

## Informal Economy of Translocations. The case of the twin city of Blagoveshensk-Heihe<sup>1</sup>

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### ABSTRACT

The article evaluates economic interactions between people in the adjacent border cities of Blagoveshensk (Russia) and Heihe (China). The article reveals the conflict between the development of translocality around the border of the two countries and recent Russian policy to strengthen the position of the nation-state.

**Key words:** economic practice, informal economy, translocality, translocal entrepreneurship, translocal guest workers.

### INTRODUCTION

China has devised a strategy to develop an 'open border belt' as a response to the problem of land scarcity. Since 1992, thirteen 'open border cities' including Heihe (Heilongjiang province) have been formed. Heihe sits on the Chinese-Russian border, right opposite the capital of Amurskaya Oblast (Russian province), Blagoveshensk. These cities can be seen as poles of growth in a process of cross-border agglomeration. At present, the population of the two cities exceeds the total population of all the other settlements on the Russian-Chinese border.

Economic interaction between residents of Blagoveshensk and Heihe constitutes a unique type of cross-border economy, which can be classified as informal and translocal. The *uniqueness* of this economy developed under conditions of economic reform, the economic depression of the northeastern provinces of China and the Russian Far East and the absence of developed market institutions. These gave birth to informal market institutions, along with rules and forms of control. The economy operated through the criminal, illegal, and semi-legal activities of people living on the borders. Their everyday interactions have given rise to a form of translocality, the rules of which are very different from the 'mainstream' laws of the two nation-states.

The frontier economies that can emerge on the borders of modern states lend themselves to various forms of theoretical analysis, and could, for example, be

studied in terms of the notion of 'transnationalism' (e.g. Rouse R. 1991; Goldstein S. 1985; Paasi A. 1996). However, there has been almost no research interest in the Russian-Chinese frontier economy, with a few exceptions: the anthropological work of Humphrey 2002 and Holzlehner 2006; the socio-historical research of Ivasita 2006 and Dyatlov 2000; and the historical and political works of Larin 2006. The topic has also been discussed in socio-economic research by the author (Ryzhova 2003, 2008).

The Russian-Chinese frontier economy and in particular the zone of Blagoveshensk-Heihe is an interesting subject for anthropological research. Firstly, its communities belong to what might be broadly considered two different civilisations and are socially and culturally distinct. Also, the Chinese and Russian border 'translocalities' are separated in a number of ways from the economic and political centres of their respective states. Secondly, although the border has acted as a barrier, in the last twenty years the local people have created a form of social symbiosis. Now the two economies are so closely interlinked that they would not be able to survive without each other.

My main argument is that the unique translocal informal economy is a product of the social life of the frontier region and does not conform to the vertical hierarchy of the modern organisation of the Russian social system.

The first part of this article describes the main theoretical background and research terminology used. The second part explains the economic characteristics of Blagoveshensk and Heihe. The third and fourth sections describe the typical economic interactions of the inhabitants. The conclusion discusses the empirical results in the light of social theory and current Russian discourse on the subject.

A few words about the sources: the bulk of the information was collected using high-quality, in-depth interviews with Russian and Chinese entrepreneurs and various experts (customs officials, bank clerks, representatives of the trade administration, and members of government agencies). The commercial experience<sup>2</sup> of the author has also been useful in understanding cross-border interactions. Additional material is drawn from local media sources, including *Vostochniy Courier*, which is published in Russian and Chinese. In studying business practices without quantifying them, I recognise that data derived through qualitative sociological methods need additional verification. For this reason, I also analyse official and other available statistics from Russia and China (e.g. V.I. Dyatlov & R.E. Kuznetsov 2004: 56–71; Ohtsu Sadayoshi 2002: 365–90; D. Kerr 1996: 931–57) and bring to bear the findings of other authors who have used quantitative methods (e.g. V.G. Gelbras 2004; G. Vitkovskaya & Zh. Zayonchkovskaya 1999: 80–120; V. Larin 2005; M. Alexeev 2002).

## TRANSLOCALITY AND ECONOMY

Thorough analysis of the actions of actors on both sides of the border, especially those aimed at overcoming the constitutional ambiguity resulting from the

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change of status of the border and economic changes in Russia and China, is helpful in understanding how new social and economic institutions have been formed and why the informal economy is thriving.

