Trans-border Exchange between Russia and China: The Case of Blagoveshchensk and Heihe

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Abstract: Two Russian-trained geographers investigate the multiple and largely informal and illicit forms of exchange between two provincial cities of roughly similar size located on opposite banks of the Amur River, namely Blagoveshchensk, in Russia’s Far East, and Heihe, in neighboring northeast China. The study is based on interviews and field observations from 2002 to 2009 in Blagoveshchensk, as well as official statistics from the relevant Russian and Chinese provincial governments. Particular attention is focused on the activities and treatment of Chinese guest workers comprising a material component of the labor force in Amur Oblast (e.g., in construction and agriculture), unregistered Chinese entrepreneurs in retailing and catering, and trans-border logging operations of Chinese timber/wood products companies. Also covered are the activities of visiting Russian nationals in Heihe and the extralegal activities of Russian entrepreneurs and bureaucrats.

Borders separating countries with different socio-economic systems tend to impede the free flow of goods and people, to greater or lesser degree in proportion to the extent to which those systems diverge. Certainly the Soviet–Chinese border in the Russian Federation’s Far East region was tightly controlled for a good part of the last century, reflecting (despite outward signs of Communist solidarity) a protracted territorial dispute between the USSR and China involving islands located in the Amur River, which formed an extended portion of that border. Economic and political reforms preceding and following the disintegration of the USSR have made the border between China and the independent Russian Federation somewhat or considerably more “permeable” (depending on what is moving across it), although it continues to be distinguished by a special regime reflecting the specific conditions prevailing in the two countries and in the regions adjoining their common border.

This paper examines the many, largely informal (and sometimes illicit) forms of exchange between two cities, located some 750 meters apart on opposite banks of the Amur River.
River: Blagoveshchensk (213,000 residents) in Russia’s Amur Oblast and Heihe (187,000 residents) in Northeast China’s Heilongjiang Province (Fig. 1).  

It should be noted that our perspective is from the Russian side of the river, lacking to a great extent a view “from the other side” that could shed additional light on the issues discussed below. We intend to present our observations within the context of earlier studies of twin cities (Zelinsky, 1991; see also Kosonen et al., 2008), double cities (Buursink, 2001), binational cities (Ehlers et al., 2001), and trans-border cities (Gildersleeve, 1978; Herzog, 1990), and to contribute to the significant body of literature on Russia’s informal economy (e.g., Ledeneva, 1998; Paneyakh, 2008), brought about in part by the peculiarities of post-communist transformations.

Most importantly, however, we view the cross-border contacts in the broader context of Russia’s and China’s adjoining location and complementarity. The latter has a vivid demographic dimension that fuels concerns on the Russian side. Unlike China, Russia is a country with shrinking population due to fertility well below the replacement level (a total fertility rate of 1.4 in 2008) as well as low life expectancy (67 years), particularly among men (60 years). These are the immediate causes of the negative rate of natural increase (-0.3 percent) not counterbalanced by positive net migration into the country (2 persons per 1000 population) (PRB, 2008). In Russia’s Far East, the macroregion within which Amur Oblast is located, the situation is exacerbated by negative net domestic migration. Whereas Russia’s overall population declined 1.26 percent between the censuses of 1989 and 2002, the population of the Far East Federal District declined by 16.8 percent, and that of Amur Oblast by 14.5 percent (Vserossiyskaya, 2004).

Thus far only one “turning point” in the dynamics of Russia’s population has been publicized—in 1992, it began to decline on an absolute basis. However, the year of 2007 marked a turning point of no smaller significance: for the first time the depletion of Russia’s working-age population (due to retirement and premature deaths) was not fully compensated

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3 Amur and Heilongjiang are Russian and Chinese names, respectively, for the river that separates them.

4 Interestingly, we are not the first to be attracted by the juxtaposition of Blagoveshchensk and Heihe as epitomizing broader trends affecting the two countries and their border regions (for a journalistic account, see Bohlen, 1999).
by the number of people entering that group—a delayed effect of a consistently low birth rate. By 2025, Russia’s working-age population will have shrunk by 19 million (Zayonchkovskaya and Mkrtchyan, 2007), a number equivalent to 28 percent of Russia’s overall work force in 2007. This will make labor the most deficient production factor after the country’s eventual recovery from the global financial crisis that commenced in late 2008. To address this deficit, Russia most likely will have to compete for immigrants with other labor-deficient economies. However, the prospect of growing immigrant communities is not yet fully accepted by the Russian public or even by the political class. This is particularly evident in conjunction with actual and potential Chinese migration to Russia.

