

## The Entrepreneurial Activity of Chinese Migrants on the Border Areas of Russia and China at the Turn of the Centuries: the Features of “Shuttle” Migration in the Context of State and Regional Policy

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**ABSTRACT**

Russia and China have extensive border areas in the Far East. For more than 150 years, Slavic and Confucian civilizations — Russians and Chinese — have been closely involved here. The constant presence and economic activity of Chinese migrants in this region has become a specific feature of the development of the border areas. In the article, the author analyzes the entrepreneurial activity of Chinese migrants at the turn of the 20th and 21st centuries, describes in detail the socio-economic conditions and features of state and regional policies in this historical period, and highlights migration movements across the border. This paper addresses important questions: First, how were the entrepreneurial activities of Chinese migrants and their migration movements caused by the socio-economic situation in the Russian Far East and by the ethnic characteristics of migrants? Second, how did Chinese migrants apprehend changes in state and regional policies on border areas and the opening of borders? Third, how did the border areas serve as platforms for their start-ups and do Chinese migrants consider them to be such platforms in the future? Through my analysis, I create a better understanding of the features of the Russian population and Chinese migrants’ interaction on the border areas of the Far East, and of the perspectives for Chinese business in the peripheral regions of the conglomerate societies of Russia and China.

**Keywords:** Russian-Chinese relations, Chinese migrants, Russian-Chinese border areas, entrepreneurial activity, interaction with the Russian population

## 1. Introduction

Russian-Chinese relations have been in existence for four centuries. As for Chinese migration to the Russian Far East, this historical process got its development in the second half of the 19th century. After the signing of the Aigun and Beijing Treaties, an active settlement of the southern territories of the Russian Far East by settlers from western regions of Russia began. By the beginning of the 20th century, more than 500 thousand people from Russia had moved here. The Trans-Baikal, Amur and Ussuri Cossack troops were formed. The following cities were founded: Blagoveshchensk, Khabarovsk, Vladivostok, Nikolaevsk-on-Amur, among others.

Due to the peculiarities of its geopolitical position, the Russian Far East became attractive for Chinese migrants, and became the third most attractive region for them in the world (after South-east Asia and America). In the process of the agricultural, industrial and transport development of the border territories of both countries the convergence of two civilizations began. In the geopolitical space of the Far East, the largest system of inter-regional Russian-Chinese interaction was formed. Chinese migrants in the Russian Far East formed one of its subsystems (and, at the same time, an independent system).

In the classification proposed by Chinese scientists, the period of China's new history from the middle of the 19th to the middle of the 20th centuries, is characterized as the second period of large-scale external migration (Zhang Guoxiong, 1996; Li Zhuanyong & Li Tian, 1997). In the typology suggested by William Petersen, this migration of coolies is defined as "impelled migration" (Petersen, 1958). In 1851-1925, 1 million 930 thousand Chinese coolies moved out of China under labour contracts. It is necessary to note here that, although the Chinese migrants arriving in the Russian Far East did not cover such distances as the Chinese who decided to try their luck in the United States or European countries, nevertheless they entered another country with a different mentality and a different government system. Chinese ethnos found itself in completely different conditions. In total, up to October 1917, there were about 500 thousand Chinese people in Russia, including more than 200 thousand in the Russian Far East (Yin Jianpin, 1997; Luo Xiaohui, 2001; Li Jiagu, 1996).

After the end of the civil war and the abolition of the Far Eastern Republic the regulation of foreign migration in the Soviet Far East was carried out in accordance with Soviet laws. Foreigners in the Far East (including Chinese people) were granted the right to Soviet citizenship. By the beginning of 1924, over 50 thousand Chinese migrants had been registered in the Trans-Baikal, Amur region and Primorye (Tkacheva, 2000). The quantitative composition of the Chinese diaspora was constantly changing – after earning some money, the Chinese returned to their homeland.

In the middle of 1930s, the further worsening of the international situation compelled the Soviet leadership to consider the security of the region as a priority. Chinese migrants were repressed; in 1938 they were expelled from border areas and no longer played any noticeable role in the socio-economic processes in the Soviet Far East. According to the 1939 All-Union Population Census, there were only about 5.5 thousand Chinese people left in the Russian Far East (Zalesskaia, 2009).

So, in the middle of the 19th century, when the Amur Territory finally became part of Russia, two streams met in the Far East – migration and colonization streams - and the interaction of two civilizations, Slavic and Confucian, began. In its active form, it lasted for 80 years - until 1938, when Chinese migrants were forcibly deported from the Far Eastern borders for external non-political reasons. Further, for 50 years, contact with the border population and migratory movements was stopped. This contact resumed again with the opening of borders in the late 1980s. The mi-

gration flow on the Russian-Chinese border areas began to re-emerge and Chinese migrants started developing entrepreneurial activity again.

Currently Chinese migrants are assessing the potential and prospects of the Russian Far Eastern market, and are establishing channels for the transportation of goods for trade in Russia, in order to develop and implement various forms of business organization there. At the same time, they are in constant, active communication with the Russian population. An entire structure is being formed in the system of Russian-Chinese relations in the border areas. This structure is a set of interrelated elements, and at the same time is part of a more complex system. In order to study the evolution and qualitative characteristics of the structure of Chinese entrepreneurs, we used the system method and the concept of the “system worldview” by Alexey Bogaturov (Bogaturov, 2004) in our study. This method made it possible to analyze Chinese migrants as a definite structure in the system of Russian-Chinese relations in the border areas. At the same time, Russia and China are considered as conglomerate societies and multi-layer structures in which strata of the “traditional” and “modern” coexist. Within the society, these strata form separate enclaves, the effectiveness of which organization allows the enclaves to survive within the framework of a framing conglomerate society, maintaining constant or slightly changing proportions among themselves. The layers of the “traditional” and the “modern” in Russia and China coexist, maintaining autonomy; they coexist, but do not interpenetrate and do not mutually destroy each other. They interact on the co-development basis and, thus, are able to survive indefinitely. The only difference is that in China, the axis of juxtaposition runs along the “coast-hinterland” line, and in Russia, it is mated with the “capital-province” section (Bogaturov&Vinogradov, 2002).