Because economic activity takes place on both sides of the border, the economy cannot function without people constantly crossing it and living for some time on the other side. In other words, economic activity is impossible without migration, the main purpose of which is to generate means of survival, but not to settle. Research on migration and the theoretical concept of transnationalism help to shed light on such conditions. This work suggests that instead of integrating themselves into the new cultures they join, migrants maintain links with their places of origin, engendering social fields that span geographical, cultural and political borders. They live simultaneously in the place from which they came and the place that receives them. Such migrants could be called 'transmigrants' (Glick Schiller et.al 2002). '... The numbers involved in transnational activities of different sorts – economic, political and social – can represent a significant proportion of the population of both sending areas and immigrant communities' (Portes 1997: 813). The types of employment undertaken by transmigrants range from experts in international organisations to employees of multinational corporations, from guest workers to big businessmen. Transnationalism is particularly noticeable in global cities, where there is a concentration of international institutions, which actively seek transmigrants (Sassen 1991). It is also present at national borders, where the passage of goods, information and people is intensified; for example, on the US-Mexico border and the frontiers of the European Union.

One can reasonably expect that forms of transnationalism look different on peripheral borders, far away from main economic centres. The Russian-Chinese border was closed and militarised just 20 years ago and divided economically underdeveloped regions. It divided people of different languages, cultural norms and practices, people with different memories of history, who now nevertheless interact with each other and constitute the migrational flows that regularly traverse the border.

Of course, small peripheral cities cannot attract the same number of international experts or highly qualified migrants as global cities do. Cross-border flows are determined not by global changes, but by active everyday cross-border contacts.

The phenomenon that has evolved under these conditions could be called translocality. The concept of translocality was first described by Arjun Appadurai, who defined it in terms of the relationship between locality and neighborhood (Appadurai 1996). Appadurai points out that locality is reproduced and constructed by people through their individual perceptions. Neighbourhoods, on the other hand, are real, living forms of social organisation, through which locality is revealed and realised. The nation-state is one of the principal social forms of modernity, and defines and forms neighbourhoods in many ways. Appadurai sees the modern nation-state as a project for the production of neighbourhoods of

'standardised citizens', through the use of disciplinary methods or violence. It increasingly obstructs the formation of neighbourhoods by localities themselves, from below. At the same time the integrity of states is threatened by increased flows of migration, information, and products across national borders. Appadurai views people's mobility as the basis for the development of a particular social form – 'translocality', which extends across state borders.

As I show below, the 'translocal' economy in the area I studied developed largely through entrepreneurial activity and to a lesser extent through the migration of guest workers (*gastarbaytery*). Using the language of Portes (Portes et al. 2002), they could be called 'translocal entrepreneurs' and 'translocal guest workers.' The activity of both groups was not restricted to local markets in each city. On the contrary, the market for goods, services and labour stretched beyond state borders.

#### BLAGOVESHENSK AND HEIHE: TWIN CITIES?

From the beginnings of Sino-Russian cooperation, Chinese authorities at all levels and Russian regional authorities placed a high value on the potential benefits of the development of the free trade zone of Blagoveshensk and Heihe, which is divided by the 750-mile long Amur River.

When cross-border economic relations began in 1992–1993, Blagoveshensk was the administrative centre of Amurskaya Oblast. Its population, according to the 1989 census was 205,500, about one fifth of the total population of the region. The majority of industrial production in the region was concentrated in the city. Fixed investments per capita in Blagoveshensk between 1980 and the 1990s were higher than the country's average.<sup>3</sup>

Before 1993, Heihe was a district city. In 1993 it gained the status of county capital, followed by two subordinate cities and three villages. The 1982 census shows that the population of Heihe was 66,000, less than 1% of the population of the province.<sup>4</sup> Industrial production was meagre and agriculture constituted the main sector of the economy.

In 1984, General Secretary Hu Yaobang said after his visit to Heihe, 'In the south – Shenzhen, in the north – Heihe, these are two wings which will help us to fly' (Larin 1998: 92). This optimism was linked to the fact that two cities closely neighboured one another, by contrast with the rest of the Sino-Russian border area, which was made up of villages. The commonly discussed project of a bridge over the Amur River would have constituted an effective administrative channel, adding to the positive image of the area (Alexandrova 2005: 166). These dreams did not come to fruition, however. Economic activity, primarily in the form of unregulated barter exchange, peaked in 1992–1993 (Kerr 1996). This was at a time when, after the collapse of the Soviet Union, international trade was subject to almost no government controls. Over the following years Sino-Russian trade declined and even the growth at the beginning of 2000 did not change this



FIGURE 1. Map of area bordering the Amur River.

tendency. At present, Amurskaya Oblast does not play an important role in trade with China, constituting officially less than 1% of Sino-Russian trade. On the other hand, more than 80% of regional trade is with China, of which the main site is the capital Blagoveshensk.<sup>5</sup> The value of the small city of Heihe for provincial exports did not alter or increase, unlike in Blagoveshensk. Just 3% of the exports of Heilongjiang province emerged from Heihe.<sup>6</sup> Nor did Blagoveshensk and Heihe become administrative centres. The volumes of freight passing through customs at the Blagoveshensk-Heihe border are miniscule compared to those of other crossings, such as Zabaykalsk-Manzhouli and Pogradichniy-Suifenhe.