Unlike Russia, China has explicitly aimed at curbing its population growth and has succeeded in lowering the total fertility rate from 5.8 in 1970 to just 1.6 in 2008 (PRB, 2008; Cai, 2008). Nevertheless China’s population is still growing because of momentum, that is, due to a large generation of parents born at a time when fertility was still high. Moreover, China’s economic advances have not been evenly distributed spatially, with many provinces in China’s interior, and rural areas more generally, not sharing in the country’s economic boom (which preceded the current global economic downturn). Thus, the pool of potential economic migrants remains large and may even increase.5

The country’s two northeasternmost provinces (Heilongjiang and Jilin) are a case in point. As part of China’s “Rustbelt”—China’s (heavy) industrial core and economic engine prior to the economic reform in 1978—they have consistently lagged the country as a whole in terms of average annual rates of GDP growth since that time (see Fan and Sun, 2008, Table 1). As a consequence, they have registered substantial net out-migration with other provinces of China since at least 1985 (see Fan, 2005, Table 2). Of particular relevance is the fact that such migrants tend to be poor not only by Western standards, but by Russian as well. For example, in 2006, median personal income in Heilongjiang was the equivalent of roughly $US150–160 per month, compared to approximately $400 a month in Amur Oblast (Amurskiy, 2007; Heilongjiang, 2007; Chan and Wang, 2008, p. 36). Although in both provinces purchases of foodstuffs accounted for roughly one-third of household budget outlays, rates of ownership of such durable goods as refrigerators, washing machines, and computers remain higher in Amur Oblast, despite considerable progress in Heilongjiang.6

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5For example, see Fan and Sun (2008) and Chan and Wang (2008) published in a recent issue of this journal.

6For example, whereas in 1985, only 2 of 100 urban Heilongjiang households possessed a refrigerator, in 1998 as many as 56 did, and in 2005, 78 had a refrigerator in their house. In contrast, there were 115 refrigerators per 100 households in Amur Oblast in 2005, and data on washing machines and TV sets indicate a similar advantage for the Russian province. Lastly, there were 39 cars per 100 households in Amur Oblast and only 2 cars per 100 urban households in Heilongjiang in 2007 (Heilongjiang, 2000; 2007; Amurskiy, 2007).
Furthermore, not only does this part of the Sino-Russian border exhibit a very substantial difference in living standards, but more generally that border also demarcates the world’s steepest contrast in population density. According to estimates based on varying areal scope on both sides of the border, the population density on the Chinese side is 15–30 times higher than on the Russian. In the most populated region of Russia’s Far East, Primorskiy Kray, the average population density is only 13.5 people per km$^2$. Only in the southernmost part of that region does population density reach 30 people per km$^2$, but along much of the border with China it does not exceed 4–5 people. In contrast, in northeast China, population density is as high as 130 people per km$^2$.

Viewed somewhat differently, whereas about 5 million people live in the southern areas of Russia’s Far East, the three Chinese provinces located directly south of the Amur River (Heilongjiang, Jilin, and Liaoning) have over 100 million residents, more than three times the entire population of Siberia. The city region of Harbin (Harbin city plus the adjacent counties) alone boasts more residents than Vladivostok, Khabarovsk, and Blagoveschensk (the three largest cities of Russia’s Far East) combined (Zayonchkovskaya, 2003).

Despite the fact that Russia has been in dire need of working-age migrants, which China can readily furnish, Chinese migration is viewed as a problem and even a threat.\(^7\) Such a view is persistently propagated by the governments of Russia’s provinces,\(^8\) entities that under ordinary circumstances (prior to the economic downturn in late 2008 and 2009) be interested in attracting Chinese labor to their labor-deficient regional economies. Yet instead of directly addressing the most obvious solution to the labor shortage and attempting to regulate Chinese migration, Russian authorities have inadvertently forced migration and shuttle-trading into illicit, underground channels. Russian provincial newspapers have engaged in fear-mongering with respect to the magnitude of potential Chinese settlement in Russia. According to rumors frequently circulated by these papers, millions of Chinese have already settled in Russia illegally, more are about to arrive, and the “yellow threat” is real. Two excerpts reflect the tone of such reports in the recent past:

I think there is no need to explain that not all Chinese reside in Russia legally. This especially applies to the Siberian and Far Eastern regions, where Chinese communities live in wooded areas, into which even extortionists from among militiamen never poke their noses. . . . If the migration trend remains unchanged, one can predict that by 2010 there will be 20 million Chinese in Russia and 40 million in 2020. (Gilbo, 2003)

Lately, the numbers of Chinese citizens illegally coming to Siberia and the Far East have been growing steadily, and according to data from local migration services, there are already 10–12 million of them at a minimum. (Orlov, 2004)

In contrast, Russian migration scholars have estimated that the overall number of Chinese settlers in Russia did not exceed 400,000 (Vishnevskiy, 2002).

