

The Imaginary Zone at the Sino-Russian Border: Interview with Dr. Sergei Ivanov

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Dr. Sergei Ivanov is a senior researcher at the Institute of History, Archaeology and Ethnology, Russian Academy of Sciences, Far Eastern Branch. His research interests cover Chinese entrepreneurship in the Russian borderlands, Sino-Russian cross-border cooperation, and regional development strategies in East Asia. From 2019 to 2021, Dr. Ivanov joined the Sinophone Borderlands project at Palacký University Olomouc (Czech Republic) to contribute to the research on Chinese farming in the Russian Far East. He is currently a visiting scholar of Taiwan Fellowship to study the history of Taiwan's export processing zones.

We invited Dr. Ivanov and Prof. Joyce Liu, Director of the International Center for Cultural Studies, NYCU, to have a dialogue about the performance of special economic zones under the Sino-Russian economic cooperation during the past decades. We also talk about the changing experience of ordinary lives in the Russian Far East. What happened to the people and the society of the Far East since the 1991 collapse of the Soviet Union? What was people's expectation of the regional development project and who are the real beneficiaries of these policies? How did small businessmen run the informal cross-border trade that once flourished in the 1990s and why this informal trade declined now? In this interview, we illustrate the zone as an imaginary territory--how it has been constructed and how it turned out to be a speculative bubble.

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Header image “The Sino-Russian Border” by [vozdvizhenskayadina](#)

The imaginary territory of special economic zones: From China to the Russian Far East

Qi Li (Q): What is the research impetus that brings you from the Far East of Russia, the borderland beside northern China and the Korean peninsula, to Taiwan, another tensional borderline of China? What are your expectations and interests during the Taiwan Fellowship trip?

Sergei Ivanov: I began to think about going to Taiwan five years ago when I started the project on the history of the special economic zone (SEZ) in Russia. The incentive for that study was the general admiration in Russia for SEZs in the People's Republic of China, South Korea, and Taiwan. I was more skeptical about the Shenzhen experience and wrote an article about it. I argued that the SEZs originally were not a well-thought-out strategy, and it did not develop spontaneously, depending on the world market situation. The problem for me was that the article was written on secondary literature--statistics, memoirs, and scholarly works of the time. The primary materials about Chinese SEZs are closed to foreigners. So, I turned to studying the Taiwan case. Taiwan was the first country which introduced export processing zones. So, it's a great opportunity to start studying the SEZs and the Taiwan experience.

Another thing that I wanted to learn is, what role the international community played in the success of Taiwan's export zones. For example, there is a cross-cutting idea in neo-Marxist studies that

Taiwan and South Korea were successful only because of the US aid during the Cold War. However, Taiwanese archives show that it was not as easy as the scholars imagined, and it was not only the US that played a leading role in the process of designing and implementing the zone.

Q: Are you thinking of doing a comparative study on the role of international communities between the East Asian SEZ experience and the Russian SEZ experience?

Russian SEZs failed to become attractive to the international community. In my perspective, besides the obvious lack of cheap labor, there are some political reasons for this failure. In any country, if you want to establish special economic zones, you need not only investment but also major markets that are open for you, such as the US, Japan, Europe, the People's Republic of China, and Southeast Asia. Because of the legacy of the Cold War, markets were not open for the late Soviet Union. Technology transfer was also restricted. Anyway, inner problems were the most important problem of Russia's SEZs. One of the problems was how people perceived their territory and future potentialities.

Joyce Liu (J): During the 1980s, China started its open port policy. These port cities, these hinges, were connecting local cities with the external world, commercially and economically. That has continued to be the BRI ("the Belt and Road Initiative") project, which is more aggressive. Currently, it has even developed into the "digital maritime Belt and Road". Apparently, it is the imaginary version of the territory. The frontier is transformed into different dimensions, not only at the port. On the other side, there is Russia's imagination of the Far East: to open up and to extend. Do you see the similarity, or the tension, at borderline cities of China and Russia, through special economic zones that are open to foreign investors?