There are two main reasons for the failure to develop economic cooperation between the twin cities: the Russian federal government's indifference towards the idea of a free trade zone and the economic underdevelopment of both Amurskaya Oblast and Heilongjiang province.<sup>7</sup>

Analysis of Table 1 shows that the migration volume of Blagoveshensk-Heihe is not significantly smaller than the volume for Pogradichniy-Suifenhe. The total migration at Blagoveshensk-Heihe customs is high for the country as a whole (approximately 19% of the total migration from Russia to China and 13% in the opposite direction). Also, the number of customs crossings by Russian

TABLE 1. Main Customs offices on the Russian-Chinese border (2006)

	<i>Migration dynamics</i>		<i>Volume of freight</i>	
	<i>people (thousands)</i>	<i>%</i>	<i>m tonnes</i>	<i>%</i>
Amurskaya Oblast (Blagoveshensk*)	564	19.6	0.3	1.03
Chitinskaya Oblast (Zabaykalsk*)	1730	60.0	21.1	72.76
Primorskiy Krai (Pogranichniy*)	590	20.5	7.6	26.21
Total	2884	100.0	29.00	100.00

*Source:* Ministry of Transport, regional statistics circulars

\* Main customs office on the Russian-Chinese border of the region

citizens<sup>8</sup> is almost four times higher than that of Chinese citizens. This, of course, strongly contradicts the concept of 'quiet Chinese migration', supporting a new concept of 'quiet Russian migration'. However, here both concepts are redundant, as the migration is the product of a fast-growing informal cross-national economy, constituted above all by *narodnaya trgovlia* (people's trade).<sup>9</sup>

Chinese specialists, bearing in mind the openness policy for chosen regions, were constantly seeking opportunities for the expansion of the economy beyond the country's borders. They acknowledged and supported *narodnaya trgovlia* and developed mechanisms to foster it. 'We should acknowledge the role played by the people's trade and the reasonability of informal economy. Of course, normal trade with Russia should be the main way to develop a trading relationship between the two countries. However, at present, a kind of unregulated trade constitutes the main form of trading cooperation between the two countries' (Pan Quanfu 2006). They suggested that tourist channels were used both by Russian and Chinese entrepreneurs. 'As shuttle trade (*chelnochaya trgovlia*) was characterised by easy formal procedures – no restrictions on freight, quick delivery, comparatively low customs duty, clear profit, and other features – all entrepreneurs of China and Russia primarily used this form of trade' (Li Hua 2006).

Chinese statistics take into account volumes of small border trade as a part of total trade, while Russian statistics do not. In 2004, Heilongjiang province's volume of small border trade with Russia was recorded as 2.5 billion USD,<sup>10</sup> amounting to 37% of the total external trade of the province.<sup>11</sup> The Russian Federation, however, did not 'notice' this 2.5 billion USD. 'Moreover, the entire external trade of the far eastern region of Russia with China as recorded in Russian Statistics appears even less than the figures for the small border trade given by Chinese statistics – just 2.2 billion USD.

As Russian policy was to decrease the informal sector of the economy and of *chelnochniy* (shuttle) business in particular, Chinese specialists started actively publishing works that emphasised that this type of trade had not only economic but social implications as well. 'The numbers employed in individual trade are huge, amounting to 4 million people involved in international freight. Abolition

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of 'grey customs' [see below] will have a profound effect on employment and can even lead to social unrest' (Li Hua 2006).

*Narodnaya trgovlia* meant no less for Heilongjiang province than for Russia and its regions. Nevertheless, Russia judged informal economy and *chelnochniy* business to be illegal and unregulated. It ignored the fact that small unregulated business constituted an important part of the regional economy.

We analysed data from the Central Bank of Amurskaya Oblast on balance transfers from the personal accounts of foreigners to Chinese banks. We found that this sector of the international informal economy accounted for no less than 19%<sup>12</sup> of the GDP of Amurskaya Oblast in 2006. Of this, 642 million USD was transferred from accounts belonging to the Chinese, 589 million USD was transferred to China and the total external trade balance was just USD million 124 (Simutina & Ryzhova 2007).

## TRANSNATIONAL ENTREPRENEURIAL BUSINESS

The types of services offered by transnational entrepreneurs included logistics, trade and catering, construction, industrial production (including forestry and agriculture), and mediation services.

