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with Russia**

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Abstract

Local trade between the Far East region of the USSR and the Northeast region of the People's Republic of China started in 1957, arranged by the public trade organizations in the respective borderlands. Heilongjiang Province of China has been the main actor in trade with the Far East region of the USSR, and more recently, Russia. After 1957, Heilongjiang Province's trade with the Russian Far East developed rapidly until 1993, except a period of interruption (1967-1982). Thereafter, the Heilongjiang Province's trade with the Russian Far East underwent a stagnation period (1994-1998), a recovery period (1999-2001), a rapid development period (2002-2007) and a period of change of tendencies and radical decrease (2008-2009). Heilongjiang Province's trade with the Russian Far East consists of three main forms: general trade, Chinese-style border trade (Bianjing Trade which includes Bianjing Small Trade and trade between private persons (Hushi Trade)) and Travel Trade. The rapid increase of Heilongjiang Province's trade with the Russian Far East from 2002 to 2007 is mainly attributable to the increase in the export of ordinary consumer goods, especially textile clothing and footwear, and to Bianjing Small Trade.

Keywords: H-R Trade, Bianjing Small Trade, trade between private persons, Travel Trade, Hushi Trade

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Local trade between the Far East region of the USSR and the Northeast region of the People's Republic of China started in 1957, arranged by the public trade organizations in the respective borderlands. Heilongjiang Province of China has been the main actor in trade with the Far East region of the USSR, and more recently, Russia. After 1957, Heilongjiang Province's trade with the Russian Far East developed rapidly until 1993, except a period of interruption (1967-1982). Thereafter, the Heilongjiang Province's trade with the Russian Far East underwent a stagnation period (1994-1998), a recovery period (1999-2001), a rapid development period (2002-2007) and a period of change of tendencies and radical decrease (2008-2009). Heilongjiang Province's trade with the Russian Far East consists of three main forms: general trade, Chinese-style border trade (Bianjing Trade which includes Bianjing Small Trade and trade between private persons (Hushi Trade)) and Travel Trade. The rapid increase of Heilongjiang Province's trade with the Russian Far East from 2002 to 2007 is mainly attributable to the increase in the export of ordinary consumer goods, especially textile clothing and footwear, and to Bianjing Small Trade.

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Introduction

Local trade between the Chinese and Russian borderlands has been growing rapidly for the past ten years and so, and in this trade, Heilongjiang Province (hereinafter “the Province”) occupies a very important position. The Province has no seaports but does have a border with Russia that is more than 3000 km long, so it is natural that the Province’s largest trade partner is Russia. If one includes the period when the USSR was in existence, local trade between the Province and Russia (hereinafter “H-R Trade”) started during the second half of the 1950s. Initially, H-R Trade started as barter trade between the public organizations of both countries, and subsequently after the 2000s, Chinese-style border trade (hereinafter “Bianjing Trade” (边境贸易)) between private companies and general trade developed. Particularly since entering the 2000s, the trade value of H-R Trade increased rapidly.

This paper reviews H-R Trade up to the present, analyzes the dynamics of H-R Trade after the 1990s and elucidates the factors in the development of H-R Trade. Moreover, the role of Bianjing Trade within H-R Trade will be analyzed.

The author of this paper would like to emphasize that Bianjing Trade as used herein refers to trade in the Chinese borderland on which the Chinese government confers certain preferential measures.

1. Overview of H-R Trade

The major trade partner of the Province is Russia, both historically and at present, because the Province has longstanding relations and an extensive border with Russia. Trade in the Chinese-Russian borderland was officially permitted by the Nerchinsk Treaty signed in 1689, which allowed Chinese and Russian persons possessing a particular certification to freely transit to and from their trade partners’ territory and conduct trade there.

Until the beginning of the twentieth century, it was mainly private persons who engaged in the role of trader in this borderland. After the Russian revolution, due to the Russian government’s monopolization of foreign trade, trade by private persons in this borderland officially ceased, but smuggling was actively conducted on the banks of the Heilong and Usli rivers. The percentage accounted for by Northeast China in the trade between China and the USSR was very high during this period; for instance, Northeast China’s percentages in Chinese imports and exports to and from the USSR were 97% and 75%, respectively, in 1924. There were trading ports such as Manzhouli (满洲里), Harbin (哈尔滨), Hairai (海拉尔) and Suifenhe (绥芬河) along the Eastern Railway, and Tongjiang (同江) and Heihe (黑河) along the Heilong River (known as

the Amur River in Russia) during this period, and Harbin accounted for more than 90% in Northeast China-the USSR trade.ⁱ Many stores appeared in Manzhouli, Heihe, Tongjiang, Fujing (富锦), Hulin (虎林), Mishan (密山), Suifenhe and Hunchun (琿春), and they continue to function as a trade base with Russia in the present day.ⁱⁱ Local trade completely ceased in 1935 during the Qing Dynasty period because of the Japanese military invasion of Heihe.

In 1949, the People's Republic of China was established, and thereafter, the Chinese government monopolized foreign trade. Under this situation, the trade of the Province with Russia was conducted as special trade that the Chinese government permitted the Province to conduct as an exception to the rule. Petty trade of small monetary value between the borderlands is called "border trade" in general, but in China such trade is called "Bianjing Trade". The Chinese government permits only a few participants to engage in Bianjing Trade and confers tax preferences on themⁱⁱⁱ. Due to the special character of Chinese-style border trade, the term "Bianjing Trade" is used in this paper.