Thus, the purpose of this work is to consider the business activity of Chinese migrants at the turn of the 20th and 21st centuries in the border “provincial” and “internal” territories, where the aspects of government policy are implemented locally, and at the same time where there is a regional vision of the socio-economic and foreign policy situations (in particular, problems of external relations and peculiarities of contacts with representatives of the neighbouring state). In this work, I seek to demonstrate that the peculiarities of the economic activity of Chinese entrepreneurs are due to two major factors - the socio-economic situation in Russia (and, in particular, in the Russian Far East), and the Chinese migrants’ ethnic characteristics as they appear in the host society. To substantiate these claims, I will elaborate the economic conditions in the Far Eastern Russian territories at the turn of the 20th and 21st centuries as in the “provincial territories” (and at the same time being in exclusive geopolitical proximity with rapidly developing China) and characterize the Chinese business in this context. Then, I will consider the areas of activity and those economic “niches” that Chinese entrepreneurs have occupied, and the forms in which they organize their business, giving examples of their personal “success stories.” Following this, I will introduce Chinese entrepreneurs as representatives of ethnic migration, with all the accompanying characteristics that have a direct impact on their business in the host society. Finally, I will look to underpin the idea that the entrepreneurial activity of Chinese migrants in the Far Eastern border areas would be impossible without close contacts with the Russian population. To achieve this, I will trace the beginning and development of Chinese entrepreneurship, describing the legislative framework for Russian-Chinese border cooperation and the changes in the economic activities of Chinese migrants due to changes in the socio-economic conditions in Russian society (the crises of 2008 and 2014). Based on this, I will claim that the activity of Chinese entrepreneurs, as a process of close interaction with the Russian population, generally contributed to the formation of a tolerant environment in the contact zone of intercultural interaction of two civilizations - Slavic and Confucian.

## **2. Cross-Border Tourism aka the Initial Nature of Migrant Entrepreneurship on the Border Areas**

In the 1980-1990s, relations between Russia and China were normalizing. It was a reformation period in both countries; domestic political goals associated with reforms had primarily determined the positions of the two states in foreign affairs. At the beginning of the 1980s, Chinese leaders began to show great interest in improving relations with the USSR, expressing hope for a gradual normalization and the establishment of good-neighbourly relations. Trade and economic ties between the USSR and the PRC began to improve. Trade turnover between the USSR and the PRC increased from 176.8 million rubles in 1981 to 1.8 billion rubles in 1986. In 1985, the USSR held sixth place in China's foreign trade, being an important trading partner of the PRC, along with Japan, Hong Kong, the USA, Germany and Singapore (Song Kui & Chen Xiujie, 2001).

Deng Xiaoping and Gorbachev's meeting in 1989 gave impetus to the development of relations between the two countries at a fundamentally new level. During the visit, important agreements were reached, including on the expansion of bilateral trade, scientific and technical cooperation, as well as regarding the reduction of armed forces at the extended Soviet-Chinese border.

The transformation of economic relations took place against the background of sharp changes in the socio-political situation in the Soviet Union. The difficult internal political situation and the worsening state of the national economy decreased the economic growth. The country underwent a food crisis: meat, sausages, fruit and other products were not available for sale. The enterprises that had spontaneously started to be self-financing, nevertheless continued using the old assortment product line. They did not fulfill the plan and began to accumulate losses. According to statistics from the Amur Region of the Far East of the USSR, "127 enterprises, including enterprises of the machine-building and forestry complexes, did not ensure the planned production rates. The accounting for non-tradable and stale goods in the region's trade conducted on October 1, 1987, showed that despite the lack of commodity resources in trade, there are many goods that people do not like because of their quality and range, and these goods continue to accumulate. Accounting revealed such goods for 7.2 million rubles, 74 percent of them were goods of the light and textile industry." (State Archive of the Amur Region, fond R-480, inv.16, file 56, p. 85).

As a result of the economic crisis, government investments which provided the economy and infrastructure of the region with the opportunity to function were reduced. In such a time of stagnation, there were few ways to overcome the crisis. For the Far East, directly bordering with rapidly developing China, the intensive development of foreign economic and tourist ties was one of these methods.

The beginning of the tourist exchange between the two countries was September 24, 1988, when the USSR and the PRC exchanged the first tourist groups. From Blagoveshchensk to Heihe, two opposite groups (40 people in each group) made a day-long trip on visa-free exchange.

From this point on, tourism between the border areas of the Russian Far East and China began to develop rapidly. In 1989, Blagoveshchensk and Heihe mutually exchanged 389 tourist groups. This included 191 tourist groups which visited Russia from the Chinese side with a total of 7,858 people, and 198 tourist groups from the Russian side (8,138 people (Song Kui & Chen Xiujie, 2001). Soon, such trips became so popular that tourists had to book a place on the tourist group at least a month in advance. In 1990, both parties reached an agreement about increasing the number of such tourist groups from 2 to 12 a week. Groups of 40 tourists travelled from the Amur Region to the PRC with internal passports and lists agreed with the administration of the Amur Region, the Region Department of Internal Affairs, the Far Eastern Frontier District Regional Command-

er and the relevant departments and services of the PRC. According to reports, from 1987 to 1993 a total of 1.86 million people crossed the border in both directions through the Heihe and Blagoveshchensk customs, including 965 thousand Russian citizens and 910 thousand foreign citizens (mainly Chinese citizens). In 1988-1993, the number of border crossings through 21 checkpoints of Heilongjiang Province reached more than 4 million (Zhang Zonghai, 2000). The term "tourism" in this case needs comment and clarification. Under this historical condition, at the border contact zone, this phenomenon acquired a specific connotation. The most popular and well-established term is the concept of "shuttle trade" – in China it was called "people's trade" or "bulk goods trade". Obviously, the traditional definition of tourism cannot be applied here; it was, in fact, trade and business under the guise of tourism. In the context of economic reforms in Russia and in the light of the growing shortage of everyday goods and goods of light industry, such trips had one goal – shopping.

Gradually, Chinese tourists have become an integral part of the economic life of the Russian Far East. The appropriate infrastructure began to grow: the number of travel agencies specializing in shopping tours was increasing; the trading platforms for the mass "shuttle" trade – clothing markets were created spontaneously, and then they were legally established. By the early 2000s, the "shuttle" business had already become a particular type of activity with well-established rules, with separation between suppliers, people transporting goods, and traders in the Russian markets. The magnitude of shadow trade in Chinese-Russian people's trade is estimated at about 8-10 billion yuan. In the 1990s, the shuttle trade accounted for 15% of all trade, and in food imports it reached 50% (Antonova, 2009). Such a primitive form of trade led to a leakage of taxes in the budgets of all levels, the failure to control the technological process of manufacturing goods, and the inability to determine the authenticity of certificates of quality and safety of imported goods.

