. Fish processing plants were left without anything to process because it was more lucrative to sell fish abroad [13]. This situation, which was observed throughout the industry, caused fish consumption by Russians to reduce more than twofold. The then decline in fishery is felt to this day.

The economy of the Murmansk region, the outpost of Russia's Arctic project and home to the headquarters of the Northern Fleet, relies heavily on its mineral riches. Over a thousand minerals, including nickel, copper, iron, aluminium, cobalt, osmium, tantalum, and apatites, are found there. Trade with the neighbours, Finland and Norway, is mostly in products of nonferrous metallurgy and the chemical industry. These goods account for 81.7 and 68.5% of exports to the two countries.⁸

The Murmansk region is involved in over forty projects within the Barents cooperation programme and in forty-three projects within the Kolarctic programme. The territory ranks fourteenth among Russian regions by GRP per capita and thirty-sixth by standards of living. The economy of the Republic of Karelia is led by the forestry, timber, and pulp and paper industries. Privatisation allowed foreign companies to become large (and even majority) stakeholders in local timber companies. Under the then law, a foreign investor could hold not more than 35% of a company's shares. Business, however, used loopholes to get around this limitation. This way, the controlling stake in the Segezha sawmills was purchased by

⁸ Murmansk branch of the Federal State Statistics Service. *Statisticheskii ezhegodnik, 2017* [Statistical yearbook, 2017]. Murmansk, 2018.

four foreign organisations for 700 million roubles, while the company had fixed assets worth 26 billion roubles [14]. Foreign businesses were reluctant to invest in the technological development of Karelian companies; they saw local timber as raw material only. Since the 1990s, the shadow economy has accounted for most of the timber exports.

Both the western and eastern borderlands have abundant forest resources. Thus, the most apparent criminal business option in these territories is the illegal exports of roundwood. According to the WWF Russia and the World Bank, up to 25% of timber produced in Russia is from illegal logging. According to Rosstat, 208 million m³ of timber was harvested in Russia in 2017. Thus illegal exports amounted to 40–50 million m³ that year. Because of illegal logging, Russia loses at least 100 billion roubles a year.⁹

Out of Karelia's ninety-four trade partners, Finland is the principal one, accounting for 25.2% of the total trade volume. Karelia ranks thirty-third among Russian regions by GRP per capita and seventy-fourth by standards of living.

The most industrially developed territory of the western borderlands is the Leningrad region. It has almost 1,400 industrial manufacturers based in the towns of Gatchina, Kolpino, Izhora, Vyborg, Kirishi, Tosno, Pikalevo, and others. The Leningrad region tops the ranking of Russian regions by many economic and demographic indicators. The consequences of the economic reforms were less severe in the region because of its proximity to Saint Petersburg. Industrial manufacturing (mechanical engineering, chemistry, petrochemistry, wood processing, and food production) accounts for 40% of the regional GRP, which is the highest proportion across Russia's borderlands [15]. The region's international trade volume reached USD 9.2 billion in 2017. Among the principal partners are neighbours: Finland accounts for 8.1% (ranks second) and Estonia for 2.8% (ranks seventh).¹⁰

Access to the Baltic Sea and, via it, to international ports both speeds up the economic development of the Leningrad region and ensures the transport independence of Russia. The four largest seaports (Ust-Luga, Primorsk, Vysotsk, and Vyborg) account for one-fourth of the cargoes handled in Russia.

Most of the region's border municipalities have signed cooperation agreements with their counterparts across the border. Ivangorod collaborates with Narva; Svetogorsk with Imatra; Slantsy with Kohtla-Järve; Vyborg with Lappeenranta; Gatchina with Espoo; Kingisepp with Jõhvi. The Leningrad region carries the traffic of the Scandinavia federal motorway, part of the Corridor IX. In 2013, the last pre-sanction year, Finnish companies invested USD 247.3 million into the economy of the region. The Protocol for Cooperation signed in 2011 by the government of the Leningrad region and the regional government of South Finland

⁹ Tsygankova, S. V Karelii rastet chislo chernykh lesorubov [Illegal loggers rising in numbers in Karelia]. *Rossiyskaya gazeta*. 2015. June 9. P. 7.