The situation in Blagoveschensk and its administrative territory, Amur Oblast, provides no exception to these broader demographic trends. The population of Amur Oblast, of which

\(^7\)For a brief summary of these views in the recent past, see Alexseev (2001, pp. 122–123).

\(^8\)An exception was Primorskiy Kray Governor Sergey Darkin’s announcement in 2004 of a program to bring in as many as one-half million foreign workers, mostly Chinese and Korean, to ease the region’s labor shortage at the time (e.g., Zhunusov, 2004; see also Brooke, 2003).
Blagoveshchensk is the capital, fell between the census enumerations of 1989 and 2002 from just over 1 million to 903,000 (Vserossiyskaya, 2004), and according to a population projection for 2026, the oblast’s population will decline further to 806,200 (8 percent lower than in 2008). The urban population is projected to decline by 10.2 percent, from 577,800 in 2008 to 519,300 by 2026 (see Predpolozhitel’naya, 2007). And given significant domestic out-migration since the early 1990s, the projected scale of population decline may in fact constitute an understatement.

The attitudes of fear and hostility described above, while not immutable, have influenced the overall climate within which the pattern of Blagoveshchensk–Heihe exchanges has developed. They thus constitute an underlying, if important aspect of our analysis.

Our present study relies on a variety of sources that facilitate efforts to explore and understand the system of exchanges between Blagoveshchensk and Heihe. In addition to examining official statistics and provincial media, it is based on 44 personal interviews with Russian and Chinese entrepreneurs as well as with employees of the customs service, banks, trade representatives, and police on the Russian side during the period from 2002 to 2007. Anecdotal evidence, i.e., the casual observations of Blagoveshchensk residents and regular Chinese visitors, is presented as well. Before analyzing the specific practices of Chinese and Russian actors in the cross-border exchange, however, some initial observations about the regional and urban economies on either side of the border appear to be warranted.

DIFFERENCES AND SIMILARITIES BETWEEN THE URBAN AND REGIONAL ECONOMIES

Russia’s Amur Oblast and China’s Heilongjiang Provinces share a number of basic developmental characteristics: a peripheral location relative to major national population and economic centers, heightened role of agriculture in their economies, delayed (or outmoded) industrialization, and a substantial share of non-market/state-regulated economic activity (particularly in the natural resource sector). But major differences in the economic and population dynamics appear to outweigh any common characteristics. Whereas Amur Oblast is an economically depressed region with a declining population, Heilongjiang’s population continued, despite out-migration, to grow (albeit quite modestly; see Chan and Wang, 2008, Table 3). In 2007, gross regional product (GRP) in Heilongjiang exceeded that of Amur Oblast by over 23 times (Amurskiy, 2008; Heilongjiang, 2008). Population densities in Amur Oblast and Heilongjiang are 2.4 and 84.2 people per km², respectively.

Although the cities of Blagoveshchensk and Heihe have fairly similar populations at present, the Russian city has been demographically stagnant: it grew from 205,000 residents in 1989 to 213,000 residents in 2008 (Amurskiy, 2008). In contrast, the Chinese city has grown explosively, from only 66,000 residents in 1982 to 174,000 in 2008 (China 1982, n.d.; Main Indicators, n.d.). Whereas the Russian city accounts for roughly one-fifth of Amur Oblast’s population, the Chinese city accounts for a minuscule 0.5 percent of Heilongjiang’s population. And while Blagoveshchensk’s GRP (about $1300 million in 2006) is currently four times that of Heihe, the gap has been narrowing rapidly; Heihe’s GRP doubled in nominal prices within 10 years (1996–2006), whereas Blagoveshchensk’s increased by only 28 percent during the same period (Main Indicators, n.d.; Amurskiy, 2008).

*In 2007, Amur Oblast’s GRP was an estimated 99,000 million rubles, or $3871.9 million (based on the exchange rate of 25.57 rubles per $1). In contrast, Heilongjiang’s GRP was 706,500 RMB, or $92,829.1 million (using an exchange rate of 7.61 RMB per $1).
One particularly meaningful difference has to do with how Russia and China view the potential for cross-border exchange. Whereas the Chinese side established a free economic zone in 1992 explicitly for the purpose of promoting and meticulously recording the volume of “people’s trade” across the border, the Russian side has tended to view the border more as an unavoidable evil, and does not record the volume of trans-border operations other than those by licensed exporting and importing agencies. Also, whereas China has an officially articulated policy of fostering trans-border exchange (Womack, 2001), Russia to date has no such policy. A clear sign of this disparity is the fact that, since 1999, Russian citizens wishing to visit Heihe do not need Chinese visas to cross the border by boat or bus (when the river is icebound), but at the same time Russia still requires visas from all citizens of China.