The development of Russian-Chinese relations was characterized by a further expansion of trade, economic and public relations, which played a significant role in the economic life of the Russian Far East. In 1992, the decision of the State Council of the People's Republic of China announced the creation of open economic regions in Heihe, Suifenhe, Hunchun and Manchouli, which confirmed the intentions of the Chinese leadership to revive the business life of the North-eastern provinces and its international cooperation. These intentions began to be realized in the early 1980s, when "openness to the outside world" reforms began to be actively implemented in China. In 1984, the State Council of the People's Republic of China approved the document "temporary ways of regulating cross-border trade in small sizes". In the rules "Temporary ways of regulating cross-border trade in small sizes", five principles of small border trade were proclaimed for the first time - the so-called "five actions that an entrepreneur or a trading company must perform independently": "look for resources yourself", "look for sales ways yourself", "negotiate yourself", "keep yourself in balance"; "be responsible for profits and losses" (Nyrova, 2004). During the 1990s, the total amount of exports and imports of goods through Heihe amounted to 2 billion 80 million dollars. There were 1 million 120 thousand border crossings "with the purpose of tourism", and in fact for the purpose of trade, the volumes of which Chinese researchers estimated at 590 million renminbi (Yu Xiaodong, 2001). It should be noted that the trade operations of the local population are hardly amenable for counting, but there is no doubt that, because of this cross-border "people's" trade, the population of the Russian Far East suffered fewer losses from the initial period of post-Soviet reforms.

When building the tourism industry, Heihe People's Government was guided by the expres-

sion “tourism and trade contribute to economic development that serves to enrich the people”. In fact, tourism and trade between the border cities of Heihe and Blagoveshchensk represented two inseparable phenomena, they “merged together”. As Chinese researchers note, the “people’s trade” between Russia and China was completely not identical to the well-established traditional forms of trade, 80% of all tourist trips should be considered trips for the purpose of buying or selling goods (Guo Wengui, 1998).

So, for China, “people’s trade” was a continuation of a carefully planned long-term economic policy. As for the Russian population, it was, in many ways, a spontaneous reaction to rapidly changing economic conditions. Simplification of exit to the adjacent territory, increase in deficits, a sharp decline in real wages in the public sector – these were the key reasons that gave rise to “shuttle tourism”. In the first half of the 1990s this “shuttle tourism” was mostly spontaneous and not sufficiently regulated by law. Later it was stabilized by administrative policies.

As for Russia, the development of cross-border tourism and entrepreneurship occurred in a period marked by the critical state of the Russian domestic consumer market, in particular, and by the formation of a new statehood in general. For the Russian Far East and its inhabitants, this actually became a shock therapy: an almost instantaneous, very rapid restructuring of the entire way of life of society took place. Closed peripheral areas lost their former status, became open territories with access to international markets and were forced to adapt to entirely new socio-economic conditions. In the severe economic conditions of the 1990s, Chinese entrepreneurs showed themselves to be much more active than Russians. The interaction of the Russian and Chinese people in the 1990s, which developed on an economic basis, quickly turned into something far more complicated than just economic interaction: it was about changing a variety of aspects of life. One of the most vivid examples is the phenomenon of “people’s trade”, or “shuttle traders”. For the Russian population, such previously unknown trading practices turned out to be not only an “economic opportunity”, but a way of survival — first spontaneous, later legally regulated, and ultimately having a significant impact on the socio-economic structure of the region in the 1990s.

### **3. Further Development of Chinese Entrepreneurship, Its Forms And Fields of Business**

So, after the opening of the borders between Russia and China, Chinese migrants flooded into the Far East. If in 1979, 1742 Chinese people lived in the Russian Far East, in 1992-1993, their number reached 50–100 thousand people, according to various estimates (Larin, 2003). Their commercial activities led to the fact that they quickly strengthened their positions in the trade and public catering areas. In the 1990s, the Chinese migrant’s constant massive flow and Chinese entrepreneurs’ activity led to the formation of stereotypical ideas about the so-called “yellow threat”. As is well known, no attack by the Chinese in the Russian Far East occurred. Most Chinese who were in Russia for the purpose of entrepreneurial activity considered it to be a place of temporary stay, a place of accumulation of capital. Moreover, Chinese entrepreneurs actively occupied economic niches that were left by the local population of the Russian Far East: a considerable number of Chinese farms in the region appeared; Chinese traders, both wholesale and retail, come to the Russian territory.

The Chinese did not seek to stay on Russian territory for a long time, so they had no diaspora institutionalization. Chinese migrants maintained a stable ethnic and civic Chinese identity. In many ways, it was precisely the isolation of the Chinese in everyday life that gave rise to the Russian population treating them suspiciously. Getting used to Russia in the early 1990s, the Chinese were ready to adapt to the bureaucratic reality of another country (fictitious marriages were one of the

mechanisms they employed), but they did not accept cultural and linguistic reality because their economic interests in Russia were rarely long-term. Nonetheless they remained extremely strong in the sense of personal motivation: the Chinese, who started their business with Russia in the early 1990s, showed themselves to be energetic, enterprising, successful businessmen who could profit from the establishment of Russian-Chinese trade and improve their social and property status.

Chinese migrants arrived in Russia for a relatively short period of time (from several days to several months, more rarely to several years) and did not stay here for a long time. They did not form (and nowadays do not form) Chinatowns, similar to those in the United States and many other countries. The Chinese settled in hotels, hostels, rooms and apartments, rented or purchased from the Russians. They did not form compact settlements, and “from this point of view, Chinese communities did not differ in any way from other ethnic and confessional communities that were founded in other cities” (Gelbras, 2001).

In order to circumvent Russian laws regarding restrictions on the importation of Chinese goods, the Chinese actively involved the local population - citizens of the Russian Federation - in the trade process (they hired Russian citizens as sellers to their outlets, registered business for Russian “partners”, etc.). Border trade was carried out in two forms. The first of these was in the form of small wholesale trade, which was carried out by Chinese citizens in the 20-kilometer border zone opened to external cooperation (as a rule, essential goods such as fruit, vegetables, food products, clothing, shoes, electrical appliances were sold). The other form of border trade was in specially designated markets, and in the form of wholesale trade, which was registered in foreign territories companies of cross-border trade distribution (Nyrova, 2004). In the following section I consider these companies in detail.