After diplomatic relations were established between China and the USSR in 1951, economic aid from the USSR to China began, with a focus on Northeast China. In a honeymoon atmosphere in state relations between China and the USSR, trade between Northeast China and the Russian Far East (hereinafter "RFE") was launched in 1957, based on a governmental agreement signed by both central governments. Initially, trade was limited to Heihe City in the Province and Blagobeshichensk City in the Amur Region under the principle that "the demands of related administrative regions should be satisfied". In this period, the governments of China and the USSR monopolized foreign trade, so the trade between Heihe and Blagobeshichensk constituted the official Bianjing Trade in which the Chinese government specially permitted the Province to engage with RFE. This trade (H-R Trade) was conducted between the Commerce Department of the Heihe Office in affiliation with the Province and the Amur Corporative Organization.

Bianjing Trade during this period was barter trade and the value of the traded goods was calculated in Russian rubles. Starting in 1958, H-R Trade was also conducted between the Mudanjiang (牡丹江) Office and the Primorie Corporative Organization as well as the Hejiang (合江) Office and the Khabarovsk Corporative Organization. In these times, H-R Trade was conducted only between the public trade organizations, and trade by private persons (hereinafter "Hushi Trade" (互市贸易)), which has long history in this borderland, was not reopened yet.

Such trade in the Province was continued until 1966, but due to the impact on state relations of the conflict between China and the USSR and the Great Cultural Revolution

in China, it was discontinued from 1967 to 1983. The trade scale during this period reached a peak in 1959 and then decreased (Table 1). No trade agreement was signed in 1964. The total trade value of trade during this period (1957-1966) is estimated at 34.76 million rubles (or 146 million Chinese yuan).

The 1980s was the period when the trade between Northeast China and RFE, which had ceased in 1967, reopened, and the base of Bianjing Trade became consolidated. In this period, Hushi Trade, which has very long history between border residents, was revived. In April 1982, China and the USSR signed a trade agreement in which the two governments decided to revive trade between Northeast China and RFE, and certain conditions of trade were established. According to this agreement, trade was to be conducted through two pairs of trade ports (Suifenhe in the Province and Grodekovo in the Primorie Region, Manzhouli in the Inner-Mongolian Autonomous Region and Zabaikalisk in the Chita Region). Moreover, it was prescribed that the form of trade was to be barter trade, the unit of calculation was the Swiss francs, and the value of goods traded was to be estimated by using the goods' value which was established in the national trade agreements signed by both central governments in this period, in principle. The participants in the trade were the Heilongjiang Trade Company and the Inner-Mongolian Trade Company on the Chinese side and "Daliintorg" on the Russian side. This trade originally started in 1983, then in 1987 trade was revived between Heihe and Blagobeshichensk and between Tongjiang and Nizhni Leninskoe.

In 1988, the Chinese government granted trade rights to the Province and the Jilin Province, the Inner-Mongolian Autonomous Region and the Xinjiang-Wigle Autonomous Region, and the capitals of first-grade administrative regions. Simultaneously, trade ports in Mishan, Hulin, Raohe (饶河), Mohe (漠河), Jiayin (嘉阴), Luobei (罗北) in the Province were opened to foreign countries.

In this period, H-R Trade increased from 15.89 million Swiss francs (US\$7.49 million) in 1983 to 2.072 billion Swiss francs (US\$1.59 billion) in 1992 (Table 2).

H-R Trade increased to US\$1.89 billion in 1993, but subsequently decreased and stagnated until the end of the 1990s. After entering the 2000s, H-R Trade rebounded and consistently increased, but then decreased in 2009 by about 50% compared to the previous year (Table 3).

Changes in the domestic environments in both China and the USSR and the state relations of the two countries heavily affected H-R Trade. In particular, the dissolution of the USSR in 1991 and the "Speech in South China" by Deng Xiaoping in 1992 exerted great impact on H-R Trade. The Russian government abolished its monopoly and liberalized foreign trade, while in China after the "Speech in South China", the

Reform and Openness Policy advanced further. In 1992, the Openness Policy was extended to the borderland of the Chinese inland. As a result of this, the Openness Policy became full scale including not only the southeast coastal area and Changjiang coastal area, but also the inland border area. This meant that economic exchanges with the bordering country, which had developed under a different policy, joined the prevailing flow of the Openness Policy, which continued to be the most important policy in China and mainly supported the southeast coastal area. These factors affected Bianjing Trade until the early 1990s.

The 1990s was also a period when the Chinese government adopted some very important regulations on Bianjing Trade and constructed the institutional base of Bianjing Trade. Regarding China's border regions with Russia, in May 1992 the Chinese government issued the Notice Concerning Further Opening of Four Border Cities including Heihe (关于进一步对外开放黑河等四个边境城市的通知). This document stipulated that these cities must actively expand Bianjing Trade and trade between border cities, develop various forms of cooperation including investment cooperation, technology exchange and labor cooperation with Russia and CIS countries, and develop the processing industry and the tertiary industry. For this purpose, it was decided that a portion of the local authority which had been held by the Province and the Inner Mongolian Autonomous Region was to be transferred to four cities (Heihe, Suifenhe, Tongjiang and Manzhouli). Moreover, to develop agriculture for export and attract investment from the other Chinese territories and foreign countries, some tax preferences were provided to the four cities. However, the fact that, despite these policies of the Chinese government, H-R Trade stagnated, is due to the enormous economic decline in Russia.

Entering the 2000s, the state relations between China and Russia improved further. China and Russia signed the "Treaty on Good-neighborliness, Friendship and Cooperation" in July 2001, and territorial disputes were entirely settled in October 2004. Consistent with the advancement to a new stage in the state relations of the two countries, H-R Trade also developed.

2. Various Forms of H-R Trade

In China, foreign trade is conducted in many forms, one of which is "Bianjing Trade". In addition to this, a special form of trade called "Travel Trade" is also conducted in the Province.