It should be noted that Russian citizens traveling to Heihe solely for recreational purposes can do so at any time, and some residents of Blagoveshchensk cross the Amur River every weekend. The Chinese side did resort to temporary restrictions on Russians’ trips in May 2008 in conjunction with the Olympic Games: visa waivers were to be denied to all Russian citizens but residents of Amur Oblast, and all Russian tourists were required either to book into Heihe hotels or to register with Heihe’s police. The move in question met with approval from the Russian side and did not alter the existing asymmetry of travel regulations (no Chinese visas required for Blagoveshchensk residents, Russian visas required for residents of Heihe). For the past 15 years, the Russian side has been procrastinating with the endorsement of bilateral plans to build a bridge across the Amur River that would eventually integrate the local roadway systems.

Proceeds reported from cross-border tourism also exhibit a substantial measure of asymmetry. Thus, in Blagoveshchensk, the 2006 value of tourism services rendered to Chinese visitors amounted to $7.6 million (0.57 percent of the city’s and 0.2 percent of Amur Oblast’s GRP; Prigranichnoye, 2007). In contrast, Heihe is reported to have received $30.3 million from Russian tourists (9.6 percent of the city’s GRP (Main Indicators, n.d.), despite the fact that Heihe’s prices are significantly lower than Blagoveshchensk’s for identical services. Russian tourists accounted for 87 percent of all foreign tourists in Heilongjiang Province (Heilongjiang, 2007), and clearly an even higher share in Heihe.

Official statistics on goods and people traversing the Sino-Russian border along the three official border crossings (Table 1) suggest that the flows are asymmetrical. For example, only 1 percent of goods cross between Blagoveshchensk and Heihe versus 19.6 percent of people (although this is not entirely surprising, given the lack of permanent land transport linkages at this crossing). At the same time, statistics derived from the Blagoveshchensk bank accounts of Chinese citizens allow us to surmise that there is a significant underestimation of flows of goods and people alike from Heihe to Blagoveshchensk. In 2006, the total value of deposits ($643 million) and withdrawals to China ($589 million) from these

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10The entire city of Heihe was designated an “open border city” in 2002.
11Construction of a bridge linking the two cities is still only in the planning stages (see below).
12In 2006, Russia’s customs service even resorted to limiting its own citizens’ commercial trips to Heihe to one per month. The respective instruction reads “Citizens are allowed to transport carry-on luggage to the Russian Federation without a tariff duty subject to the following limitations: once a month, up to 35 kg per trip, and with declared value up to 65,000 rubles” (Peremescheniye, 2006). This restriction is still in force.
13The move was motivated by the fact that too many Russians used their no-visa stay for trips well beyond Heihe’s city limits (even though visa waivers applied only to visits to Heihe city). Many in fact made forays as far as Harbin and even Beijing.
accounts by far exceeded the reported value of trade exchange between Amur Oblast and China ($231.7 million) (Simutina and Ryzhova, 2007, p. 141; Amurskiy, 2008), which points to widespread informal economic practices not captured by official Russian statistics. Our understanding of these practices is presented in greater detail below, first with respect to Chinese citizens’ activities and then with those of Russians.

ECONOMIC ACTIVITIES OF CHINESE NATIONALS IN AMUR OBLAST

Employment

According to official Russian statistics, 3.2 percent of Amur Oblast’s labor force in 2006 consisted of Chinese citizens (Amurskiy, 2007). However, this statistic does not square with what one observed on the streets in Blagoveshchensk. Apparently quite a few guest workers or gastarbeiter (Russians routinely use this German term) are not counted in the statistics. Scores arrived on commercial or tourist visas (i.e., without job authorization), but were subsequently employed. One 2007 joint inspection by the local branches of the Federal Tax Service and Federal Migration Service discovered that 15 percent of the local firms did not inform these organizations of their use of migrant workers (Amurskaya Pravda, October 23, 2007). Thus, it appears that the official statistics understated the actual level of employment of Chinese nationals by at least a factor of two.14

Chinese guest workers were employed in both skilled and unskilled capacities, but in reality almost always performed manual labor. Skilled migrants worked in factories, which previously were unsuccessful in recruiting Russians (Amurskaya Pravda, April 3, 2004). Working conditions for official migrant workers differed from those for Russian citizens in terms of both wages and the length of paid vacation. Furthermore, Chinese migrant workers often were willing to work more than eight hours per day, and were accorded this opportunity. Illegal guest workers have no rights—they often work for unregistered enterprises, where their work day lasts for at least 12 hours. Their residences do not meet Russia’s sanitary standards, and the mechanical equipment they use is often unsafe. The gastarbeiter have no holidays, days off, or vacations.