*Logistics ('grey import channels')*<sup>13</sup>

If traders selling cheap consumer goods on the open markets of Amurskaya Oblast try to use official trading channels in the same volumes as 'grey channels', their prices will become uncompetitive due to the cost of official duties. To lower duties at the customs office one has to pass off the goods as being 'for personal use'. Russian citizens with international passports are hired for this purpose. Citizenship is crucial, as grey channels violate legal regulations. Russians find it easier to use these channels and 'strike an agreement' with the officials.

Let's describe how it works. For example, a seller needs to transport five hundred items from Heihe to Blagoveshensk. On average he can take five items of the same kind, declaring them as being for 'personal use'. To do this, he has to hire a hundred people, but it is difficult to control such a large number of 'straw men'. It is likely that some items will be 'lost'. To the sellers it makes more sense to deal with organised groups of 'straw men', who form informal firms with supervisors (*brigadir*) and carriers (*phonary*,<sup>14</sup> lit. 'lamps'), tourists who register the items under their names. The chief of the group is called a 'brick', (*kirpich*),<sup>15</sup> or camel<sup>16</sup> (the latter is more frequently used in Zabaykalsk, Kyakhta). Every 'brick' hires 5–10 'lamps' and carries full responsibility for their actions, paying for their travel expenses and living costs. These are the kinds of people who most frequently cross the border. People rarely cross the border every day now. There are two reasons for this, of which the first has existed from the beginnings of cross-national migration. Crossing the border requires financial means and time;

the river divides the cities, so people must board a ship in summer or a bus in winter, and there are two customs to pass through. The second is the restriction that came into being in 2006. A person without a visa could no longer travel more frequently than once a month. Previously, 'bricks' could travel to Heihe every day for business purposes.

**Case 1, female, 28.**

I started to work as a 'brick' because I was left with no means to live and had a baby. I have been in the business for 8 years, started it myself without using mediators. Just came to the Customs, asked an official: 'Can I come with the group?' – "Yes, you can ..." – I was lucky'. Her business included more than 80 Russians (people whom she can ask to join the group); she has several long-term business partners in Heihe. She is sure the business is getting more competitive and dangerous: 'Those newcomers, bricks, are *otmorozhennie*, (uncontrolled, lit. frost-bitten), morons. I was going with the group and they started to shout at my 'phonary': "Come with us, we'll pay more!" Still, she thinks that it would be very difficult to find another occupation. 'Where would I go? For 5 thousand [roubles]? Not at all! But to start a business I need money. What can I do? I do not know, I can't even imagine! I will continue until the end, until I can'. She undertook higher education by correspondence, but has no work experience to match her degree. She has entrepreneurial and organisational skills, but she does not know how or what type of business she can start.

**Case 2, male, 22.**

'At first I worked as a 'lamp', then as a 'brick' and then decided to work for myself. I started an informal business'. At that time he was studying at university and had financial problems. He was constantly aware that he was playing with the law and crossing the line: 'It's not simple. Even if someone catches me, I have no fear that they'll find smuggled goods. 10 people – that's scary, you have smuggled goods and you can go to prison. I have only five.' Right after obtaining his degree he moved to one of Russia's central cities.

**Case 3, female, 38.**

This woman works for a state enterprise where her salary is just above the minimum wage. She has a child studying in high school, and she is unmarried. She regularly works as a carrier, which provides her with additional income, the opportunity to buy cheaper goods, and a change of setting. 'Judge yourself; where did I travel to? I have forgotten. That was in childhood. Now I travel to Heihe, get some entertainment. They have good saunas there. I do not go to the hotels. Why should I spend money there? I get washed, have my nails painted, [have a] foot massage [in the sauna]. I could lie there for an hour, have a nap ... this is relaxing. My son needs a mobile, a coat. If I can't carry anything more, I can put it on [the coat](??AUTHOR CHECK-XXXXXXXXXXXXXXXXXXXX). Done'.

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*Trade*

Shuttle trade takes place on the Russian and Chinese sides of the border. Chinese people conduct all the business on Chinese territory; on the Russian side, both Chinese and Russians are involved. Chinese entrepreneurs often ask their Russian colleagues why they don't open offices in Heihe. Heihe provides tax breaks (Alexandrova 2005) and subsidies that are attractive to foreign direct investors. A number of economic zones have been opened: a free trade zone on the island of Daheihe, a highly technological export-orientated agricultural zone, a tourist zone, and industrial, logistic, warehousing and innovative technology zones.

Russian absence of interest in the Heihe economic zone might be explained by a lack of knowledge of Chinese business culture and practice or by informal obstacles put up by the local government (this is possible, as corruption still exists, but Russian businessmen would be accustomed to this). The main problem lies elsewhere. Currently, Amurskaya Oblast has practically nothing to offer to the Heilongjiang markets. Natural resources are traded through established channels in Russia. The region does not produce anything else which is needed by Chinese consumers. Moreover, the Chinese government, according to its priorities, has restricted certain types of start-ups on its territory. For example, one needs to obtain permission from the State Council of China to register a trading company in China and one must place a minimum investment of 65,000 USD in an equity fund. In Russia, you would need only 10,000 roubles (400 USD)<sup>17</sup> for the same purpose. So, Russian entrepreneurs view the border trade primarily as a means of importing goods from China (not just from Heihe). The administrative channels are identical for Russian and Chinese entrepreneurs.