(1) Bianjing Trade (边境贸易)

Bianjing trade is a unique concept in China. It differs from "border trade" which is

the common name for trade between borderlands.^{iv} Bianjing Trade is, to summarize briefly, a system in which the Chinese government grants some tax preferences for trade in borderlands designated by the government and conducted in accordance with governmental regulations. There are two categories of this trade. One is “Bianjing Small Trade (边境小额贸易)” which is the trade by the trade companies through the trade ports designated by the central or local governments (the trade ports are called “Kouan (口岸)” in Chinese). Second is “Hushi Trade between border residents (边民互市贸易)” in which private persons in the borderlands of China and Russia trade goods with each other, inside the specially established trade area.^v The Chinese government designated 16 trade ports, except for airports and trade ports along inland rivers which do not directly border with Russia, as “first-class ports”^{vi} where trade can be conducted with foreign countries including Russia. There are 10 ports along rivers, 5 ports on roads and 1 port on a railway, and Hushi Trade areas are situated near 10 ports (Appendix).

This Bianjing Trade system was launched in December 1984 when the Chinese government issued the Interim Measures on Control of Bianjing Small Trade (边境小额贸易管理暂行办法). After these measures, the Chinese government enlarged and developed the Bianjing Trade system by issuing the Notice on Proposal about Actively Developing Bianjing Trade and Economic Cooperation, Encouraging Prosperity and Stability of Border Regions (关于积极发展边境贸易和经济合作促进边疆繁荣稳定意见的通知) in April 1994, the Notice on Problems related with Bianjing Trade (关于边境贸易有关问题的通知) in January 1996, the Notice on Printing and Distributing 《Measures on Control of Bianjing Trade and Foreign Economic and Technical Cooperation in Border Regions》 (关于印发《边境小额贸易和边境地区对外经济技术合作管理办法》的通知) in March 1996, and the Notice on Supplementary Act on Further Development of Bianjing Trade (关于进一步发展边境贸易的补充规定的通知) in October 1998. However, in October 2008, the Chinese government altered the Bianjing Trade system by issuing the Response to Encouragement of the Problems in the Development of Economic and Foreign Trade (关于促进边境地区经济贸易发展问题的批复). This act abolished the preferential tax treatment for imports of trade companies which had been charged half of the nominal tax rate on imports; meanwhile for Hushi Trade, the act extended the ceiling to 8000 yuan from 3000 yuan.

(2) Travel Trade (旅游贸易)

Travel Trade is the trade that occurs when the Chinese or the Russians enter the partner country on the pretext of tourism while having as their main purpose the buying

or selling of goods there. Such trade emerged at the end of the 1980s when the economy of the USSR became unstable and entered a decline. Trade by both the Chinese and the Russians is accounted for as exports by the Chinese side in the trade statistics. It is difficult to obtain accurate figures on the exact scale of this trade because Chinese traders generally export their goods using “gray customs clearance (灰色通关)”. The data is relatively old, but the scale of Travel Trade in 1995-1999 was about US\$10 billion, of which two-thirds was exported by the Chinese. While in Suifenhe the annual average rate of Travel Trade in total exports of the city during this period was 77%, the annual rate in 1996 reached 83.7%.^{vii}

Many Chinese traders entrust to trade agencies the customs clearance and transportation of goods, including taxes and service charge, and have the goods addressed to themselves in Russia. They enter Russia as the travelers, receive the goods and ultimately sell them at the wholesale or retail markets in Moscow or other regions. The trade agencies apply for customs clearance for an entire package of goods, although the goods belong in fact to some traders. It is said that, in many cases, the amount of customs declaration is one tenth of the actual value of the goods (and this is generally called “gray customs clearance”). As a result, Russia’s tax revenue does not reflect the flow of goods and has decreased, while the inflow of these goods has damaged Russian light industry. To correct this situation, the Russian government often checked customs documents of goods in the markets; if Chinese traders did not have official documents, then the Russian authorities confiscated the goods from the traders. To extirpate the sale of goods imported through “gray customs clearance”, the Russian government introduced measures to ban retail business by foreigners in Russia in April 2007, and the government of Moscow closed down Cherkizovskii Market, one of the largest markets in Moscow, under the pretext of violation of hygiene standards, in June 2009. This was an uncompromising attitude on the part of the Russian government regarding the sale of goods flowing in through “gray customs clearance”. Prime Minister Putin said in December 2009 that, as a result of closing down Cherkizovskii Market, smuggling and counterfeit goods was reduced and domestic light industry production increased.^{viii}

Looking at Travel Trade by the Russians, the forms have differed over time and by region. Travel between the Province and RFE started in 1988 as a “one-day trip” by tourist group between Heihe and Blagobeshichensk, which was permitted by both central governments. Permission for the “one-day trip” was extended to other Chinese-Russian borderlands, and the length of trip was extended from one day to three days, or one week. Because travelers of group trips are exempt from visa requirements for these short trips, many Russians began to take these trips as the way of going

shopping. At first, the Russians went to Chinese borderlands as travelers, bought the goods necessary to them and returned to their country carrying the goods themselves.

Subsequently in 1994, the Russian government issued a regulation that one person can import up to 50 kg of goods once a week without paying duty. Under this regulation, the Russian traders began going to China, buying large amount of the goods there, and importing them to Russia. However, the Russian government revised the regulations in 2006, such that one person can import up to 35 kg of goods once a month. This heavily impacted the Russian traders. After the appearance of the new regulation, peddlers called “Pamagaika (in the Primorie Region)”, “Kirpichi (in the Khabarovsk Region)”, and “Fonali (in the Amur Region or the Chita Region)” became very important actors in Travel Trade. For instance, in the Primorie Region, travel agencies organized many group trips called “Econom Tour” which offer travelers discount travel fares to the Chinese borderlands. Russian traders who want to import goods using these group trips pay the difference between the regular fare and discount fare. Under these group trips, on one hand the Russian traders buy goods (32 to 33 kg a traveler) which the traders order to the Chinese trade partners; on the other hand, the Russian travelers buy a few personal goods for themselves (ordinarily 2 to 3 kg) and can spend a few days in China paying a very cheap fare.