¹⁰ Leningradskaya oblast. 2018 [Leningrad region. 2018]. Saint Petersburg, 2018.

remains in effect. The Leningrad region is one of the most successful in Russia in terms of foreign investment, which accounts for 30% of the total private investment in the territory. In 2018, the region ranked fifteenth nationally by GRP and eleventh by standards of living.

In the Pskov region, the peak of decline in production was in 1993–1995 when many mechanical engineering works had to close down. The agricultural industry sustained a yet heavier blow. In the region, which accounts for half of north-west Russia's farmlands, the area of arable lands reduced dramatically: from 878,000 ha in 1990 to 563,000 ha in 2000. The cattle population fell threefold. The under-financed industry was virtually left without new equipment.¹¹ In the early 2000s, most agricultural companies were unprofitable. The situation has improved since then; agriculture is making a major contribution to production and cross-border trade. The geographical position of the region, which borders on three states (Estonia, Latvia, and Belarus), facilitates this process. The Baltics are among top exporters: Estonia accounts for 44.1% of the exports, Latvia for 14.8%, and Lithuania for 9.3%. As to imports, Estonia and Latvia rank sixth and seventh respectively. The Pskov region is one of the most depressed in the country: it ranks sixty-ninth by GRP per capita and fifty-ninth by standards of living. Karelia and the Pskov region are the most socially deprived regions of Russia's western borderlands.

A complicated situation has developed in the Kaliningrad region, which turned into an exclave following the demise of the USSR. The Baltic Sea is the only way to reach the region from mainland Russia without crossing a foreign state. The status of an exclave translates into economic problems that are strange to other Russian territories. In autumn 1991, the region was declared a free economic zone (called *Yantar*, which is the Russian for amber) where 'the transparency of the state border softened (at least to some extent) the consequences of the exclave position of the region and eased the daily life of a considerable part of the population of the region under the new economic conditions. At the same time, shuttle trade led to such problems as smuggling, tax evasion etc.' [16, p. 104]. In the 1990s, industrial manufacturing declined in the region more sharply than across the country. In 2000, regional manufacturing output was 40% of the 1990 level¹² as compared to the national average of 52%. This difference is explained by the increased cost of transporting raw materials, fuel, electricity, and components to the region. The direct distance from the border of the Kaliningrad region to the nearest Russian region, Pskov, is over 370 km. When travelling from Kaliningrad to Moscow by land, one crosses two foreign states — Lithuania and Belarus.

¹¹ The Pskov branch of the Federal State Statistics Service. *Byulleten Federalnoy sluzhby gosudarstvennoy statistiki po Pskovskoy oblasti [The bulletin of the Pskov branch of the Federal State Statistics Service]*. Pskov, 2001.

¹² Rossiyskiy statisticheskiy ezhegodnik. 2001 [Russian statistical yearbook. 2001]. Moscow, 2001. P 123.

Adopted in 1996, the federal law On the Special Economic Zone in the Kaliningrad region sought to create equal conditions for Kaliningrad and the other regions of the Russian Federation. This half-measure document did not take advantage of the region's geographical position, which could otherwise have been used to the benefit of Kaliningrad and Russia in general.¹³ At the time, the exclave position of the Kaliningrad region could have been used as an adaptor in Russia–EU cooperation, which was an urgent issue in view of the imminent accession of the region's neighbours Poland and Lithuania to the Union. In that situation, the Russia–EU borderlands and the Baltic region assumed great geopolitical significance [17–19]. The then opportunities, however, were wasted.

The adoption of a new version of the law in 2006 spurred industrial production, which today accounts for 34–35% of the GRP. One-third is mechanical engineering and instrument design. German and Korean cars are assembled in the region. There are plans to create an auto component cluster [20]. A train ferry from Ust-Luga to Baltiysk will be launched in 2021 to reduce the dependence of the exclave on the rate policies of Lithuania and Belarus.