**Case 4, female, 43yrs.**

A Russian citizen, from Blagoveshensk, trading in non-food consumer goods. She started by working as a shuttle trader in 1993. Together with a friend she undertook shopping tours in Heihe, bought small volumes of different items and then sold them on the market. At the beginning, items were highly varied but then she specialised in goods for children. She rented and later bought a market stall, hired staff and started to produce some goods in her own workshop. She also started to buy goods made in Russia. However, she still does not use official trading channels with China, and does not pay full customs duty. She transports some items by cargo and uses the services of 'bricks'. Naturally, she uses imported contracts to pay her Chinese partners.

Some markets are full of Chinese shopkeepers, but increasingly they sell alongside entrepreneurs of Amurskaya Oblast. Open markets are sometimes divided by ethnicity, although it is more likely to be organised by administrators, who decide who obtains a place where and for how much. In shopping centres a consumer might not know whose goods he is buying because the sellers that represent the shop are often Russians.

**Case 5, male.**

'I came to Blagoveshensk from Harbin in the 90s as a student. For some time I was controlling volumes (I(??AUTHOR CLARIFYXXXXXXXXXXXXX XXXXXXXXXXXX controlling export?XXXXXXXXXXXXXXXXXXXXXXXXXXXX) in two shop places. Then I understood that I could be completely independent, bought the goods, hired a Russian shop assistant and rented a place in the market. After graduating I tried to get permanent settlement rights but did not succeed. I registered as an entrepreneur but as the laws changed I used a phoney to register my business and got a warrant to trade and do financial transactions under his name.'

The erosion of the borderlines and the activities of transnational players have a direct impact on the business rules and economic competition practised in the retail trade of Blagoveshensk. This impact is felt by consumers (as they choose which goods and on which shore of Amur river to buy) and suppliers (as transnational informal rules offer the opportunity to save a good amount of money), and is manifest in the direct competition between resident and transnational traders. However, the main effects are revealed elsewhere. To use the language of A.A. Yakovlev, who analysed strategies of regional administration towards firms evading taxes, one might say that Amurskaya Oblast has its own internal offshore zone (or free informal economy zone). By turning a blind eye towards the distribution of unaccounted trade volumes in the transnational sector, they are in fact creating attractive conditions for capital inflows into the region. This capital, mainly in the form of investments into trading companies, comes from neighbouring Russian regions and from Chinese provinces.

*Catering*

It should be emphasised that there are very few Russian entrepreneurs who directly own businesses in Heihe. There are more of them in Harbin (capital of Heilongjiang province), but still only a few. There are a few cases of joint ventures between Russian and Chinese citizens; for example, in Heihe there is a Russian-Chinese confectionary shop, café, restaurant, and a number of Russian-Chinese hairdressers. It makes sense to run a joint venture, as Russian tourists are the main clients of these services. Russian owners stress the 'Russian' origin of the business and Chinese counterparts run the organisation 'in the shadows'. The latter know the local business environment. I know of only three Russian restaurants in Heihe. Meanwhile, there are more than a hundred Chinese restaurants in Blagoveshensk.

The proportion of Chinese restaurants to non-Chinese restaurants is about 7:3 in Blagoveshensk. Chinese restaurants [*kitayka*]<sup>18</sup> predominate because they can offer a meal costing just 300 roubles per person; some restaurants allow people to bring their own alcohol. A meal in a Russian restaurant, on the other hand, would cost no less than 600 roubles.

Chinese people do not own all the restaurants, but all the chefs are Chinese.

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There is no doubt that many of them have not been professionally trained. The restaurants are divided according to the type of the client. There are restaurants for 'masters of real Chinese cuisine' and restaurants for 'amateur Chinese food lovers'. There are cafes that are geared only towards the Chinese and some cafes that have been opened especially for the residents of Blagoveshensk. No one would stop people of a "different blood" (as people say) from coming into their restaurant, but the Chinese cuisine is not to the taste of most Russians, which prevents them from trying it.

**Case 6, female.**

She has lived in Blagoveshensk for fifteen years, leaving her family in Harbin. She gained the right to settle and is a successful businesswoman. Having started 'like everyone else' by trading on the market, she now owns two Chinese restaurants for Russians and understands how to get credit from the banks.