The guides who are in charge of the trips have a very important role in the trips. After they receive the goods from the Chinese trade partners, they sort and divide the goods as a package of 35 kg to clear customs; the Russian travelers can enter Russia with duty-free goods which are 35 kg or less and only for personal use, so if they bring many same goods into Russia, the customs offices regard the traveler’s goods as import things and will charge import-taxes. After travelers complete customs clearance in Russia, the guides gather the goods and deliver them to the Russian traders.

In contrast, in Manzhouli in the Inner-Mongolian Autonomous Region, Travel Trade is conducted in a different form. Here, people called “Pagonshik” in Russian are in charge of trade. They control some transportation groups with cars called “Kemel” in Russian which consists of a few persons. After the “Pagonshik” receive the goods from Chinese transporters, they sort and divide the goods for the “Kemel” to clear customs. After the “Kemel” finish customs clearance in Russia, the “Pagonshik” gather the goods and deliver them to Russian traders.^{ix}

Travel Trade came to be recorded in the trade statistics starting from the second half of 2000, but the data consists only of the shopping of the Russians in China. Travel Trade ranks third in H-R Trade every year. In 2005, it amounted to US\$1.2billion and accounted for 35% of the total trade of the Province, but since 2006, it has decreased.

The change in 2006 in Russian regulations on personal import appears to have affected Travel Trade.

3. Trade of the Province with Russia after the 1990s

(1) Changes in H-R Trade and associated factors

H-R Trade developed rapidly until 1993, because of the changes in political atmosphere in both China and Russia as described above. However, if we take an overview of the 1990s, there are four periods of change: stagnation (1994-1998), recovery (1999-2001), development (2002-2007) periods and the period of change of tendencies and radical decrease (2008-2009) (Table 3).^x

In 1998 during the stagnation period, H-R Trade decreased by 35% compared to 1993 when H-R Trade recorded its highest value ever (US\$1.89 billion). There are some reasons why H-R Trade decreased during this period. One reason lies on the Russian side (i.e., an export factor); the economic situation of RFE, which is the largest trade partner of the Province, began to deteriorate drastically^{xi} and the Russians did not want to buy Chinese consumer goods due to fake brands and low-quality. Another reason lies on Chinese side (i.e., an import factor); because the Chinese government implemented measures for economic stringency, demand for raw materials in China decreased.

H-R Trade increased 38% in 1999 compared to the previous year. While it did not set a new record high until 2001, it continued to increase every year and reached US\$1.8 billion in 2001. H-R Trade reached a new record high (US\$2.33 billion) in 2002 and continued to increase every year until 2008, but in 2009 it decreased US\$5.48 billion (down 49.6%) compared to the previous year due to the worldwide financial and economic crisis.

The rapid recovery and development of H-R Trade starting in 1999 was stimulated not only by the improvement of Chinese-Russian state relations but also by the recovery process of the Russian economy, especially that of the RFE economy. The gross regional product of RFE entered a process of expanded-reproduction in 1999 after experiencing protracted reduced-reproduction. Taking 1998 when the RFE economy was miserable, as the baseline year with an index of 100, the RFE economy had grown to 120 in 2002 when the development period started, and reached 141.9 in 2005 when the gap between exports and imports started to expand. It was thought that the process of recovery and development of the RFE economy increased the income of the local people and stimulated consumers' willingness to buy, which in turn increased imports of consumer goods into RFE. Imports into RFE may be assumed to be exports from China, especially from the Province, because the Province is the largest trade partner of RFE.

So, next we will examine which exports and imports were important in H-R Trade and which goods increased in H-R Trade.

Imports of the Province in H-R Trade exceeded exports until 2002 (Table 3), but the growth rate of exports exceeded that of imports starting in 2000, and after 2003, the growth rate of exports consistently exceeded that of imports. Especially after 2005, the trade surplus expanded radically. In the recovery and development periods (1999-2007), the value of exports and imports increased 35.2 times and 3.7 times, respectively, and the trade surplus increased US\$5.6 billion in 2007. The percentage of H-R Trade in the total trade of the Province (hereinafter “the Province’s Trade”) exceeded 50% after 2001 and reached 62% in 2007.

Because there is no data on the goods involved in H-R Trade, we cannot analyze precisely the changes in export goods. However, because the percentage of H-R Trade in the Province’s Trade is very large, we may be able to understand the changes in imports in H-R Trade by examining the changes in export goods in the Province’s Trade. In the recovery and development periods (1999-2007), exports in the Province’s Trade increased US\$11.363 billion (cumulative annual growth), of which textile clothing (cumulative annual growth: US\$5.315 billion or 46.8%) and footwear (US\$1.073 billion, 9.4%) occupy 56.2%. Other goods that increased are machine and electrical products (US\$2.216 billion, 19.5%). This analysis indicates that the rapid increase in H-R Trade up to 2007 was mainly caused by an increase in the export of ordinary consumer goods.

However, despite the overall increase in 2008 in both the Province’s Trade and H-R Trade, exports in H-R Trade decreased compared to 2007 (down 2.4%; imports increased 20.9%). Focusing on export goods, exports of textile clothing and footwear decreased compared to the previous year for the first time since 1999 (total decrease: US\$420 million). Moreover, exports and imports in 2009 in the Province’s Trade and H-R Trade both fell rapidly compared to 2008. In this year, exports in H-R Trade decreased US\$4.7 billion compared to 2008, of which textile clothing decreased US\$3.3 billion. This analysis indicates that the decreases in exports in H-R Trade in 2008 and 2009 were caused by a drastic decrease in ordinary consumer goods.