Kaliningrad has a strong agricultural sector. The area of farmlands in the region is over 800,000 ha, which is 60% of its total area. In 2018, the exclave exported USD 1 billion worth of agricultural products out of 21 billion of Russian agricultural exports, i.e. almost 5%. Bilateral trade with Poland, which peaked in 2013, reached USD 995.5 million. Despite a 47% decrease, the country is the sixth-largest trade partner of the region, which ranks twenty-ninth by GRP and tenth by standards of living in Russia.

Despite the economic sanctions imposed in 2014 [21], the Russia–EU borderlands are overcoming the severe transformation crisis of the 1990s with greater (the Leningrad and Kaliningrad regions) or lesser success (Karelia and the Pskov region). Trade and economic ties with neighbouring countries play an important role in the economies of border regions. This particularly applies to the inland regions of Pskov and Karelia.

The borderland regions of the Russian Far East (RFE) in the post-Soviet period

Although the economic processes taking place in the eastern, Russian–Chinese borderlands are very similar to those discussed above, there are considerable differences. The economic development of the RFE started relatively recently, in the mid-19th century. The process peaked twice — during Stolypin reforms and the Soviet era. Various socio-economic mechanisms for attracting workforce to

¹³ For more detail, see Simonyan, R. Kh. Kaliningradsky eksklav — klyuch k Baltiyskomu region [The Kaliningrad exclave: the key to the Baltic region]. *Rossiyskaya gazeta*. December 31, 2003. P. 8.

the region date back to those periods.¹⁴ In fifty years, the population of the RFE quadrupled from 310,000 in 1863 to 1.2 million in 1913. Then it decreased to 820,000 after the Russian Civil War (1917–1922) and increased tenfold to 8.1 million (1990) during the Soviet period.

Such unprecedented development rates became possible only when the RFE was recognised as a priority. This status facilitated the transformation of the region into a developed economic complex that contributed to the protection of the country's strategic interests. The latter objective was becoming increasingly urgent after the dissolution of the USSR when the country became more Eurasian than ever, i.e. it became that which none of those who had ruled it over centuries wanted it to be [22, p. 310].

During the economic reforms, which began in 1992, the strategic interests of Russia lost their relevance. This change was in line with the goal of the new liberal nomenklatura, i.e. to distance the state from the economy as much as possible. 'The history, current condition, geopolitical role, and socioeconomic structure of the RFE were at odds with the transformations carried by the country's leadership' [23, p. 149]. The paradox was that, in creating a resource-based economy, Russian reformers declared the east of the country responsible for the resource-intensive structure of the Russian economy [24, p. 31].

The founding principle of radical neoliberalism described by Joseph Schumpeter in his famous monograph in the chapter 'The process of creative destruction' [25] (the more devastating the end of the old political-economic structure, the easier and the more powerful the rise of the new economy, in which market will put everything in its right place) was most consistently applied in the RFE. Pavel A. Minakir, Director of the Institute of Economic Studies of the Far Eastern branch of the Russian Academy of Sciences described the situation as follows: 'In 1992–1994, the economy of the RFE resembled a terminally ill person who is not worth treating...' [26, p. 388].

During the economic reforms, the RFE suffered the most serious deprivation. In 2000, the industrial production across the country was at 52% of the pre-reform level. In the RFE, it did not exceed 40% [27, p. 5]. Although not an exclave, this huge part of Russia (41% of the total area) faced the same desperate situation as the Kaliningrad region did.

Firstly, rapidly growing transport rates and remoteness from Russia's industrial hubs almost precluded shipment of local produce to the national market. As a result, the companies that survived privatisation had to close down too. Secondly, the region was home to capital-intensive extracting industries. The beginning of the reforms, however, marked the virtual cessation of investment. Thirdly, when the region lost its priority status, the able-bodied population started to leave the area. Fourthly, the liquidation of kolkhozes and sovkhoses caused a crisis in agriculture. Fifthly, the most affected industries were mechanical engineering, ferrous

¹⁴ The Russian Empire exempted settlers from state duties for twenty years, from local taxes for three years, and from military service. In the USSR, settlers received various economic and social benefits.

metallurgy, light industry, and construction materials production: their proportion in the cost of industrial output decreased from 31.7 to 12.8%. Such a dramatic reduction did not take place in the western borderlands [26, p. 374].