*Construction*

'Translocal' enterprises are involved in construction work not in Heihe, but in Blagoveshensk, where there are several kinds of companies involved:

- Foreign companies, officially registered in Blagoveshensk.
- Chinese companies not registered in Blagoveshensk (but registered in Heihe) but carrying out a whole range of construction services.
- Small Chinese construction teams (without any registration)

Official non-resident companies offer a full range of services, from establishing construction sites to the building of supermarkets, hotels and residential homes, together with the preparation of architectural specifications, appropriate budgeting and the provision of other documents. This kind of work is possible if a Chinese citizen gets settlement rights in Russia, which is rarely the case. But top management in such companies is mixed, constituted of Russians and Chinese alike.

The success of firms, especially those that are financed entirely by foreign capital, depends on the 'ability to build business relations' [A term used to mean the building of informal, corruption relations] with the official administration. One newspaper's interpretation was as follows: 'According to an unnamed source, 'Huafu' [see below] is having bad times. This is linked to the reshuffle in the city administration, which is responsible for cooperation with Chinese companies operating in the construction market of the capital of Amurskaya Oblast region. The mayoral administration is actively promoting the firm 'Udachastroy' (lit. lucky-build) which plans to build a luxurious residential site'.<sup>19</sup>

**The case of 'KSK Huafu Ltd'.**

This construction company has operated in Blagoveshensk since 1995. Since then it has built a hospital, high-rise buildings in Blagoveshensk, and a village for

miners working in the Erkovsky coal mine. The CEO He Ve-an has worked in Blagoveshensk for more than fifteen years ('I came to Heihe 1987 to work as a carpenter for a construction company. I saved some money and in 1989 started my own business'<sup>20</sup>). The staff of Huafu are Russian and Chinese. More than half of the top and middle management (many of them engineers, economists, financiers and vice-presidents) are Russian. The company is expanding its business in Russia and also works beyond the Amurskaya Oblast region<sup>21</sup>.

The business organisation of Chinese companies not registered in Russia is described below.

Construction companies of Amurskaya Oblast face a limited supply of labour. Employing Chinese on the site is not efficient, as they do not speak Russian and lack technical skills. A group of Chinese requires an interpreter and a manager. The solution to this problem is to hire a Chinese firm that carries out construction work. It is officially documented as migrant labour and the revenue of the Chinese firm comes from adding the declared salaries of the Chinese workers together, which is paid by the Russian company. Profits are garnered from the difference between the revenue and the actual wages received by the Chinese workers. It's obvious this can only happen due to wage differentials between Russia and China. The Chinese company gains additional income by seeking independent contracts and using 'temporarily unemployed' workers. One informant told me, 'The situation is like this. 200 workers come [on the contract], but 150 of them work on the site, for example. Others work elsewhere. We do not know where. We cannot supervise them, although we should'. 'But all the Chinese are registered as working for you?' I asked 'Yes, legally they are all working for us. All 200.'

There are small teams that carry out interior work, decoration and building on a small scale. They consist of people who have come to Blagoveshensk by other means.

As distinct from Russian teams, Chinese have no limit on working hours. They are paid the minimum wage, which no Russian will work for. Many informants judged them to belong to the lowest social strata, and that some were illiterate. The less legal the scheme, the lower the protection for workers and their wages.

### *Forestry and agriculture*

From the point of view of Chinese analysts, Primorskiy and Khabarovskiy Krai, Evreiskaya Autonomous Oblast and Amurskaya Oblast have great potential and could become the most significant agricultural producers in Russia. However due to lack of investment following the collapse of the Soviet Union, agriculture did not develop. Migration to other regions led to labour shortages, e.g. a shortage of field workers by 50%, a shortage of machine operators by 30%. Technical resources have been depleted, there is a lack of machinery, and one third of agricultural fields are not cultivated. Political measures and subsidies for agriculture

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aim at attracting Chinese agricultural producers. For example, local authorities can decide autonomously on contracts and fees for the lending of land to outsiders.

### **The case of the village of Krestovozdvizhenka**

With the help of the regional authorities, the village administration offered a piece of uncultivated land to the officials of Heihe for agricultural use. After considerable negotiation, the project came to life. They formed a team of twenty people to work on 650 hectares of land. The profits go to the Chinese, the taxes to the Russians and the rent payment into the coffers of the local administration in Amurskaya Oblast.