On November 28, 1991, the resolution of the Russian Federation Government “On Registration of Enterprises with Foreign Investments” was adopted. It granted the region administrations the right to carry out direct state registration of joint ventures with foreign capital. The creation of enterprises with foreign capital was economically beneficial for the Russian regions since Russian companies lacked both the experience of organizing enterprises under market laws and funds for significant investments in their own business. For the border areas of the Russian Far East, it was also a way of surviving in difficult socio-economic conditions. The isolation from the center of Russia, a significant reduction in subsidies, increasing unemployment, many months of wage arrears, and a shortage of goods led to a search for the border population and regional authorities to find ways out of the crisis.

In fact, Chinese-Russian joint ventures in the Russian Far East began to be established in 1989. The first joint venture (JV) was “Druzhba”, whose activities were export-import operations and state-owned restaurant services. According to the Amur Regional Statistics Office, in 1991 there were 7 joint ventures registered in the Amur Region, of which 4 were Soviet-Chinese (“AM-KhE”, “Druzhba”, “Fanza”, “Amurtofu”) (State Archive of the Amur Region, fond R-480, inv.17, file 727, p. 75). The data for 1993 shows the existence of 65 Russian-Chinese JVs, the aggregate authorized capital of which amounted to about 24 million rubles. The share of Chinese capital was 60% in only two companies — “Asha-Chance” and “Heiping”. The number of JVs with 50% of Chinese capital reached 15, and in the others the share of Chinese investments was less than 50% (State Archive of the Amur Region, fond R-480, inv.17, file 1748, p. 65).

By July 1, 1993, 9,125 joint ventures were registered in Russia, of which the largest number was with US capital — 1,433 enterprises, with German — 1141, English — 557, Italian — 511, Austrian — 475, Polish — 438, Finnish — 429. The number of joint ventures with China was 347 (8th place in the

list), 167 of them were owned by investors from Heilongjiang Province. Chinese investors mainly created service enterprises, and the size of their investments was small (Xu Jingxue, 1994).

The main field of activity of the majority of the JVs were export-import operations. Their activity was aimed not to develop their own production but to resell goods. Machines, marine engines, parts for cars, metal products, cast glass, rails, sleepers, rolled products, containers for compressed gas were exported from Russia to China. Such goods as consumer goods (textiles, clothing and footwear), furniture, equipment and materials for repair and construction works, household and electronic equipment: televisions, tape recorders, foodstuffs etc. were imported from China to Russia.

Since 1995, the precedents of “frozen” joint ventures began to be observed. The increase in tax offences was noted. The most common types of violations were: concealment of revenue when executing contracts with foreign partners, maintaining double documentation, unilateral fulfillment of obligations undertaken, currency violations. The increase in the number of companies with one hundred percent of Chinese investments, which were created for making one-time large-scale transactions for the export of soybean, scrap of ferrous and non-ferrous metals from the territory of the Russian Federation, had a negative impact on tax revenues to the budget. The share of such enterprises in the Russian Far East was constantly growing. Entrepreneurs exported resources using forged documents, including false registration of an individual entrepreneur for carrying out foreign trade operations under a one-time contract (Yakimenko, 1996). Chinese businessmen were not interested in the development of the economy in the Russian Far East, and did not seek to place their products in its territory. They were more interested in financial schemes that allowed them to obtain economic benefits as soon as possible. The reasons affecting the creation of production in Russia were constantly noted at seminars and meetings devoted to the activities of joint ventures. These reasons were: too high taxes, the absence of any guarantees and incentives for business. Thus, the import of any goods from China was more profitable than their production in Russia.

Chinese businessmen came to the Russian Far East to do business. It cannot be said that they did not understand Russia and the Russians; they just did not know the laws of the country in which they came to do business. At that time, the directors of Chinese firms knew practically nothing about Russia. Upon arrival in Russia, they looked around for 15-20 days, had negotiations, and then immediately signed contracts and left for China. Then they sent their subordinates to Russia to register a company. The search for people willing to go to Russia was conducted chaotically and irregularly; there were few people willing to go to the country and experience the reforms and considerable socio-economic difficulties. Frequently, people who went there did not speak Russian let alone English. Moreover, they had no experience in working abroad and had insufficient qualifications and capacity to do it. Chinese entrepreneurs in Russia could work only on a work visa obtained on the basis of an invitation from the Russian side. Without knowledge of the language, it was rather difficult for them to obtain all the necessary documents. Therefore, they worked on a tourist visa or on a short-term commercial visa. Obviously, they could not stay in Russia for a long time or engage in big business. For the same reason, they preferred to rent apartments or settle in groups in dormitories rather than live in hotels. But they were too noticeable, too “kept together”, so it was very easy for the Russian police constantly to conduct raids and catch illegal immigrants.

In general, the activity of joint ventures with Chinese capital had become an integral part of the economic life of many enterprises, organizations and structures of the Russian Far

East. By establishing direct links between enterprises and partner organizations, the region was able to alleviate the problem of supplying the population with consumer goods. Joint ventures operating in the Far East played an important part in the formation of market relations; in fact, they were the “pioneers” of a free economy, and they proceeded cooperatives and small private enterprises in this region. Joint ventures contributed to the destruction of the state monopoly in the sphere of economy and foreign trade. They made some contribution to attracting managerial experience from abroad.

However, correlating this state of affairs with the situation in China, it becomes obvious that the positions of the countries were unequal. In the PRC economy, the attraction of foreign investments played a much more significant role. Due to the attraction of investments and the assistance of other countries, China managed to create completely new industries, such as the production of computers and colour television sets, and to reconstruct the aviation industry, the iron and steel industry, transport, and energy.