The Zabaikalsky region lost, inter alia, such large producers as the Petrovsko-Zabaikalsky metalworks, the Chita machinery and instrument plant, and the Chita textile factory. The destruction of the forestry industry triggered illegal logging and illegal wood exports to China [11, p. 151]. At the end of the 2000s, the region retained only one-third of its production capacities, primarily, in the energy industry and non-ferrous metallurgy. Many types of minerals occur in the region. Among them are gold, silver, molybdenum, titanium, tungsten, iron, copper, tin, zinc, lead, and uranium. Mineral riches made the region very attractive to Chinese investment. The region exports ore and timber to China and imports a wide range of consumer goods and equipment. China accounts for 90% of the region's international trade. 'the PRC virtually determines the economic future of the region' [28, p. 28]. The Zabaykalsky region is among the most socially deprived territories of the Russian-Chinese borderlands. The region ranks sixty-third nationally by GDP and eighty-third by standards of living.

The Amur region has the mildest climate in the RFE. The area of farmlands in the region is 17,900 km², 12,100 km² of which are arable lands (63% of all the arable lands in the RFE). A fall in production, the destruction of infrastructure, and severance of integrating ties increased production costs in agriculture. Grain output decreased from 905,300 t in 1991 to 341,800 t in 2002, meat production from 84,700 t to 21,300 t respectively, milk production from 392,100 t to 171,100 t, and egg production from 302,800 t to 199,600 t. The region was 85% self-sufficient in agricultural produce in 1991 and only 42% in 2017.¹⁵ The rest is imported from China, which accounts for 96.8% of the imports to the region. The trade structure is usual for today's Russian-Chinese commerce. China is the destination of 81.7% of the region's exports, which consist of raw materials and low-value-added products, whereas consumer goods come to the region from China. 'The Amur region is doomed to cooperation with China', Governor Vasily Orlov said in July 2018.¹⁶ There are 400 Chinese and joint Russian-Chinese companies (their number is greater only in the Primorsky region). The Amur region ranks forty-first by GRP and fifty-third by standards of living.

The smallest region of the eastern borderlands is the Jewish autonomous region. By the end of the 1990s, it became a socio-economic outsider: only Tyva performed worse. In 1998, the region was at 15% of the 1990 level. The recovery was slow. In 2012, twenty years after the launch of the reforms, the region pro-

¹⁵ Amurskaya oblast. Tolk fakty [the Amur region. Facts only]. Blagoveshchensk, 2018.

¹⁶ Amur Info. Vasily Orlov: 'the Amur region is doomed to cooperate with China'. *Amur Info*. 2018. July 21. URL: <https://www.amur.info/news/2018/07/21/141193> (accessed 08.04.2019).

duced 25% of the 1990 output [29]. By agricultural production per capita, the Jewish autonomous region is well ahead of the other RFE territories. It has good conditions for growing soya: the plant is the basis of local agriculture. The region accounts for 5–6% of the national soya production. There are changes in manufacturing too. The year 2018 saw the launch of the Kimkan and Sutara iron ore project — the largest regional enterprise employing 1,500 staff. The Jewish autonomous region was a major beneficiary of the Asian turn in Russia's politics. In the past three years, the region's economy has experienced an investment boom spurred by the construction of the Eastern Siberia–Pacific Ocean oil pipeline and the Power of Siberia gas pipeline. Both pipelines run to China, the principal international trade partner of the region. In 2017, the country accounted for 99.2% of the region's exports and 94.3% of its imports. In 2019, a railway bridge over the Amur River will link Russia and China. It will carry 22 million t of freight annually. The major components of the exports are ores and iron concentrate (73.3%), soya (15.6%), and rough logs (5.4%). The Jewish autonomous region ranks fifty-third nationally by GRP and seventy-eight by standards of living.