Chinese entrepreneurs in Amur Oblast are not captured by the official statistics at all, with the exception of some intermediaries (those providing services that support cross-border labor exchange, i.e., “middle men” who reside in Amur Oblast legally), who even then seldom report all of their activities. This is primarily because only some Chinese citizens have Russian residence permits. Obtaining them is difficult, if not impossible, for de facto owners of Chinese restaurants and most small traders (the latter group’s activities on Russian soil now are deemed illegal; see below).15 Yet, Chinese entrepreneurship in Blagoveshchensk does exist in several areas: shuttle trade, public catering, construction, industry (including mining), agriculture, logging, and intermediary services.

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14Similar apprehensions about the large number of undocumented Chinese workers have recently surfaced in another country bordering China, Vietnam (Influx, 2009). However, the explanation here appears to differ somewhat from the Russian case—the desire on the part of Chinese contractors awarded large infrastructure projects in Vietnam to maximize efficiency by employing crews speaking the same language (Chinese) as their supervisors.

15For example, in 2002 the chief prosecutor of the city of Blagoveshchensk fined the city’s mayor for allowing 525 Chinese citizens to register as entrepreneurs (Prokuraturoy, n.d.).
Retail Trade

In 2006, Russia’s Federal Government adopted a decree restricting the share of foreigners among the salespeople in the markets (rynki)\(^{16}\) to 40 percent by January 1, 2007, and eliminating them altogether by April 1, 2008 (e.g., Nikolayeva, 2006). Regional officials in Amur Oblast quickly realized that the decree, if implemented, would deal a mortal blow to the regional economy. “There is no doubt that this federal initiative will hit Amur Oblast hard,” opined Amurskaya Pravda (December 2, 2006), the major regional daily. “This is because most of our rynki are ‘Chinese’ by definition.” Local bureaucrats thus proceeded to improvise measures to finesse the implementation of the federal decree. One of the solutions was to resettle the Chinese to shopping malls and individual shops. Another was to rename a local rynok a “commercial depot,” similarly not restricted under the terms of the decree. In time, the regional government bureaucracy saw to it that most Chinese sales personnel were able to retain their jobs by moving from the rynki to new malls that were becoming increasingly commonplace.\(^{17}\)

The malls and new shops have contributed to a considerable change in the outward appearance of Chinese retail outlets during the past two decades. Early on, salesmen used to display their wares on the ground. Despite such substandard conditions, whereby it was impossible, for example, to try on a piece of clothing, Chinese traders managed to attract and retain Russian customers. Today, most Chinese merchants work in spacious retail facilities with elevators and air conditioners (Fig. 2). Apparently, their ties with local entrepreneurs have strengthened too, as often Chinese goods are peddled by Russian sales personnel, although at the Central Market there is still ethnic segregation of salesmen because the administration of that rynok assigns merchants to various counters based on their ability to pay for space.\(^{18}\) By all accounts, an unofficial “offshore zone” continues to exist in Blagoveshchensk, with the vested interests of those involved discouraging record-keeping on the quantity and value of goods changing hands.

Public Catering

In Blagoveshchensk, the ratio of “Chinese” to “non-Chinese” restaurants is 7 to 3. Whereas in a Chinese restaurant, a dinner may cost 300 rubles and patrons may bring their own alcohol, in a non-Chinese restaurant own alcohol is not permitted and a dinner costs twice as much. Although not all “Chinese” restaurants have a Chinese owner, most do, and all have a Chinese chef.

Because it is not easy for Chinese migrants to open restaurants legally, a widespread business scheme exists in which a business is registered by a Russian citizen in exchange for

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\(^{16}\) Under the Soviets, such markets (rynki or kolkhoznyye rynki) were spacious roofed or un-roofed retail facilities existing in addition to the state-run retail outlets (particularly food stores). They were subject to fewer regulations than state stores and usually offered food either produced locally or transported from the south. Today rynki still exist and are often controlled by organized crime syndicates in collaboration with local police and government officials. But in addition to food, they also sell textiles, footwear, and almost any other kind of commercial merchandise, which is either in short supply at department stores or too expensive for the majority of the population. A very significant share of such merchandise is of low quality and produced by illicit domestic and/or foreign firms.

\(^{17}\) For example, Chinese rynok salespeople were to be absorbed by a new mall at the Blagoveshchensk Central Market (Amurskaya Pravda, December 2, 2006).

\(^{18}\) The Chinese have a reputation of paying on time and pass medical and other required tests (Amurskaya Pravda, December 2, 2006).
kickbacks from a Chinese entrepreneur. Some of these restaurants are not registered and work without a license. Amurskaya Pravda (December 4, 2007) carried an article about one such restaurant: located next door to the local tax inspectorate, it has operated for 10 years without paying a dime in taxes. A diner of this type is shown in Figure 3. At the same time, in Heihe there is a restaurant bearing the name of Russia’s current Prime Minister, which, however, offers only Chinese dishes.