A Chinese newspaper commented: 'In the last years we have seen big agricultural companies from China and 'strong' individual peasants cultivating the land on the Russian borders. Representatives of 20 cities in Heilongjiang province are working in animal and plant husbandry, the processing of agricultural goods, and gathering/XXXXXXnatural produceXXXXX?????AUTHOR??????. The numbers employed by rural economies have reached 34,000. Each of them earns from 5,000–10,000 Yuan or even more. On average, the salary per worker is 12,000 Yuan. Total revenue raised by agricultural work in Russia exceeds 400 million Yuan. Some produce is processed and sold on the spot. This creates higher revenues and bigger profits compared to imports from China due to decreased levels of risk and the absence of customs duty'.<sup>22</sup>

Some awkwardness is always present, however: 'On 19 July 2006 Attorney of Ivanovskiy district filed a criminal case on ch.260 of the Criminal Code of Russian Federation against two Chinese citizens who illegally cut trees near the village of Nikolaevka. In total, they cut 37 trees, 35 black birches and 2 pine trees. According to estimates of the Environment Authority of Amurskaya Oblast the damage to the environment cost more than 12,000 roubles and is of considerable nature'.<sup>23</sup>

However, this looks like a 'show' case and not part of the standard practice of prosecution against illegal logging in the region. Quite the contrary, analysis of the sources (Sheingauz, A. 2004: 62; [www.forest-trends.org/resources/pdf/Sheingauz\\_rev.pdf](http://www.forest-trends.org/resources/pdf/Sheingauz_rev.pdf); Vandergert P., Newell J. 2003: 303–6; Katsigris E, Bull G.Q., White A. et al. 2004: 237–53; Crowley R.M. 2005; Boots S.R. 1997) reveals that wood logging not just technically illegal in the frontier regions (Amur, Khabarovsk and Primorskiy), it involves serious criminal practices. For example, wood logging is carried out without licences, or using forged licences, exceeding the agreed volumes and areas stated in the licence, cutting protected species in protected areas. Such logging also violates declaration rules for wood and timber exports.

The demand for wood and timber in China increased as a result of a state-run programme of reforestation and protection of forests.<sup>24</sup> This markedly changed business practices relating to wood logging in the frontier regions of Russia, making them less formal. Of course, the main flow of wood passes through two customs points – at Suifenhe and Manzhouli and also through the Mongol city of

Altan-Bulag (the city neighbouring Naushki of the Buryat republic) and not through Heihe (where there is no railway bridge). Still, Heihe is the fourth place through which the wood passes after the afore-mentioned and the third place after cities on the Sino-Russian border. Moreover, some wood processed in Amursk Region does not pass through Blagoveshensk-Heihe, passing through other customs instead.

It needs to be emphasised that informal economic activity in the form of wood logging involves both residents and foreigners. Exporters, both Russian and Chinese, design various illegal schemes: Presenting double and triple mediation agreements for export; buying and selling illegal wood and timber several times to be legalised through legal contracts; sending higher than officially documented volumes of wood and other materials.

A widespread scheme uses the same short-lived (*odnodnevka*) Chinese company as exporter and importer. It undertakes wood-cutting and transportation using the named informal schemes. The stated export prices are normally lower than world prices, lower than Chinese prices and sometimes even lower than the costs of wood logging (to minimise the profit tax). Such firms may be registered under dummy names, or Russian or legal Chinese migrants. Amur residents also participate in the informal economy by stocking wood in small quantities to sell on to Chinese mediators.

‘The Chinese also participate in the wood logging, violating Russian law and using Russian companies as mediators. For instance, ‘Rodnik Ltd’, registered in the passport section of the Home Office of the district fifty-nine invitations for Chinese citizens for business purposes. The inspection revealed that Chinese were engaged in wood logging in the Bureysky district. The same company applied for business visas for thirty Chinese to go to Blagoveshensk. The inspection found them involved in wood-cutting in the Verkhne-Bureysky district of Khabarovsk region. During the inspection in the Zeysky region, 102 Chinese citizens were found violating the labour law as all of them had business visas but were cutting timber’.<sup>25</sup>

### *Industry*

Until recently, Amur businessmen were actively exporting wood and timber, soya and scrap metal. The Chinese were also processing and exporting various natural resources either jointly with the Russians or under false identities. Very often stocking and exports in the Amur region involve violations of the law. For example, the analytical note on migration law practice in the region, issued by the Amur District Attorney’s Office, reads:

‘Stockpiling and export of non-ferrous metals led to increased levels of criminal activities among the residents of the region stealing non-ferrous metals. Every year we register 1000 cases of theft of items made from non-ferrous metals. Kilometres of electrical wires and cables are cut off, including those for military use. Often this leads to the closure of industrial production lines, energy short cuts,

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and traffic accidents. Every year this leads to twenty casualties. The scrap metal is then exported to China. Investigation of the case against Alexandrov revealed that Chinese entrepreneurs supplied electrical smelting furnaces. Alexandrov organised aluminium collection points and the smelting of the metal in the fifth building. He forged documents on the ownership of the metal and sent thirty-five tonnes of aluminium bars. The next shipment of twenty tonnes was confiscated at Customs'.