Yes, there is tension. It arises because each side has its own vision of how and for what the border should be opened. When we conducted interviews in the Russian Far East, Russian businessmen complained that they were unable to export some of their products to China. The cross-border value chain is controlled by the Chinese. This value chain needs only raw materials from Russia. Obviously, it's not that the central government of China coordinates this policy to import raw materials from the Russian Far East, but the value chains are constructed like this. Some businessmen also said that they failed to establish their own companies in special economic zones in the border territories of China. High entry requirements made it almost impossible for Russian companies.

There is another story, a very funny one. Since 2005, the Chinese government has started to encourage the "Overseas Economic and Trade Cooperation Zones", the Chinese special economic zones in other countries. One of these zones was firstly established in the Far East—the Russia Ussuriysk Economic and Trade Cooperation Zone. My Ph.D. thesis contains some parts about this. In 2007, I spent four months in the regional government and worked as a translator. With the official delegation, I went to the opening of this special economic zone. After that, I conducted interviews there in 2014, to see how Chinese local bureaucracy and local companies try to use this central government policy to get money, subsidies, etcetera.

The Ussuriysk zone is a very good example to show the information asymmetry at the border. In Russia, it is just an imagined zone. The Chinese rented a territory in Russia and established their own factories, but the zone doesn't have any legal status in Russia. It is not a single case. Totally,

there are four such zones that are backed by the Chinese central government along the Sino-Russian border, and dozens of zones authorized by Chinese provincial or city governments.

What is the idea to build those companies in the Ussuriysk zone? These companies were border trading companies that intended to diversify their business, combining formal and informal activities. For example, some of these factories produced shoes. But they were caught by police several times. During the daytime, they produced ordinary shoes, but at night they produced shoes of well-known brands like Nike. They also tried to be the intermediate between Russian and Chinese investors. However, the image produced in China about the zone and the image produced in Russia are two different images. In China, the zone seems huge and it is said to be the main taxpayer in Ussuriysk city. As I interviewed the city government of Ussuriysk, they said, oh, you're kidding. They didn't view such zones as real ones and refused to consider their significance to the local economy.

J: Are the inhabitants in the zone mostly Russians or Chinese?

In the mid-2010s, most of them were Chinese. They could not go out of the zone without permission. As xenophobic sentiments are popular in Russia, Russian and Chinese managers told me that it was safer for Chinese laborers to stay in the dormitory and not go out because the local Russian community was not friendly. That's true. They said: "We provide them with all the services they need." Actually, in the zone, since the Chinese had no social insurance, they had their own basic medical service, which was illegal. Those Chinese companies were labor-intensive companies, producing shoes or clothes. However, recently, as we check the companies registered there, many of the companies belong to Russia. So, maybe those companies changed their employment strategy.



“Nakhodka” by [aarrows](#)

Nakhodka: port, resource, and the post-Soviet legacy

Q: The Russian Far East has its geopolitical significance throughout Asia's modern history. However, it seems that till now the region remains the "frontier" of national politics and economy. In your opinion, what is the reason for the population decline in the region in the past decades? What are the local community's main concerns and discontents about regional developments?

The Russian state is highly centralized. All kinds of capital-cultural capital, economic capital, and political capital are concentrated in one city, Moscow. Compared to other cities, Moscow is open-minded. It is constructed like European cities, though now Russia tries to reject that it has anything in common with Europe. Many people in the Far East want to move to the European center of the country. Maybe they don't understand consciously why they want to move to Moscow. The ultimate reason is the overconcentration of capital in Moscow.

J: The special economic zone was established for economic prosperity, but the benefit or the construction of its infrastructure are not for the local community. The local people still stay at the margin. As a port, it is utilizable, a processing zone for businessmen. Hence the region has become further declined.