**Construction**

There are two kinds of Chinese construction businesses in Blagoveshchensk: (1) official intermediate-scale transnational companies with 100 percent foreign capital and a complete building cycle (Udachastroy and Khuafu); and (2) small, semi-legal or illegal firms specializing in repairs, remodeling, renovations, etc. The success of both kinds of firms depends on their ability to endear themselves to the municipal government. Thus the 2007 election of the new mayor of Blagoveshchensk resulted in the ascendancy of Udachastroy at the expense of Khuafu.

Teams of Chinese guest workers may also be hired for work on individual construction projects. Their typical work day is much longer than eight hours, and they work for what Russians consider a pittance. According to our informants, guest workers belong in the lowest social strata and are frequently illiterate. They are transported in groups to and from work.
under the supervision of team leaders and never walk the city streets on their own. Our requests for interviews were repeatedly denied by those team leaders.

Agriculture

The southernmost part of the Russian Far East is blessed with high soil fertility, but even against that backdrop, Amur Oblast with its chernozem soil stands out, earning during Soviet times the designation of “breadbasket.” However, since 1991, agriculture has been in decline. In 2007, grain output was 40 percent of the Soviet level, the number of cattle was less than one quarter that level, milk output 37 percent, and egg production 67 percent (Regiony Rossii, 2008). Such a drastic decline can be attributed to several factors, with the significant deficiency of agricultural labor being the most important. It is little wonder that Chinese farmers have set their sights on lands north of the border. Below is an excerpt from a Chinese media report posted on the Russian website www.chinazone.ru:

Over the course of several recent years, Chinese agribusiness and individual Chinese farmers have been engaged in comprehensive agricultural land use schemes on the Russian side of the border. Twenty townships and other subdivisions of Heilongjiang Province are engaged in crop farming, animal husbandry, food processing, and gathering of wild berries and mushrooms. The overall number of Chinese agricultural workers north of the border has already reached 34,000. On average they earn 12,000 yuan per year, adding up to a total of 400 million yuan. Part of the produced food is processed locally, which brings additional profit.
(compared with agricultural export from China) because of savings on custom duties. (Razvitiye, 2006)

However, according official statistics of Amur Oblast, only 435 Chinese labor migrants (accounting for one-third of all registered labor migrants from China) work in the oblast’s agricultural sector (Amurskiy, 2008). The discrepancy between the two numbers (34,000 and 435) in no small part reflects the arbitrary rule of local Russian bureaucrats who conceal semi-legal and illegal practices because they personally stand to benefit from them. Becoming a registered labor migrant is difficult, and it is easier to bribe local officials to look the other way and not deport a person who appears to be working despite having only a tourist visa. Apparently not everyone can afford bribes, and thus the local press is full of news about violations. A few examples are cited below.

In 2004, an illicit tofu production facility was uncovered in Blagoveshchensk. Tofu was produced by illegal Chinese workers in a shed without a license from sanitary inspection officials and sold to Chinese restaurants. (AmurInfo Information Agency, April 29, 2004; http://amur.info/)

In 2006, in the village of Novotroitskoye, a land parcel assigned to crop farming and owned by a local resident was leased out for 15 years. The Chinese workers have dug a pit there in violation of the zoning ordinance. (ibid., May 16, 2008)

In 2008, the Blagoveshchensk customs service confiscated 40 containers with pesticides found in bottles and plastic bags. [In 2007] about 2000 such containers were confiscated. They did not have any application instructions in Russian. But even if they had, these substances would not have been allowed in Russia because there is no agreement with China in regard to them. As a rule, these substances contain mercury and chorine . . . (ibid., February 12, 2008)

Logging and Mineral Extraction

In most Chinese economic activities on the Russian side of the border, a basis still exists (however inadequate) for legal transactions. However, logging clearly stands out as the exception, because of the virtual absence of any such basis. Simply put, the enforcement of logging restrictions south of the border (since 1998) has led to illicit logging north of it. The practices employed include logging without a license or with a fake license; logging in a restricted area; and cutting down protected trees. In addition, there are violations of export laws such as concealment of the origin of logged roundwood by resorting to double resale; falsification of the actual amount of timber exported in customs documents, etc. Obviously, the Chinese would not be able to circumvent Russian law on so many occasions without complicity and assistance from the Russian side. Quite often, the exporter of roundwood in Russia and its importer in China work for one and the same firm, which is registered for a single day only. The local press in Amur Oblast is awash in reports like the following:

The Chinese engage in logging, in violation of Russian law and aided by Russian collaborators. Thus in 2003, the Blagoveshchensk-based firm Rodnik secured business visas for 59 Chinese nationals, all of whom turned out to be engaged in logging in the Bureya district of Amur Oblast. The same firm invited 30 Chinese citizens
who subsequently worked in logging in the Upper Bureya district of the Khabarovsk Kray. In the Zeya district of the oblast, 102 Chinese citizens worked in logging in violation of Russian law (Prokuratury, n.d.)