The economic reforms had a devastating effect on the Khabarovsk region — a territory with the most developed and diversified manufacturing industry in the RFE. The absence of public resources distribution and guaranteed government demand severely affected the heavy industry and the arms industry. Komсомolsk-on-Amur, a defence industry hub, suffered the most. 'During the deindustrialisation of the 1990s, the backbone of regional manufacturing, the defence industry, was seen as the burden of the past and a liability inherited from the ruined empire' [26, p. 252].

The abolition of preferences introduced in the state development programme until 2000 and the permit for negotiated prices for end products, while prices for raw materials remained fixed, caused a redistribution of revenues towards the European regions of the country. Since sales structures and cooperation ties were oriented to the domestic market, a steep increase in railway rates was a heavy blow to manufacturing. The loss of markets caused industrial manufacturing to plummet: in 1996, it was at 43% of the 1990 level. The decline in production was aggravated by the financial crisis of August 1998.

The eastern vector of Russian politics, reinforced by a cooling in relations with the West, creates additional opportunities for the Khabarovsk region — the economic, academic, and cultural centre of the RFE. This situation facilitates trade and economic cooperation with China. There are over 300 Chinese and joint Russian–Chinese enterprises. Khabarovsk and the Heilongjiang province are sister regions. China is the principal trade partner of Khabarovsk: in 2018, bilateral trade with China exceeded USD 1.2 billion, which is 59.6% (71.5% of exports and 37.8% of imports) of the region's total international trade. The Khabarovsk region ranks the highest in the eastern borderlands (eighteenth by GRP and twenty-ninth by standards of living).

The Primorsky region, which experienced the same problems in the 1990s (a steep decline in production, the closure of major production facilities, and growing social tensions), had more resources for survival than other territories in the RFE. The region is the sea gate of the RFE. Its 1,500 km long coast is home to major ports — Vostochny, Nakhodka, and Vladivostok (the latter was a closed city from 1952 to 1992).

With many ways to earn revenues, port cities are less dependent on the ‘metropole’ and thus cause political separatism concerns among national leadership. In Russia, reasons for worry emerged in the 1990s when the central authority was weakened. Often unfounded, these concerns prevented both the region and the state from benefitting from the geographical location of Russia’s coastal regions [30].

In the 1990s, few basic goods were shipped from Russia to the region: there was no other choice but to switch to imports from neighbouring countries. This was especially true of consumer goods. Until the 1990s, 80% of foodstuffs were Russian, whereas today most of them come from Asia-Pacific, primarily, China [31].

In 2015, Vladivostok was declared a free port. Over twenty Chinese organisations are functioning within the Vladivostok advanced development zone.¹⁷ The Primorsky region has the highest number of Chinese and joint Russian–Chinese enterprises (637). Its bilateral trade with the country is also the most considerable in Russia. China, however, accounts for a smaller proportion of international trade in Vladivostok than in the other eastern borderlands. There are other lucrative partners (Japan, South Korea) investing heavily in the region. In terms of international trade diversification, Vladivostok resembles the Murmansk, Kaliningrad, and Leningrad regions. In 2018, China accounted for 55.4% of the region’s international trade. The Primorsky region exports foodstuffs, petroleum products, timber, equipment, and vehicles. It imports plastic goods, textiles, shoes, and equipment. The region ranks thirty-first in Russia by GRP and fiftieth by standards of living.¹⁸

In the border regions of north-west Russia, trade with neighbouring countries helped to overcome the crisis of the 1990s: shrinking budgets were compensated for by cross-border trade. In the RFE, international trade was virtually the only way to survive: before the reforms, the RFE sold 87.4% of its mechanical engineering produce, raw materials, and semi-finished goods in the national market. In 1990, this proportion fell to 10.2% [26]. According to Rosstat, the territory still exports six-seven times as much as it sells in Russia; this is especially true of raw materials.

¹⁷ A free port functions under specific customs, tax, investment, and administrative regulation.

¹⁸ These numbers are not exact because of a high proportion of shadow businesses in the region.