For the Russian economy, the expansion of financial ties was forced but did not mean the formation of a new type of open economy (especially the creation of a long-term economic program). Some positive initiatives for the development of bilateral relations were not implemented. First of all, the Russian authorities did not have a clearly built cross-border strategy, which had a negative impact on the development of joint ventures in the border regions, including the Far Eastern region. The process of creating joint ventures was not regulated, the mechanisms for their functioning in the contact zone of Russian and Chinese business were not developed. Becoming a profitable capitalization object for China, the Russian Far East found itself in the weak position of an uncertain player, missing the opportunities for economic growth in a strategic perspective. In the early 2000s, this region had not yet made up for this omission. Some researchers claim that in the late 20th and early 21st centuries, in the Russian Far Eastern territories, the transboundary space was being formed. In particular, since the late 1980s until the beginning of the 21st century, 7 stages of its formation were identified in the Blagoveshchensk-Heihe contact zone (Simutina&Ryzhova, 2007). However, after analyzing the existing indicators, I argue that there was no beginning of the formation of the transboundary space in the 1990s. It has just started to form now, at the end of the second decade of the 21st century. In fact, rather qualitative changes in cross-border interaction occurred only at the beginning of the 21st century, when the market was redistributed. Chinese entrepreneurs established trade specialization in the wholesale trade in fruit, vegetables, clothes, shoes and everyday goods. In economic activity, Chinese entrepreneurs began to use cross-border banking transactions, instead of barter and cash trading methods. Such a long process of transition from primitive to modern methods of trade and entrepreneurship was primarily determined by the provincial, peripheral position of both the Russian Far East and the provinces of China bordering Russia. Since the late 1980's China began to overcome the periphery of these territories systematically and consistently, while Russia did not take any significant steps in this direction, which limited restricting and tightening the rules of foreign trade and migration policy.

#### **4. The Features of Doing Business by Chinese Migrants on the Eve and After Two Crises (2008 and 2014)**

In 2002, a census was conducted in Russia which recorded a total of 35 thousand ethnic Chinese (Russian citizens) and 31 thousand Chinese citizens living in Russia. However, this number has been significantly corrected by sociologists. According to experts, the numbers can be con-

sidered obviously underestimated for several reasons: the census was conducted only among the resident population, while migrants from the PRC were in Russia for a short time; in addition, Chinese migrants were not always available to gather information. Many experts have recognized that the underestimation in the 2002 census was from 5% to 10% of the population. It was considered that for such a highly localized ethnic group as the Chinese, the underestimation could be much more significant – up to 90%. Thus, the real number of Chinese in Russia could be at least 350-400 thousand people. V. Larin believes that at the beginning of the 21st century there were about 200-400 thousand Chinese in Russia, including “shuttle migrants” (Larin, 2001). Chinese businessmen and workers are important for the economic life of the Far East and, at the same time, they are invisible to the research gaze: they can only be counted by rough estimation.

Also, Chinese entrepreneurial activity is a very ambiguous phenomenon. It correlates very little with the classical definition of entrepreneurship and can be characterized as follows. Chinese entrepreneurial activity is an activity aimed at the non-systematic receiving of profit mainly from the sale of goods or the provision of services, which is typically carried out independently at the risk of persons who are not always registered in the manner prescribed by law as an individual entrepreneur. The reason for this situation is the socio-economic reality in the border areas of the Far East.

At the beginning of the 21st century, the Chinese “shuttles” continued to conduct individual chalk trading, transportation and sale of goods in Russia. The shuttle trade was streamlined: there was a separation between suppliers, people transporting goods, and traders in the Russian markets. However, there are still obvious problems that seriously interrupt the process of adapting the Chinese to Russian conditions – problems with law enforcement agencies, problems in communicating with local residents; problems with employment, problems with authorities and administration, and lack of social guarantees. In 2007, a zero quota was introduced for foreign traders, prohibiting migrants from trading in open markets, but Chinese entrepreneurs did not stop their activity.

In analyzing the federal legislation on the regulation of foreign trade, two stages in its development are noted:

1) 1997-2002 - the period of the creation of protective mechanisms of the Russian economy. During this stage, 12 significant documents were adopted, including laws on the coordination of international and foreign economic relations of constituent entities of the Russian Federation, measures to protect the economic interests of the Russian Federation, and norms of foreign investment and export controls.

2) 2003-2009 - reorganization and consolidation of existing standards. During these years, 8 significant documents were adopted. Ten federal laws concerning the regulation of foreign economic activity and other foreign policy issues (for example, changes in the law “On Refugees”) was changed. Foreign exchange rules, new types and rules for importing goods were introduced (Zhuravskaya, 2014).

The period of 2009-2013 is characterized by researchers as the stage of “balancing” and “equalization”, because of the introduction of the new Customs Code of the Customs Union of Belarus, Kazakhstan and Russia and changing restrictions on the frequency of crossing the border with goods and its weight (50 kg vs 35 kg before). The period from 2014 to the present time is the period of “multidirectional dynamics of Chinese and Russian flows,” characterized by increasing mobility among the Chinese migrants and its decline among Russian citizens. It was due primarily to the devaluation of the Russian currency (Ponkratova, 2015).

In characterizing the federal legislation on the regulation of foreign trade of the late 20th and early 21st centuries, it should be noted that since the late 1990s the legislation has typically leaned towards complicating the rules of foreign trade, with more and more new barriers being introduced. The crisis of 1998 significantly displaced Russian entrepreneurs from the business sphere, but Chinese entrepreneurs did not cease their activities. We can say the same about their activities after the crises of 2008 and 2014: they continue their business, widely using irregular practices. As for them, non-compliance with the law is cheaper than meeting all formal requirements.

Chinese entrepreneurs create their business using ethnic resources, on ethnic networks, so it allows to characterize them as “ethnic entrepreneurs”. There are specific features of the traditional perception of the ethnic economy in the economic activities of Chinese migrants (creation of ethnic business communities, building networks based on ethnic resources, etc.), although many parameters do not correspond to these (occupying empty niches, self-employment as the only way to earn in an aggressive host society). Chinese entrepreneurs actively form communities that provide economic, informational and other support to their members leading to their rapid financial prosperity. The basis of these communities are Chinese mestizos, or Chinese who settled in Russia a long time ago. The ethnic informal economy of Chinese migrants is based on the principles of rapid economic rise. The installation of Chinese entrepreneurs on rapid enrichment, as well as institutional uncertainty and imperfection of market institutions of the receiving environment, the prevalence of irregular business practices among the host community - all this explains the fact that Chinese people in Russia are involved in the informal sector of the economy. However, the desire for rapid enrichment is the traditional motivation of any entrepreneur. So, it means that the quality of the market institutions of the receiving society is “guilty” of the prevalence of informal business schemes.” (Ryzhova, 2009). Among Chinese entrepreneurs, there is a well-known method of obtaining the same rights as Russians for trading in the markets: namely, marriage with Russian women. When they marry Russian woman, they arrange places in the markets in the name of their wife, and they pay much less rent and other taxes (about 100,000 renminbi less) and get legal protection of their business on Russian territory. Nevertheless, the number of registered Russian-Chinese mixed couples remains very small, for example, only about 5 such couples are registered annually in Blagoveshchensk.