The interesting part for me to study special economic zones is that, though most of them are studied by economists through quantitative methods, cases are highly localized. The problem with special economic zones in the Far East is that they are poorly connected to the local community. Let me give the example of my hometown Nakhodka, which is located on the coast of the Sea of Japan. In the early 1990s, the authorities tried to create a Free Economic Zone in the city, but it failed. In the mid-2010s, the government decided to try again. The city has created the “Petrochemical” Priority

Development Zone. Nakhodka is a young city. People living there are more open-minded. When Moscow companies planned to construct chemical factories in the zone, local citizens started protesting. My friend and I have conducted some interviews there with the local ecological activists. The government tried to suppress them by creating puppet ecological organizations. In the end, the government refused to abandon the project, but removed the word "Petrochemical" from the title of the Priority Development Zone, because the term sounds environmentally unfriendly. This is an extremely bureaucratic way to interact with the civil society; people don't see any benefits for themselves.

In Nakhodka, the main question was who will control the seaports. By the mid-90s, most seaports were privatized. However, the information about privatization is secret and cannot be disclosed because of the Personal Data Protection Law. Only a few media outlets indicated that after three to four years of privatization, all ports were owned by Moscow-based companies in collaboration with some international companies. When the privatization started in the early 1990s, it was claimed that ports and enterprises should belong to workers. But very soon, the assets were consolidated by businessmen from Moscow and foreign countries. This new management did not modernize the ports, but reoriented them entirely toward raw material exports. Now all of Nakhodka's ports are stocked with coal, to a lesser extent with timber and scrap metal.

I remember the time when I was in school, people's excitement about the future of the special economic zone. At that time, the population of Nakhodka was 170,000 people, now the number is around 120,000. That means 50,000 people left Nakhodka: around one-third of the population left the city within 30 years.

J: Why is there no mechanism for the local city council to arrange the benefit and put it into local infrastructure, education, or transportation?

Q: I think it relates to our next question. In the lecture ["The Development of the Russian Far East: Special Economic Zones, Border Politics, and Conflicting Representations of Asia Pacific"](#), you have illustrated the overall picture of the Nakhodka special economic zone (SEZ) since the 1990s. You pointed out that the changing arrangement of the budget has been the main factor that caused the rises and downs of different SEZ "waves" in the Russian Far East. We would like to know more about this dynamic mechanism of budget constraint in the late Soviet Union and Russia. Regarding the budget problem of the SEZ, what is the state's consideration, and how do the locals react to it?

This is a tricky question. Sometimes, people think that the decentralized system should bring benefits. In the early 90s, Russia had a pretty decentralized political system. However, in the post-Soviet decentralized system of governance, local authorities did not see opportunities for economic growth and solutions to acute social problems. Their actions aimed at capturing as much of the previously centralized resources as possible. The SEZ became a tool to legitimize the request for special attention by Moscow. The Russian case shows that the SEZs are very dependent on the national economy. It is impossible to create a successful zone if the economy is collapsing, as it was in the 1990s in Russia. In a collapsing economy, the most important strategy of the elites was to redistribute the Soviet legacy. SEZs became part of this redistribution process. The view that corruption was the main reason for the failure of the zones in the 1990s is now extremely popular in Russia. Archival materials do not support this view. The SEZs in post-Soviet Russia have actually reproduced the Soviet model of the economy - a patrimonial system of relations with minimal local responsibility and a reliance on centralized funding.

Shop tourism: informal small trades at the border

Q: The small or informal cross-border business could be regarded as a more effective indicator to reflect the real performance of the local economy and society. Would you like to share some interesting findings in your fieldwork on the unofficial trade at the border?

The Russian government was not happy about illegal trades, such as shop tourism. There was one zone formally established at the end of the 1990s. It was a zone between Suifenhe of China and Pogradichny of Russia. The idea was that when you enter Pogradichny, you can freely go to Suifenhe. The zone was not successful because the central government, especially the Federal Security Service, refused to launch it, due to the lack of funds. They were also afraid of the inflows of Chinese people. From the Chinese side, hotels and some trading facilities were constructed; from the Russian side, only a church and administrative buildings. It is an interesting story. This zone was lobbied by local entrepreneurs. They wanted shop tourism, a kind of gray trade, to become white in the zone. The business was controlled by them. But the central government thought it would be too dangerous.