(2) Forms of H-R Trade

Initially, H-R Trade began as the official Bianjing Trade conducted by the public trade organizations in Northeast China and RFE; however, currently the main forms of H-R Trade are Bianjing Small Trade, general trade, etc., (hereinafter “general trade”)^{xiii} and Travel Trade. The value and the percentage of each trade in 2009 were: Bianjing Small Trade, US\$3.48 billion (62.4%); general trade, US\$1.08 billion (19.4%); and Travel Trade US\$1.02 billion (18.3%). In this section, we will examine the changes in

the forms of H-R Trade after 2001 when it became possible to compare the three trade forms.

During 2001 to 2007, H-R Trade increased US\$9.356 billion (cumulative annual growth), of which Bianjing Small Trade increased US\$4.392 billion (47% of the cumulative annual growth), general trade increased US\$3.783 billion (40.4%) and Travel Trade increased US\$1.181 billion (12.6%). This data indicates that Bianjing Small Trade and general trade both contributed roughly equally to increasing the H-R Trade during this period. However, general trade increased rapidly in 2007, and this significantly affected above-mentioned result. Analyzing H-R Trade in 2001-2006 excluding 2007, the contribution of Bianjing Small Trade is 68.5%, while general trade is only 15.3%. In 2008-2009, H-R Trade decreased US\$5.15 billion (cumulative annual growth), of which Bianjing Small Trade decreased US\$1.93 billion (37.4% of the cumulative annual growth), general trade decreased US\$3.06 billion (59.25%). From this analysis, we discern that the degree of contribution of Bianjing Small Trade to the increase in H-R Trade in 2001-2006 is very high, while the decrease in general trade was a large factor in the decrease in H-R Trade that started in 2007. That is to say, a key pillar of H-R Trade is Bianjing Small Trade, and general trade is an influential factor in the increase and decrease of H-R Trade.

In exports, the cumulative annual growth in 2001-2007 was US\$7.705 billion, of which Bianjing Small Trade increased US\$3.37 billion (43.7% of the cumulative amount), general trade increased US\$3.154 billion (40.9%), and Travel Trade increased US\$1.181 billion (12.6%). In other words, Bianjing Small Trade and general trade contributed the same degree to the increase of exports. However, the contribution of Bianjing Small Trade during the period of 2001-2006, excluding the increase in general trade in 2007, is 71.5%, and the contribution of general trade is only 7.2%. In 2008-2009, H-R Trade decreased US\$4.9 billion, of which Bianjing Small Trade decreased US\$1.385 billion (28.3% of the cumulative decrease), general trade decreased US\$3.354 billion (68.4%), and Travel Trade decreased US\$0.161 billion (3.3%). We see that, as in total trade, Bianjing Small Trade is a key pillar in exports as well.^{xiii}

Imports in H-R Trade have remained stable compared to exports. During 2001-2007, imports increased US\$1.647 billion, of which Bianjing Small Trade increased US\$1.021 billion (62% of the cumulative increase) and general trade increased US\$626 million (38%). However, looking at the period of 2001-2006, the contribution of Bianjing Small Trade is 58.5% and is more little than that of 2001-2007, while the contribution of general trade is 41.5% and is larger than that of 2001-2007. In 2008-2009, imports decreased US\$293 million, of which Bianjing Small Trade decreased US\$540 million

and general trade increased US\$293 million. In imports, neither Bianjing Small Trade nor general trade increased rapidly as did exports in 2007, but rather remained stable.^{xiv} It is thought that above-mentioned fact, despite H-R Trade decreased rapidly in 2009, functioned as an alleviative factor that the decrease in imports remained relatively small.

4. Role of H-R Trade in the Province's Trade

Though there is a timing difference in the changes in the Province's Trade and H-R Trade, both move through the periods of stagnation, recovery and development.

Exports and imports in the Province's Trade both showed approximately the same tendency toward decrease from 1993 until 1998, when the total trade was at its minimum (the rate of the decrease of exports and imports is 46.3% and 31.5%, respectively). However, in the development period, the growth rate of exports was higher than that of imports (10.3 times and 3.6 times, respectively). Particularly in 2005-2008, the growth rate of exports compared to the previous year began to significantly exceed that of imports (the growth rate was, respectively, 64.9% and 12.5% in 2005, 38.9% and 26.3% in 2007, and 35.1% and 25.6% in 2008). This means that the growth of the Province's Trade in the 2000s was export-led growth, as was the case with H-R Trade. Such synchronization of the Province's Trade and H-R Trade can be explained by the higher proportion of H-R Trade in the Province's Trade (Diagram 1).

While the percentage of H-R Trade in the Province's Trade remained stagnant in the 1990s, it increased to 62% in 2007, from 46% in 2000, with the expansion of H-R Trade after 2000. The percentage of H-R Trade in the Province's Trade displays approximately the same changes in exports and imports in the 1990s; however, from about 2000, the export rate started to rise rapidly, while the import rate started to fall. Moreover from 2003, the H-R Trade percentage in exports of the Province's Trade came to exceed that of imports. From this fact, we discern that the development of the Province's Trade in the 2000s has been driven by exports in H-R Trade, and the increase in the Province's imports during this period was caused by an increase from countries other than Russia.