Among the consumers of Russian timber, China has stood unrivalled for many years. In the past five years, imports to China have increased from USD 2.23 to 3.18 billion, i.e. by over 40%. This trend will continue: logging is prohibited in the Middle Kingdom since 2005 so that forests will have occupied one-fourth of its area by 2025. Over 60% of Russian timber exports is accounted for by three countries: Finland (5.8%) in the west and China (41.4%) and Japan (5.9%) in the east. The largest exporters in the west are the Leningrad region (491,000 m³ in the Leningrad region) and Karelia (364,000 m³). In the east, these are the Khabarovsk (2.253 million m³) and the Primorsky regions (902,000 m³). Overall, the eastern borderlands export to China 3.5 times as much as the western borderlands do to the EU. Assuming that there is a direct correlation between legal and illegal export, the shadow market in the east is 3.5 times that in the west. In reality, this difference is greater, not only because the border with China is 1.5 km longer than that with the EU and thus control is complicated but also because the Union closely monitors timber imports.

The shadow sector accounts for a greater proportion of the economy in the eastern than in the western borderlands. In the RFE, smuggling occurs at a rate many times higher than the official statistics. Far eastern fishers bring their catch to Japanese ports and load their boats with used cars to sell them at home. Japanese statistics suggest that the imports of Russian fish to the country are 2.5–3 times the estimate of the Russian customs. The difference in statistics is even greater when it comes to the imports of consumer goods from China [11].

For many years Russia has been the EU's third-largest trade partner, whereas for China the country is only fifteenth. Russian-Chinese trade continues to grow. However, it is more beneficial to China than to Russia.¹⁹ According to international analysts, this situation is fraught with pessimistic scenarios for Russia. 'Russia's political and economic failure to develop the RFE has undermined its quest for stable great-power status in Asia and its ability to play that role there', the US Russia expert Stephen Blank writes. He adds: 'To the degree that these trends continue along present lines, Russia will become China's junior partner and supplier of raw materials, not an independent power in Asia' [32, p. 43]. The RFE continues to fall away from the Russian economic space, being drawn into the gravitational pull of rapidly developing China. In the west, the situation is far less dangerous. Moreover, the western borderlands have a smaller proportion of shadow economy, most of which is illegal timber exports.

Demographic processes in the two borderlands

The onset of the most acute demographic problems is associated with the launch of the reforms. In 1993, for the first time after the war, the national mor-

¹⁹ Russians pay 5.5 roubles per kilowatt, whereas Russia sells electricity to China for 1.5 roubles per 1 kW.

tality rate exceeded the birth rate. People moved en masse from the country's periphery. Depopulation²⁰ and out-migration from the provinces have continued ever since. The Russia–EU borderlands saw their population decline from 5.4 million in the pre-reform year 1991 to 4.8 million in 2018, i.e. by 11.2%. Three western regions (the Murmansk and Pskov regions and Karelia) accounted for that loss, whereas the populations of the Leningrad and Kaliningrad regions grew [33]. The Russian–Chinese borderlands sustained much greater demographic losses. Their population fell from 6.82 to 4.95 million people, i.e. by 27.9%. In eastern borderlands, unlike their western counterparts, all the regions were losing population. The decline ranged from 24.5 to 29.2%. A typical out-migrant is a young educated person, who, most importantly, is adapted to the local environment [34].

A demographic explosion took place in the Russia–EU borderlands in 1992, the year when the reforms began. The Pskov region witnessed an outflow of out-migrants that was 5.5 times that of 1991. The increase was sevenfold in the Murmansk region and 7.5-fold in Karelia. The eastern borderlands responded to the reforms a year later, in 1993, when 67,600 people (8.7 times the level of 1992) left the RFE.

In the Soviet period, the population of the eastern borderlands was relatively young. Thus, the mortality rate in the RFE was rather low and the birth rate one of the highest across the country. After the reforms, the mortality rate was increasing at a rate well above the national average; since 1994, it has exceeded the birth rate. In 1993–2003, the mortality rate increased by 13.7% across Russia and by 26.4% in the country's Far East. The RFE population peaked in 1991, reaching 8.2 million, and has been declining ever since. According to Rosstat, the population of the RFE was 6.1 million people, i.e. the eastern borderlands lost over two million people, or one-fourth of its pre-reform population.