Some revealing information about the scale of illicit logging in Russia’s Far East has been provided by the Environment Investigation Agency (EIA), a non-profit group, whose associates carefully researched the supply chains of the U.S. retail giant Wal-Mart. It appears that most items made of wood (e.g., toilet seats and cribs) imported by Wal-Mart from China are made from trees harvested illegally in Russia (Khatchadurian, 2008).

Newspapers in Amur Oblast do not refrain from publishing commercial advertisements suggesting illegal practices. Thus on September 15, 2006, Vostochnyy Kur’yer, a daily published in Russian and Chinese, carried a “For Sale” ad for a wood processing facility located on a 2.5 hectare lot in Amur Oblast. Alongside a detailed description of the equipment and buildings to be included in the potential transaction, it mentions that “necessary connections are available in the administrations of Blagoveshchensk, Svobodny, and Seryshev [all are cities in Amur Oblast]” and that “for a salary, the seller will provide assistance at the initial stage of operations.” The content of the ad indicates that it is highly likely that the seller is either a local bureaucrat or a close relative of one.

In addition to logging and wood processing, companies with 100 percent Chinese capital work in the extraction of building materials in Amur Oblast, and small joint-stock (Chinese–Russian) firms engage in coal mining.

ECONOMIC ACTIVITIES OF RUSSIAN NATIONALS IN HEILONGJIANG PROVINCE

Chinese nationals are by no means alone in exploiting the opportunities available just across the border. Russian citizens likewise venture south of the Amur to engage in three types of cross-border activities: (1) so-called “grey” import channels (this is the most common border utilization practice among Russian citizens entering and returning from China); (2) entrepreneurship; and (3) employment. Given the focus of our field work in Blagoveshchensk, our discussion of these activities in this paper is by necessity more limited.

Grey Import Channels

If Chinese traders who sell low-quality merchandise (of Chinese origin) in Russia were to declare these goods to Russian customs officials and pay the requisite duties, the merchandise in question would become too expensive for their Russian customers. However, goods transported into Russia by Russian citizens returning from abroad (within certain limits) are not subject to such duties. Consequently, to avoid customs duties, Chinese entrepreneurs hire Russian citizens (possessing passports for travel abroad) to deliver to Russia items they pick up while in China. On average, each Russian national engaged in this “suitcase

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19 Much of that roundwood enters China through the Pogranichny–Suifenhe crossing (adjacent to Russia’s Primorsky Krai), rather than through Blagoveshchensk–Heihe.
20 In this respect, the trade bears a certain resemblance to the booming cross-border trade between Hong Kong and Shenzhen in China’s Guangdong Province. Relatively affluent Hong Kong residents are drawn across its administrative border with the Mainland for tourism and affordable services, to establish second homes, as well as the prospect of returning with a wide variety of inexpensive consumer goods (e.g., see Landler, 2001).
trade” carries five items of the same good per trip. Consequently, if the Chinese dealer wishes to transport 500 items, he/she will need to employ some 100 people. Customs officials find it difficult to monitor such numerous, small “shipments,” carried out by a network of teams consisting of 5–10 members each. Team leaders (known as kirpichi [bricks] or verblyudy [camels]) are responsible for hiring the members (called fonari or “lanterns”) of their teams, and for covering their travel costs, including transportation, food, and lodging. Each “lantern” typically crosses the border once per month.

**Entrepreneurship and Employment**

In the free economic zone established on the Chinese side of the border (Fig. 4), land use is delineated rather clearly by zoning ordinances. Thus there is a recreational tourist zone, an industrial zone, a transport-and-storage zone, a high-technology zone, and, most recently, a forest trade zone. But firms in economically depressed Amur Oblast cannot offer much of interest to potential Chinese partners except raw materials, including roundwood. The Chinese authorities also charge a rather high $65,000 fee to register a company with foreign capital. In contrast, the official fee for registering a company in Russia is just $400, and this can be privately arranged and expedited for $3000. As a result, Russian entrepreneurs in the trans-boundary market predominantly engage in importing Chinese merchandise and exporting Russian raw materials. Interestingly, the grey import channels “flow in both directions,”
i.e., are used by both Chinese and Russian entrepreneurs. The use of grey schemes is particularly widespread in exporting scrap metal from Russia to China, a practice that generates about 1000 offenses each year (Prokuraturoy, n.d.).