Most Chinese entrepreneurs start their business in Russia without this “support.” First, they sell their goods in the open-air street markets, then they rent places in Chinese markets and in Chinese shopping centers, where their business does not depend on the vagaries of the weather, and there is heating in the winter.

Chinese entrepreneurs trading in the markets are constantly monitored by the Russian police. During the raids, in which from 5-6 to 20-30 police officers participate, the traders often have their passports seized under the pretext of problems with registration and the passports are returned only after paying a fine of 300 rubles. In addition, Chinese merchants pay various fines and fees to employees of the product quality control and migration services. As the Chinese say, the amount of these fees per year comes to 3 thousand dollars from each entrepreneur, and in the Russian Far East there are practically no Chinese merchants who have not paid such fines. As Chinese businessmen believe, in Russia the payment of traders for security “protection money”) is a generally accepted norm.

The Chinese business organization has the support of its fellow countrymen (not necessarily living in Russia). In addition, a comparison of the existing credit systems for legal entities in Russia and the PRC reflects the absolute advantage of the Chinese in developing their business.

As a result, the practice of creating joint Russian-Chinese enterprises on the basis of loans taken by Chinese partners in the PRC, occurred in the Far East. Chinese citizens successfully organize an independent business in Russia, using affordable loans. Thus, Chinese entrepreneurship has a kind of official financial support from China for development in the Russian regions.

A good example of Chinese business is the activity of the Chinese company “Huafu” in Blagoveshchensk (Amur Region). Its director, He Wenan, a native of the southern Fujian province, came to Russia in 1989 with his labor force of 141 people. At that time, the Amur Government and the Heihe City Construction Committee signed three construction contracts. He Wenan’s labor detachment had to fulfill the first of three construction contracts which included the construction of the Amur regional hospital, the community center and the “Druzhba” hotel. Work on all three buildings was performed in accordance with all necessary requirements. Weather (short summer, long winter), social (collapse of the USSR) and economic (ruble devaluation) conditions did not prevent He Wenan’s work. In November 1995, he founded the “Huafu Commercial Construction Company”. This organization was registered as an independent enterprise with 100% foreign capital.

In over 30 years of activity, “Huafu” has built 500 thousand square meters of residential areas, office buildings and hotels; 3200 people were involved in the work as an export labor force. Only in 2002, about 1,000 Russians and about 500 Chinese worked for the company. In the same year, “Huafu” paid a tax of about 40 million rubles, equivalent to 10 million renminbi: so the company became one of the five leading local taxpayers in Blagoveshchensk. Now the company is investing in new projects; “The Little Venice” project in Blagoveshchensk will be one of the most attractive touristic places.

Chinese women entrepreneurs are also active in Russia. In 1993 in Harbin city (Heilongjiang province), a female entrepreneur Yang Xiaoli founded the “Wan Yang Corporation”, which for more than 20 years has gradually turned into the largest multidisciplinary transnational corporation. Yang Xiaoli, the founder and current president of the corporation, was a schoolteacher in the past, but in the early 1990s she decided to go to Russia. In those years, Russian-Chinese trade experienced considerable difficulties, but despite this Yang Xiaoli found business opportunities in Ussuriysk (Primorye Region), where in 1993 she founded the first Chinese auto parts store. Sales increased by 25% annually. Yang Xiaoli received her first significant profit in Russia, and she made substantial capital accumulations here. In Ussuriysk, she opened the Russian-Chinese wholesale market for building materials, which became the only Chinese market in Russia specializing in the wholesale of building materials and it was listed as a key project in the economic interaction of Heilongjiang with Russia. Then, Wan Yang Corporation opened three chain supermarkets for building materials – in Vladivostok, Moscow and Perm (Jiang Xiaohua, 2005; ShaoMiaomiao, 2011).

Regional leaders admit that without Chinese entrepreneurs, the economy of the Russian Far East would have lost a significant part of their influence and income, and the Russian population would have lost the possibility of acquiring cheap goods and a whole range of products. At the slightest attempt to close the borders, the population immediately expressed protests. For example, in the summer of 2003, when death from SARS was registered in China for the first time, 11 customs points were closed on the Amur River by order of the federal government, and the import of Chinese goods was restricted. Less than a week later, a picket was organized on the street in front of the Amur government building, the participants of which demanded the opening of the customs, because within a few days almost all consumer goods had sold out and prices had significantly increased in the city’s markets (Yu Chen, 2004).

Thus, cross-border contacts began with active barter trade, and over several years, large-scale business activities were deployed in the border areas of the Far Eastern territories: the number of Chinese shopping centers increased in Russian cities, and there was a lively trade in a wide variety of goods. In the Chinese cities on the border, small and medium-sized businesses prospered, focusing on the provision of various services to Russia - restaurants, saunas, massage centers, hairdressing salons, shops opened and operated successfully. Russian residents of border areas came to China for the weekend, for two or three days, visited saunas and massage centers, made purchases, had lunch and dinner in Chinese restaurants. Thus, after a hundred years, the situation in inter-civilizational communication between the Chinese and Russians has changed in diametrically opposite way. This means that for Russians, a trip to China has now become a type of rest, a tourist budget route, an alternative to leaving the country in a more inaccessible way due to lower costs and shorter geographical distance, as well as the opportunity to purchase goods and everyday items at reasonable prices and to taste authentic Chinese cuisine.

However, there have been completely new trends in relations between the populations. China is no longer the backward semi-colonial country of a hundred years ago. Moreover, China increasingly amazes the world every year with its unprecedented rates of economic growth, and, of course, its citizens feel the support and growing authority of their homeland. Thus, this is an essential feature of Russian-Chinese relations at the end of the 20th and the beginning of the 21st centuries. China, in the eyes of the Russians, is no longer perceived as a semi-colonial backward state, but, on the contrary, as a geopolitical Far Eastern neighbor who constantly moves ahead, encircling Russia and organically integrating into the rapidly transforming world community embraced by global processes.