5. H-R Trade and the Economy of Border Cities

Trade dependence is an indicator that shows the relation of GDP with the trade of a country. The Province is not a country, but if the indicator is applied to the Province, then the percentage of H-R Trade in the gross regional product (GRP) of the Province has increased steadily from 1999 to 2007 (2.6% in 1999, 11.5% in 2007).^{xv} We do not

know clearly how exports and imports affected GRP of the Province;^{xvi} however, we can infer that H-R Trade has had a large impact on the economy of Chinese border cities because border cities which once were poor villages are now changing to modern cities thanks to the development of the tertiary sector (hotels, restaurants, taxis, trade services, etc.), due to demand from Russian customers, which is increasing the city's population. Many border cities where H-R Trade is conducted have received such benefits, but among them, Heihe and Suifenhe receive the largest profits. Table 4 shows the trade of Heihe and the increase in Russian travelers to Heihe. We find that, in Heihe until the middle of the 2000s, Hushi Trade between border residents was the key pillar of the city's trade. The number of Russian travelers reached 480,000 in 2008, and it is thought that these Russians had a large impact not only on Hushi Trade, but also on the tertiary industry in the city's economy. As for Suifenhe, there is no available time-series data on trade and the increase in Russian travelers, but in 2007, about 700,000 Russians visited the city, Hushi Trade amounted to US\$650 million and foreign currency earnings of the travel industry amounted to US\$124 million.^{xvii}

Conclusion

Under the People's Republic of China and the USSR, H-R Trade started in 1957, and it has developed through many fluctuations, especially during the 2000s.

The development of H-R Trade during the 2000s occurred as follows:

- 1) The rapid increase in H-R Trade until 2007 was mainly caused by an increase in exports of ordinary consumer goods, especially textile clothing and footwear.
- 2) The degree of contribution of Bianjing Small Trade to the increase of H-R Trade in 2001-2006 was very high, while Trade that started in 2007. That is to say, a key pillar of H-R Trade is Bianjing Small Trade, and general trade is an influential factor in the increase and decrease of H-R Trade.
- 3) As in total trade, Bianjing Small Trade is a key pillar in exports.

Importance of H-R Trade in the Province's economy:

- 1) Development of the Province's Trade in the 2000s was driven by exports of H-R Trade.
- 2) Some border cities, especially Heihe and Suifenhe, have flourished due to travel trade.

孟宪章主編「中苏经济贸易史」249p、黑龙江人民出版社、1992年

ⁱⁱ Ibid. 233

ⁱⁱⁱ Initially, Bianjing Trade involved no tax preferences.

^{iv} The term “border trade” is also used in Russia, but the system in Russia is not the same as that in China.

^v The relevant act provides that the Hushi Trade area must be within 20 km from the border and, as an area, distinguished from other areas, but Mishan, Hulin, and Luobei, etc., are 50 to 60 km from the border. In many cases, Russians prefer to shop in these cities rather than in the Hushi Trade area.

^{vi} In September 1985, the Chinese government issued the Regulations on the Opening of Trading Ports (关于口岸开放的若干规定). Trading ports called Kouan, which are constructed near sea or river ports, airports, railway stations or passageways, must be established inspection agencies (i.e., border security, customs, human health, animal and plant inspection services and goods inspection services). There are two classes of Kouan, the first class and the second class. Kouan of the first class are permitted and controlled by the central government and are open to third countries, while those of the second class are permitted by governments of first-grade administrations and are open to only local residents.

^{vii} 迟庆林「中俄边境贸易寻求新突破」东北亚论坛2001. 3

^{viii} <http://www.rian.ru> , 12-3-2009.

^{ix} <http://www.regnum.ru.news/989270.html> and

http://hohloma.biz/yurisprudenciya/news_2007-06-26-11-37-441.html

^x H-R Trade developed in 2008, but exports of the Province decreased. This differs from the foregoing development period when the development of H-R Trade was export-led, so in this paper 2008 is excluded from the development period.

^{xi} The industrial production index in 1994 decreased by 23% compared to 1993. This was the largest decline of the index in the 1990s, and the index continued to decline every year until 1998.

^{xii} General trade includes all trade forms other than Bianjing Small Trade and travel trade.

^{xiii} The rapid increase in H-R Trade in 2007 was due to the rapid increase in general trade. In this year, trade companies in the Province rapidly increased their exports through the customs offices of other regions. Of US\$10.73 billion which was the total value of H-R Trade, the value that passed through other regions' customs offices was US\$4 billion, and exports alone amounted to US\$2.88 billion, which is 10 times the amount of the previous year (of which, the value passing through Shenzhen customs was US\$2.42 billion (「2007年

黑龙江省对俄贸易运行情况分析」http://guandong_sub.customs.gov.cn/Portal/118/File10.doc).

^{xiv} From 2001 to 2007, the goods which occupied a very large percentage in imports of the

Province were equipment or goods necessary for production, such as machines and electrical equipments, timber, pulp and steel, etc. In 2009, the percentage of timber decreased significantly, but in its place, the percentage of oil increased. Though there was a change in the goods imported, imports were stable because the character of the imported goods, i.e., equipments or goods for production, did not change overall.

^{xv} These percentages are calculated by multiplying the percentage of H-R Trade in the total trade of the Province.

^{xvi} The relationship between trade and the national economy in one country can be thought of as a relationship in a closed space defined by the border. It is generally thought that exports consist of the country's products and goods imported are used for consumption inside the country or as goods for production in the country. However, in a region, all of the regional trade is not necessarily related to a local economy. For instance, goods exported from the Province are not necessarily produced inside the Province and goods imported to the Province are not necessarily consumed in the Province. The trade value of the Province is calculated from the Province's customs office data and is not necessarily related to the provincial economy. For instance, goods exported from the Province are mainly light industry goods such as textile clothing and footwear, and many of these goods are produced not in the Province but in other regions of China.

According to a report of the statistical bureau of the Province

(<http://www.hlj.stats.gov.cn/jjfx/ztfx/4829.htm>), the percentage of the goods exported by the Province in H-R Trade that are produced in the Province is about 20%.