Chinese firms hire residents of Amur Oblast as computer programmers, interpreters, and commercial agents (in conducting business with Russian firms). College graduates from Amur Oblast majoring in Chinese are often placed in Harbin and other large Chinese cities. Very few Russians are hired as unskilled laborers.

**Intermediaries**

A significant number of intermediaries, both Russian and Chinese, expedite transboundary exchanges. These facilitators and the services they provide may be distinguished in several ways. Based on institutional affiliation, intermediary services can be grouped as (a) state-run—e.g., the establishment by the Heihe city government of a firm charged with assisting the penetration of Chinese construction firms into the Russian market; (b) corporate—e.g., the “Window on China” real estate agency, which offers apartments in any region of China to Amur Oblast residents; or (c) individual—e.g., Chinese citizens offering assistance to Russian nationals searching for lodging or services and Russian citizens offering themselves as go-betweens capable of arranging a certain immigrant status in Russia. Based on the function performed by the intermediary, these services may be grouped as: (a) informational—e.g., providing prices of Chinese goods and services; (b) advertising;\(^{21}\) (c) identifying partners for potential transactions;\(^{22}\) and (d) registering an agreement or contract and exercising control over its implementation. A third basis for the classification of intermediaries could involve the degree of legality of their services, ranging from entirely legal to clearly criminal.

**CONCLUSION**

While the cross-border trade between Russia and China is on the whole mutually beneficial and driven by economic complementarity of the two countries, the present character of exchange between Blagoveshchensk and Heihe is a direct result of contrasting attitudes and approaches to such exchange in Russia and China and of the inconsistent attitudes to exchange on the part of Russian local and federal authorities. China is explicitly open to exchange: it has instituted visa waivers, actively monitors the shuttle trade, and has established a free economic zone in Heihe. In contrast, Russia does not seem to have articulated a coherent policy or strategy for trans-border exchange, preferring to manage it through informal and largely illicit channels while occasionally heightening public fears of a “Chinese threat.” This approach is both ambivalent and dysfunctional, containing the seeds of a self-fulfilling prophesy. Given the combination of resource endowments, endemically corrupt bureaucrats, and implacable demographic vulnerabilities in the Russian Far East, a more widespread form of Chinese expansion appears likely in the not too distant future.

\(^{21}\)Advertising took place only through individual channels prior to 2000. Since then, several local media and advertising agencies have been established.

\(^{22}\)For example, for buyers of businesses on Russian soil. Non-citizens seeking a loan from a Russian bank for this purpose must prepare a business plan before such a loan is approved, and the existence of a local partner often is a critical element of such a plan.
Over the near term, however, the global economic crisis of 2008/2009 has impeded the intensity of migration and commerce between the two cities. In response to job losses at such major Amur Oblast employers as the Bureya Hydroelectric Plant, the tax inspectorate, and the Russkiye Standart Bank, Russia’s Federal Migration Service has reduced the oblast’s 2009 quota for foreign workers by 22 percent (Priamur’y, 2009). The quota for Chinese workers was cut by an even greater 27 percent. The reductions vary by sector, with quotas for foreign workers in the construction and timber industries falling by 2000 and 1500 workers, respectively, and in retailing, a complete ban (zero quota) has been imposed for foreign workers. However, the extent to which such reductions will be reflected in actual employment (or will simply increase the surreptitious use of illegal foreign workers) remains to be seen.

The economic crisis has also impacted the movement of goods. The Russian Customs Service now monitors more carefully the flow of goods transported across the Amur River “for personal use,” a practice that has greatly impeded the suitcase trade. This in turn has had an adverse effect on the selection of consumer goods available in Blagoveshchensk. Public opinion in the city is that the restrictions have negatively impacted both the Chinese and Russian sides, in the form of narrowing consumer choices as well as in the lost incomes of Chinese merchants, Russian shuttle traders, and intermediaries facilitating the trade. The restrictions notwithstanding, Chinese goods and traders have by no means disappeared in the city, as evidenced by an account of a “surprise” February 2009 inspection by the Federal Migration Service (Migratsionnaya, 2009). This again points to the need for more effective and constructive policies to regulate what can best be described as a natural process prompted by the economic complementarity of the two regions on either side of the Amur River.

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23It is unlikely, however, that more than a few jobs at these enterprises would be filled by foreign workers.

24Conversely, as this paper goes to press the Chinese side appears to have loosened the border regime for its citizens (especially tourists) to obtain one-time passports at Manzhouli, one of the major border crossings with Russia [http://www.china.com.cn/economic/txt/2009-04/17/content_17623478.htm].


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