In the 1990s, most consumer goods were transported to Russia through informal trade like shop tourism. These commodities were usually sold at bazaars. In the beginning, shop tourists could transport goods across the border every day. The policy changed since the end of the 1990s. At first, the government said that you could carry 100 kilograms, later the weight limit decreased to 50 kilograms, then to 30 and then to 25 kilograms and once a month. The government tried to control this kind of informal trading. However, it survived until 2019 when the borders were closed due to the Covid-19 pandemic.

In 2019, I went to Suifenhe with my colleague whose major research focuses on informal trading. I was fascinated by how this shop tourism was organized. I found an advertisement about recruiting a tourist group for a trip to Suifenhe. I called the organizer ("group leader") and signed up for the group, dropping my passport data. The two-day trip was free, but you had to carry 30 kilograms of consumer goods across the border on the return trip. We sat on the bus with other people. There were four "group leaders" who collected their own groups to bring commodities and cross the border. These "group leaders" were connected to a cross-border trade network and their job was to deliver commodities from China to Russian businessmen. We arrived at Suifenhe in the afternoon and walked around the city. In the evening, our organizer instructed us one by one on what was in "our" thirty-kilogram "tourist" bag, because the customs officer would ask us what was inside the bag. She carefully listed and showed all the goods for us to memorise. She instructed what to say to custom officers if they ask questions such as why we carried, let's say, three sets of board games or four scarves — "these toys are for my children" and "these are for my grandparents" — all goods should be for personal use. In another group, the organizer was irresponsible; she had fun in the evening, didn't instruct her group members, and got a hangover in the morning. So, people didn't know what was inside the bags. While crossing the border, an old person in her group was unable to list the content of his bag and all goods were confiscated. It was a real drama, since the "group leader" had to compensate for the cost of all detained goods.

In general, the whole process of crossing the border for a shop tourist is like a ritualized game. If you follow the process and answer the questions correctly, you pass the game. The customs officers clearly knew that all people on this bus were shop tourists, but they didn't interrogate most people, including me. He chose one old man and communicated with him, asking him what was in the bag. They chose the old man as a victim in the hope that it would be easier to "crack" him. So, it was like, everyone knows what's going on, but everyone pretends.

Q: May I ask how much you earned from this trip?

In 2019, you earned zero. The whole trip was free, the one-night stay in Suifenhe was free, and you can carry 5 kilos of your own belongings. Older people, who were nostalgic for the 1990s when this kind of shop tourism was flourishing, go to Suifenhe to remember their young ages. Also, you could buy some things on your own. Or you could sell these 5 kilos to those organizers. I don't remember the exact price, but it was not big money.

The main reason why this shop tourism has declined now is not government control. All restrictions didn't stop the informal trading flow. So, what happened? It is not my major study, but I guess it relates to the consolidation of business. Some cargo companies also use this kind of shop tourism, and they have some agreements with the customs. So, they transported the commodities in the trailer of the bus, while people on the bus did not know what exactly was in the trailer. Such consolidation of business was much more effective, so the small business of shop tourism shrank.

Q: Our last question is, what's your evaluation of the Sino-Russian state deal on the Far East resource and the Chinese investment in the region? Has the current war conflict brought about any changes to the Sino-Russian cooperation?

Local people in the Far East do not benefit a lot from the Sino-Russian cooperation, since the main benefit goes to large companies. Before the mid-2010s, there were some beneficial forms of collaboration between small-medium companies in China and Russia in the spheres of agriculture and forestry. These spheres have undergone rapid centralization and consolidation in recent years. Fewer and fewer people are benefiting from it. The western sanction on Russia, of course, has influenced a lot. Banks and large companies are easy to be detected when they cooperate with Russian companies. Indeed, there is an increasing demand for oil and gas trading, but under sanctions, trades on technological products will be highly restricted.