^{xvii} 2007 年绥芬河市国民经济和社会发展统计公报 <http://www.suifenhe.gov.cn/>

Table 1: Barter Trade between the Province and Russian Far East(unit: million rubles)

	1957	1958	1959	1960	1961	1962	1963	1964	1965	1966	total
Exports	3	147.6	421.4	308.6	195.2	214.3	228.8	-	210.3	8.8	1738

Source: 『黑龙江省志·对外经济贸易志[235]』

Note: Because the values of exports and imports are the same, imports are omitted.

Table 2: Bianjing Trade of Heilongjiang Province with the USSR

	Total Trade		Exports		Imports	
	SFr10,000	US\$10,000	SFr10,000	US\$10,000	SFr10,000	US\$10,000
1983	1589.4	(749.1)	817.7	(385.1)	772.8	(364)
1984	2791	(1146.6)	1373	(564.1)	1418	(582.5)
1985	3255	1330	1593	651	1662	679
1986		1445				
1987	4757.7	2326	2466.8	1132	2290.9	1194
1988	19614	9529	11298	5194	8316	4335
1989	57047		33644		23403	
1990	71985		34397		37588	
1991	106417		52595		53822	
1992	207168	158976	106440	84609	100728	77760

Source: 「中国对外贸易经济年鉴」 each year. Figures in parentheses are from 「黑龙江省志·对外经济贸易志」.

Note: US\$ values are published the Swiss franc equivalent in the above sources.

Year	Total Trade of the Province			Trade with Russia									
	Total	Exports	Imports				Bianjing Small Trade			Travel Trade	General Trade, Etc.		
				Total	Exports	Imports	Total	Exports	Imports	Exports	Total	Exports	Imports
1993	32.9912	16.8653	16.1259	18.9344	8.4265	10.5079							
1994	24.2560	12.4130	11.8430	8.0082	2.9118	5.0964							
1995	23.8645	11.6641	12.2004	7.0265	2.1040	4.9225							
1996	24.4922	10.8210	13.6712	8.0257	2.0988	5.9268	2.3536	0.7073	1.6463		5.6721	1.3915	4.2805
1997	24.6298	13.0724	11.5574	7.9306	3.2954	4.6351	6.9909	2.714	4.2769		0.9397	0.5814	0.3582
1998	20.1047	9.0611	11.0436	6.6970	1.7583	4.9388	6.0661	1.2477	4.8184		0.6309	0.5106	0.1204
1999	21.9127	9.5023	12.4104	9.1670	2.3198	6.8427	7.7115	1.2016	6.5099		1.4555	1.1182	0.3328
2000	29.8620	14.5101	15.3519	13.7178	4.6499	9.0983	10.1365	1.4476	8.6889		3.5813	3.2023	0.4094
2001	33.8454	16.1218	17.7236	17.9891	7.7952	10.1938	10.9162	1.3306	9.5856	5.6613	1.4116	0.8033	0.6082
2002	43.4934	19.8770	23.6164	23.3268	9.7220	13.6046	18.5405	7.1003	11.4402	1.7327	3.0536	0.8890	2.1644
2003	53.2964	28.7456	24.5508	29.5505	16.3802	13.1703	21.3095	10.2399	11.0696	4.745	3.4960	1.3953	2.1007
2004	67.9204	36.8249	31.0955	38.2298	21.5352	16.6946	25.4014	12.568	12.8334	6.6898	6.1386	2.2774	3.8612
2005	95.7216	60.7202	35.0014	56.7643	38.3644	18.4000	36.8537	22.4534	14.4003	12.1419	7.7687	3.7691	3.9997
2006	128.5729	84.3642	44.2087	66.8693	45.3956	21.4737	46.521	30.5965	15.9245	8.6589	11.6894	6.1402	5.5492
2007	172.9858	122.6870	50.2988	107.2789	81.7047	25.5742	54.0529	35.1524	18.9005	11.8127	41.4133	34.7396	6.6737
2008	228.986	165.7389	63.2471	110.6314	79.7057	30.9257	55.7	34.2	21.5	13.1	41.8314	32.4057	9.4257
2009	162.2	100.8	61.4	55.8	32.7	23.1	34.8	21.3	13.5	10.2	10.8	1.2	9.6

Source: Figures for 1993-2008 for total trade of the Province, trade with Russia, Bianjing small trade and travel trade are from 「黑龙江省统计年鉴」 each year. Figures for 2009 are from 「2009年黑龙江省外贸运行情况分析」 published by Harbin customs office.

Note: The currency unit utilized in 「黑龙江省统计年鉴」 is US\$1,000, but to accord with the unit used in Harbin customs, US\$100 million is used in this table. The figures for “other forms” of trade in 「黑龙江省统计年鉴」 are treated as travel trade, despite the fact that “other forms” may include “processing trade,” etc., because for 2001-2005, “travel shopping exports” in another source material (“十五” 时期黑龙江省对俄贸易综述) corresponded to “other forms” in 「黑龙江省统计年鉴」 General trade, etc., is calculated by subtracting Bianjing small trade and travel trade from trade with Russia.