In general, both Russians and Chinese citizens are used to the current situation. Sustainable cross-border cooperation schemes have been formed, a whole network of intermediaries in inter-civilization and inter-regional cooperation has developed, the population of both countries has successfully found their benefits in cross-border contacts.

The situation radically changed after a large-scale devaluation of the ruble at the end of 2014. Changes were felt immediately on both banks of Amur River. Prices in the cities of the Russian Far East for meat, fish, other products and consumer goods rose, and this immediately affected the position of Chinese traders. It became unprofitable for them to trade because the prices of goods purchased in China almost doubled for the Russians. Visits of Russians to cafes and restaurants of Chinese cuisine were noticeably reduced, not only in Russian, but also in Chinese territories, - going to China for a weekend now became too costly for the Russian Far Eastern population.

However, the devaluation of the ruble led to the development of a completely new vector in the border Russian-Chinese cooperation: for Chinese citizens, almost simultaneously, Russian goods became extremely cheap. Already in January 2015, on the eve of the Chinese New Year on the lunar calendar, tourists from the PRC began to come to Russia in droves for New Year's gifts. At the border posts Chinese citizens were lining up for departure to Russia. For the three months (January-March 2015), 23.5 thousand Chinese tourists visited Russia. Compared to the same period of 2014, the number of tourists almost tripled ("World without Borders" released statistics, <http://www.visit-russia.ru/tags/statistika>). As for the contingent of visitors, these are mostly employees, pensioners, families. Nowadays, in Russia, food products (confectionery, honey, flour, dairy products), as well as jewelry, fur products and cosmetics are popular with Chinese tourists.

Thus, today the number of Chinese tourists is growing. For them a trip to the Russian Far East is attractive primarily due to the possibility of acquiring inexpensive and high-quality goods and

products. But we cannot state that the number of Chinese entrepreneurs in the Russian Far Eastern territories has increased. Since January 1, 2015, changes in the migration legislation of Russia have taken place: the requirements for the legality of the employment of foreign citizens on Russian territory have been increased, and a certain level of proficiency in Russian of labor migrants has been established. The sanctions imposed against Russia, together with a decreasing of world prices for energy resources, contributed to the emergence of crisis phenomena in the country's economy. At the same time, the Russian Federation has strengthened control over the registration of foreign residents. From 2018, fictitious registration of a foreign citizen is recognized not only as registration in a residential area (if the foreigner does not live there), but also registration in a non-residential area; the registration of a foreigner at the address of the organization is also considered fictitious if the foreigner does not really work there. Thus, lawmakers continue to struggle with the facts of registering dozens, and sometimes hundreds of foreigners at the addresses of offices.

On January 1, 2019, another innovation in the migration legislation came into force - a new provision of article 16 of the Law "About the Legal Status of Foreign Citizens in the Russian Federation" dated July 25, 2002, No. 115-FZ. It expands the list of obligations of the inviting party towards a foreign citizen or stateless person invited to the Russian Federation. Now the inviting party is obliged to take measures to ensure that the invited foreign / stateless person complies with the order of residence in the Russian Federation in terms of compliance with the stated objectives of entry into Russia and the activity actually performed by this citizen. The inviting party is also entrusted with the obligation to control the observance of the time-frame for departure from the Russian Federation by the invited individual. If the receiving party does not take the necessary measures to ensure compliance by the invited foreign person / stateless person with the purpose of entry or departure dates from the Russian Federation, fines of various sizes are imposed. Due to changes in immigration legislation, according to which the owner, renting housing for a foreigner, is now obliged to register a foreigner in the Federal Migration Service (FMS), the incidents of refusal to provide housing for Chinese migrants have become more frequent, and this, in turn, complicates their adaptation to life and work in the host society.

At present, the demand for labor in Russia is high, 1.6 million vacancies are announced in the employment services. Meanwhile, in 2019, the government established a quota for attracting foreign labor to the tune of 144,583 migrants from "visa" countries (Order of the Ministry of Labor of Russia...). As for migrants from "visa-free" countries, they are not quoted in Russia. It is assumed that a third of labor migrants (36%) will work in construction, mining, repair and construction works. From 2019, for the first time, the share of migrants in construction will be limited: at each enterprise in this industry there should be no more than 80% of the total number of employees; there were no restrictions on hiring migrant workers in this area before. For construction companies of three regions (Moscow, the Amur Region and the Khabarovsk Territory), exceptions were made in 2019, 100% of the number of foreign workers in construction being allowed.

Today, Chinese migrants represent a relatively small proportion of migrants arriving in the Russian Federation, especially compared with the influx of people from the CIS countries. At present, the total registered number of Chinese citizens on the territory of the Russian Federation is less than 0.2% of the total population of the country. It is obvious that the Russian direction for Chinese migrants is losing its attraction. In the long term perspective, the mass migration of the Chinese population to Russia will be constrained by the following factors: wage growth in China compared to Russia, the presence of well-established migration flows inside China to developed

coastal enclaves, the specific structure of the Russian economy, competition from Russian-speaking migrants from the countries of the former Soviet Union, reduced interest in receiving education in Russian educational institutions (Motrich&Izotov,2015).

At the same time, the governments of both countries have been making efforts to reduce the periphery of border areas for more than few decades. In 1992, 14 Chinese border cities (including Hunchun, Manzhouli, Suifenhe, and Heihe) were granted open status. In the 21st century, events at the micro level were added at the meso-level — in 2013, the China State Committee for Reform and Development published the “Development Plan for the Border Regions of Heilongjiang Province and the Northeast Part of Inner Mongolia”. To make cooperation deeper, the Chinese side currently proposes to consider the creation of consular structures in Harbin and Manzhouli, as well as to open official representative offices in the municipalities of the two countries. Such representations are already operating in a number of cities: in Heihe, since 2013, there is an official representation of the city of Blagoveshchensk, in Birobidzhan a representation of the city of Hegang has been operating since 2013, etc. (Kostyunina&Baronov, 2011). As for the Russian side, in order to overcome the periphery of the territories, the following documents were adopted: “Federal Target Program for Economic and Social Development of the Far East and Transbaikalia for 1996-2005 (adjusted for the period up to 2010),”The Concept for the development of border areas subjects of the Russian Federation belonging to the Far Eastern Federal District “(2015-2025).