There are differences in the national composition of the borderlands. The eastern border regions are more 'Russian' with a proportion of ethnic Russians of 93.8% (it ranges from 90.5% in the Zabaykalski to 94.7% in the Amur region). In the west, ethnic Russians account for 84.3% of the population (from 78.4% in Karelia to 94.3% in the Pskov region, which resembles the eastern territories in these respect).

In 2018 three western regions saw a decline in population: the Murmansk region lost 5479 people (0.75%), Karelia 4428 people (0.7%), and the Pskov region 6873 people (1.1%). The populations of the two territories were growing. These were the Leningrad (14,069 or 0.7%) and Kaliningrad (7523 or 0.75%) regions. All the eastern border territories were losing population. The Zabaykalsky region lost 3410 people or 0.4%, the Amur region 5230 (0.8%), the Jew-

²⁰ According to Rosstat, the population of Russia declined by 93,500 in 2018.

ish autonomous region 2141 (1.2%), the Khabarovsk region 6807 (0.6%), and the Primorsky region 10.316 (0.6%). Thus, the Russian-Chinese borderlands, which are home to 3.4% of the population of Russia, account for almost one-third of the country's annual demographic losses. This is a disturbing symptom. Given the centre/regions organisation of the current taxation system and a policy aimed at creating and developing megapolises,²¹ reversing the downward demographic trend in the Russian-Chinese borderlands seems a difficult task. Moscow had a population of 9.8 million in 2000 and 12.6 million in 2018. Over 20 million people live in the Moscow agglomeration, which is growing as rapidly as the periphery is losing its people. The only way for the Moscow megapolis to reach a population of 30 million is to depopulate the provinces.

The five regions of the Russia–EU borderlands and the Saint Petersburg agglomeration are home to 10.9 million people, who are cross-border neighbours of 12.5 million people living in Latvia, Lithuania, Estonia, Finland, Poland's Warmian-Masurian voivodeship, and Norway's Finnmark county. With adjustments made regarding Eastern European migration trends [35], the EU eastern borderlands and the Russian western borderlands are at near parity. Moreover, the former have two million Russian speakers living in them. The situation in the RFE is entirely different: five million residents of the Russian border regions live next to the 125 million population of the neighbouring Chinese regions. This demographic disparity, which constitutes the main difference between the Russia–EU and the Russian–Chinese borderlands, has a special geopolitical meaning: Russia is losing population, whereas China grows by 8 million people per year.

The 1985 projection by the Central Statistical Directorate of the Soviet Union estimated the RFE population in 2020 at 10.8 million. According to a 2015 projection by Rosstat, if the current trend persists, only 5.6 million people will live in the RFE in 2025. This situation is at odds with the objectives of developing the Russian regions and ensuring national security.

Conclusion

Among Russia's vital interests are interactions with the neighbouring states. An important role here is played by Russian border regions, which serve as the country's outposts and act as intermediaries in cooperation. These two functions of border regions translate into properties that make them the focus of increasing research attention. Growing economic ties between the EU and China

²¹ Mayor of Moscow Sergey Sobyenin voiced the objective of increasing the population of Russia's capital to 30 million in his speech given at the sixth Russian Civil Forum on December 8, 2018.

(particularly within the Belt and Road Initiative) lend fresh urgency to studies into the economic potentials of Russia's western and eastern border regions and the possible contribution of these territories to national economic development. The economic success of its immediate neighbours, the EU and China, provide a sharp contrast to Russia's archaic economic model based on raw materials exports.

The differences between the western and eastern regions are largely a result of the historically-rooted eurocentrism of the Russian economy. In the Soviet period, the gap between the two territories was narrowing. After the deindustrialisation of the 1990s, which was a massive blow to Russia's periphery (border regions were no exception), to socioeconomic, demographic, administrative, and legal disparities between the west and the east increased. The negative results of the economic reforms had the most adverse effect on the eastern border regions. In comparison to the western borderlands, the RFE is a socio-economic and, which is especially unacceptable, demographic outsider. Not only this situation inhibits the economic development of the eastern borderlands, but it may also threaten the territorial integrity of Russia.

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