Table 4: Trade of Heihe City (unit: US\$10,000, %, 10,000 persons)

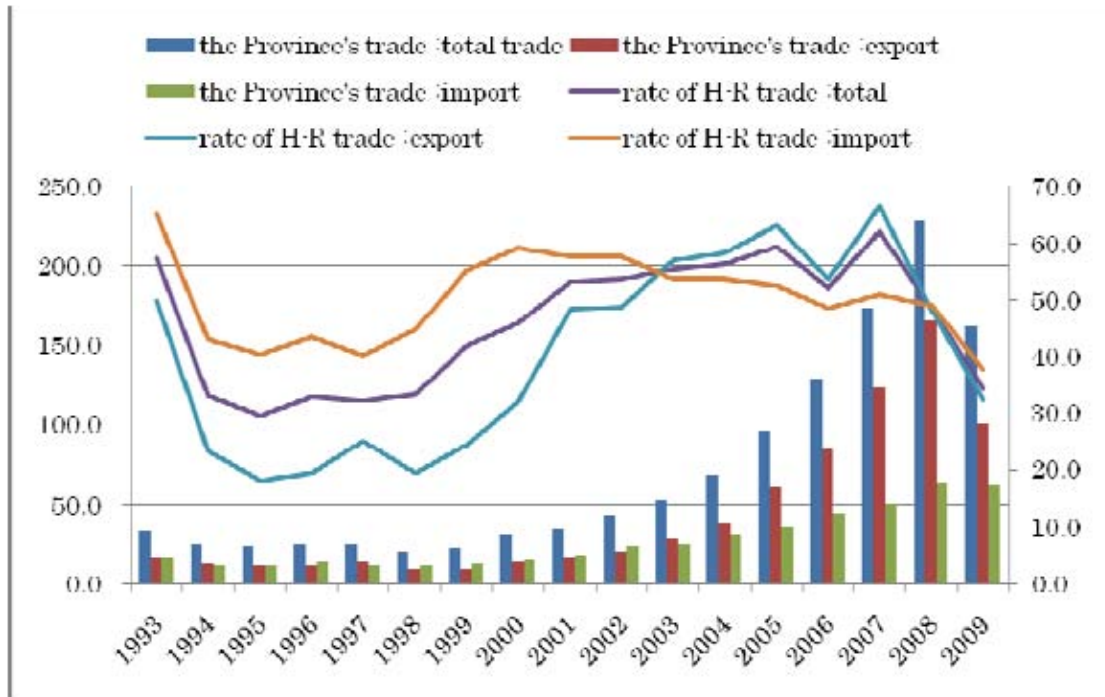
	Trade of the City	General Trade		Bianjing Small Trade		Hushi Trade of Border Residents		Russian Travelers
	Total	Total	Rate	Total	Rate	Total	Rate	
2000	14680	87	0.6	7095	48.3	7498	51.1	9.6
2001	12784	189	1.5	5230	40.9	7365	57.6	4.4
2002	14419	475	3.3	6060	42.0	7884	54.7	3.5
2003	10902	1061	9.7	6616	60.7	3225	29.6	
2004	28904	4771	16.5	11606	40.2	12527	43.3	14.9
2005	58292.8	17379.35	29.8	16625.97	28.5	24277.27	41.6	27.4
2006	158422.22	108324.26	68.4	18449.76	11.6	31532.33	19.9	36.5
2007	236422.83	151887.6	64.2	48064.63	20.3	36369.05	15.4	43.5
2008	290178.48	159952.32	55.1	108709.8	37.5	21377	7.4	47.8
2009	188736.16	121787.88	64.5	32381.24	17.2	33797	17.9	23.5

Source: Figures for trade of the city for 2000-2004 are from 「黑河年鉴」 and those for 2005-2007 are from 「黑河市对外经贸运行情况」.

Figures for Russian travelers for 2000-2002 are from 「黑河年鉴」 and those for 2004-2009 are from 「黑河市国民经济和社会发展统计公报」.

Note: In the original source, figure for 2000、2001、2003、 and 2005-2007 for “Hushi Trade” of border residents are published as “Hushi Trade” of border residents, while figures for 2002 and 2004 are published as private trade, and figures for 2008 and 2009 are published as “other form” of trade.

Diagram1: Changes in the Province's Trade and the Percentage of H-R Trade



Source: Prepared by author from the Statistical Yearbook of the Heilongjiang Province (「黑龙江省统计年鉴」), each year

Note: The left scale indicates the trade value (unit: US\$100 million); the right scale indicates the percentage of the trade form in total trade (unit: %).

Appendix: Trade Ports in the Province and RFE

Name of Trade Port	Administrative Territory		Status	Transportation Used	Person/ Goods
	China	Russia			
Mohe=Zhalinda	HP	AR	IN	Ship & Car	P & G
Huma=Ushakovo	HP	AR	IN	Ship & Car	P & G
Heihe=Blagoveshchensk	HP	AR	IN	Ship & Car	P & G
Sunwu=Konstantinovka	HP	AR	IN	Ship & Car	P & G
Shunke=Poyarkovo	HP	AR	IN	Ship & Car	P & G
Jiayin=Pashikovo	HP	JAR	IN	Ship & Car	P & G
Luobei=Amurzet	HP	JAR	IN	Ship & Car	P & G
Tongjiang=Nijini-Leninskoe	HP	JAR	IN	Ship & Car	P & G
Fuyuan=Khabarovsk	HP	KR	IN	Ship & Car	P & G
Laohe=Pokrovka	HP	KR	Bi	Ship & Car	P & G
Hulin=Markovo	HP	PR	Bi	Car	P & G
Mishyan=Turii Rog	HP	PR	Bi	Car	P & G
Suifenhe=Pogranichiny	HP	PR	IN	Car	P & G
Suifenhe=Grodekovo	HP	PR	IN	Railway	P & G
Dongning=Poltavka	HP	PR	Bi	CAR	P & G

Source: Agreement between Russia and China on Trade Ports on the Russian-Chinese Border, January 27, 1994 (Соглашение между правительством Российской Федерации и правительством Китайской Народной Республики о пунктах пропуска на Российско-Китайской государственной границе от 27 января 1994 г)

Note: HP=the Heilongjiang Province, AR=the Amur Region, JAR=the Jewish Autonomous Region, KR=the Khabarovsk Region, PR=the Primorie Region, IN=international, Bi=Bilateral, P=person, G=goods