However, the implementation of projects according to these programs is difficult due to socio-economic poor development and difficult demographic. For example, the project to create 3 border free trade and economic complexes (Pogranichny - Suifenhe, Blagoveshchensk - Heihe, Zabaikalsk - Manzhouli), approved in 1999, has not been fully integrated with the international economic system. There is a visa-free entry only for Russians and only in Heihe (that is, only one of the six directions has been implemented according to this project) (Chubarov&Mikhailova, 2017). Therefore, the formation of transboundary relations and the reducing from peripherality is difficult, and today, at the end of the second decade of the 21st century, entrepreneurship in the border areas retains in itself the features of the end of the 20th century, the features of 30 years ago. The proclaimed development policy of the Far East and the creation of advanced development territories here have not yet caused a massive flow of Chinese investment in this region: Chinese entrepreneurs are reluctant to invest in local production - they are not sure about the consistency of Russian economic policy and do not trust Russian legislation. One of the last vivid examples of this is the unsuccessful construction of the mining of drinking water at Lake Baikal by a Chinese firm, where, after investing significant funds in construction, the investor was forced to postpone the project, despite the necessary permits executed in accordance with all legal norms. Therefore, speaking of Chinese entrepreneurship today, we still mean mostly small and medium businesses and old schemes for its implementation. Thus, today, cross-border Russian-Chinese interaction has regained some features of a hundred years ago: a trip to Russia for Chinese citizens has again become a form of tourism and acquaintance with the traditions and way of life of the neighboring country, the territory of purchases and recreation. Unfortunately, this was due to the unfavorable factor of the sharp fall in the Russian currency, which did not keep the vector of orientation of the Russian population to a similar perception of trips to China, despite more than 20 years of experience in such trips and visits.

At the same time, in the border areas, the activity of Chinese entrepreneurs continues, and it does not cause a protest among the local population. More than 90% of Chinese migrants believe that it is easier to earn money in Russia than in China and other countries. By way of a reason for

choosing the Russian Far East as a territory for business, they indicate rich resources – land, forest, products of mineral origin. On the other hand, the Russian Far East does not have a sufficient labor force. For Chinese migrants, there are many opportunities to build a profitable business here.

Furthermore, the main difference between cross-border interaction of a century ago and today's interaction should, in our opinion, be that China is no longer a backward semi-colonial country, and, being Russia's powerful neighbor in the Far Eastern territories, China actively forms the directions of cooperation and cross-border contacts. Against the background of increasing globalization and exacerbation of regional problems, the success and mutual benefit of further bilateral border relations will depend on Russian state and regional policy.

## 5. Conclusion

In general, the entrepreneurial activity of Chinese migrants in the Russian Far East carries several advantages and disadvantages. But it is evident that the presence of Chinese migrants has helped and is continuing to help the Russians to survive in the difficult socio-economic conditions of the late 20th - early 21st centuries. Now one of the most important forms of business activity of the Chinese on the border is tourism. We consider Chinese migrants to be a specific structure in the system of Russian-Chinese relations on the border areas. On these border areas (i.e. "provincial" and "internal" territories), the municipal authorities have their own regional vision of the socio-economic and foreign policy situation (for example, about the ways of making contacts with representatives of the neighbouring state, etc.), but, nevertheless, they realize aspects of state policy according to the government guidelines. So, we describe the specifics of Chinese migrant activity on these "provincial" territories.

The features of the business activities of Chinese migrants on the border areas of the Far East of the late 20th and early 21st centuries depends on the specific interstate relations of Russia with China and the general socio-economic situation in the Russian Far East. The prevailing historical experience of contacts between Russians and representatives of Confucian civilization also has an impact on the development of Chinese migrants' activity. This historical experience contributed to the formation of a generally tolerant environment of inter-civilization interaction on the border area. If in a cultural sense, Chinese residents remained alien to the Russian population, and in the political sense, their presence has given rise to fears about territorial expansion, then in the economic sense, Russian and Chinese seemed to have parity: the Chinese were not crowded out of the Russian market, on the contrary, their influence grew decisive – neither Russian entrepreneurs nor Russian consumers stood in their way, but, on the contrary, were interested in this form of cooperation and interaction.

At the same time, successful and progressive development of mutually beneficial Russian-Chinese trade on the border areas is impossible without developing a clear mechanism for regulating bilateral trade relations and all aspects of the life and economic activities of Chinese entrepreneurs. Now, in this social and legal field, there are many unsolved issues and problems that leave the future of Chinese business in the Russian Far East unclear. Russian laws regulating this sector are still imperfect and immature, bribery and corruption prosper in the ranks of government officials, and there are still shadow sides of the economy. Today, the investment climate for Chinese citizens in the Russian Far East should be considered to be unfavourable, and it is unlikely that changes for the better are expected in the near future. This entails increased unhealthy, indiscriminate competition between Chinese entrepreneurs and losses from doing business.

We believe that those Chinese entrepreneurs who really want to do business in Russia should register their enterprises in Russia. Only an officially registered company will be able to conduct its business legally, freely, and successfully. Chinese entrepreneurs should know the Russian language, the basic laws of the Russian Federation, and local traditions and customs. In turn, Russia is interested in attracting Chinese citizens who have a relatively high level of education and are seeking to conduct a legitimate and transparent business, with the availability of all the necessary documents and permits. It is regrettable to note that these are almost impossible requirements for Chinese merchants, most of whom are not even familiar with Chinese laws, and can only bargain in Russian. Their main goal is to make money in Russia and then return to China because in Russia they will never receive any pension or medical insurance. The only thing they strive for is to earn money and to leave Russia, and this is only a matter of time.

One of the ways to develop the activities of Chinese entrepreneurs in the Russian Far East territories lies in creating the capacity for joint development of territories, closer border cooperation not only at the level of countries and regions but also at the level of municipalities. For this, a reduction in the peripherality of the Russian and Chinese border territories is necessary. Strengthening the processes of integration, deepening economic, social and cultural ties - all this allows us to claim that the formation of the region with special characteristics (a cross-border region) begins here. However, the level of interaction and interdependence of territories needs further study and evaluation, and the success or failure of Chinese entrepreneurship, its trends and perspectives will depend on the further development of the transboundary space here and overcoming peripherality.

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