Chains of businesses involved in exports were often made up of individuals of one ethnicity, but Sino-Russian joint ventures are not uncommon.

**Case 7, male, 45.**

This man, who I shall call 'A', used to be a construction engineer, but was left jobless in 1996. The most attractive business at that time was the export of scrap metals. A friend who managed Chinese tourist groups introduced him to a couple from Heihe. They had the money and desire to do business with Russia. The woman spoke good Russian and subsequently represented the whole 'family' in Russia, while the husband lived in China. After negotiating, they decided to go into partnership and agreed on capital and profit shares. As A. did not have enough capital to start, his share in the profits is small (but bigger than an equity share, as the firm is registered under his name). They opened a stationary collection point for scrap metal, which was managed jointly. A. dealt with banks and customs, sometimes on his own, and sometimes with his partner. He never delayed financial transfers, although for them this was just a formality, to create the impression that export contracts were fulfilled. His profit share was increasing every year and he saved some capital, bought a new flat, car (he had sold his previous one to obtain money for the start-up). He learnt some Chinese, attending special courses and communicating every day with native speakers. The business partners frequently invited each other home. Although this business came to an end with time due to new regulations (they were dealing in soya beans), they have recently opened a new joint venture.

Chinese firms with 100% foreign equity engage in the production of construction materials, and wood processing. There are some small enterprises involved in gold-mining, coal-mining, window-making, etc. As usual, business is viable only with the participation of an interested Russian counterpart (e.g. an official, a person offering a false identity or a Russian partner).

**Example of a commercial offer**

A respondent described a typical business opportunity: 'A coal mining enterprise has a licence to extract 1 million tonnes of coal from the field in Amur region. The exploration field lies 65 km from Blagoveshensk (a Russian city opposite Heihe) and 7 km from the Amur River. Extractive coal reserves in the field amount to 291 million tonnes; total estimated reserves – 689 million tonnes, open pit. Exploration is not characterised by technical difficulties, is economically viable and profitable. The cost of extraction is 2 USD [per unit]. The enterprise would

like to consider the following types of business: purchasing equipment for making coal bars, the formation of joint ventures for the extraction and distribution of coal and coal bars, including export to China, the deep processing of coal and the sale of the exploration licence (or sale of the equity share)'.

Similar examples could be found in newspapers. For instance, an advertisement<sup>26</sup> concerning the selling of a wood-processing plant covering 2.5 hectares in the Amur region was printed in Russian and Chinese. In addition to the usual enumeration of property, it outlines the 'established relations with Administration and Forest Trusts of Blagoveshensk, Svobodny, Seryshevo...' and states that the advertiser guarantees 'help at the initial stages of the business, remunerated by a salary'.

### *Mediation*

The Chinese and Russian business practices described in this chapter constitute the informal translocal economy. But their work would be impossible without the mediators who act as middlemen and enforcers, brokering illegal agreements and helping to decrease the costs of business transactions. Mediators,<sup>27</sup> in other words, represent stationary market institutions in the world of the 'translocal' informal economy.

There are a variety of mediation services, of different degrees of institutionalisation:<sup>28</sup>

- Administrative mediators appointed by the state: for example, the state administration of Heihe has ordered the Huafu corporation to assist other Chinese sub-contractors to enter the Russian construction market.<sup>29</sup>
- Alternative companies offering mediation services: for example, a real estate company 'Window to China', which sells apartments in any part of China to Amur residents.
- Individual mediators: for instance, numerous Chinese assistants, [*pomogai*] who offer to find hotels, goods for trade or other services in Heihe, and Russians, who offer legal migration services, amongst others.

There are a variety of different types of service such mediators offer:

- Information collection: for example, information may be gathered on the prices of goods and services, the reputation of individuals and companies, and their strengths and weaknesses. The search is carried out using various sources including from the government, so the nationality of the mediator is not important.
- Advertising the client's services: until 2000, advertising was limited to personal contacts, the distribution of informational flyers and participation in various fairs. The Media started to participate at the beginning of 2000 and PR companies started offering their services on

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both sides of the border. Such businesses often involve representatives of various nations forming joint ventures (although the venture is rarely registered legally; usually it simply incorporates representatives working in other countries).

- The search for potential sub-contractors and getting them to work together: for example, a Chinese businessman wishes to purchase a business (the most commonly-bought enterprises are timber processing plants and coal mines). He approaches the appropriate organisation or agent (it could be a translation bureau, previous business partners, or Chinese entrepreneurs who have considerable social capital, for example). Or, in another example, a foreign company is seeking credit in a private Russian bank. Chinese (and local) firms can't always comply with bank rules on transparency and documentation. A bank employee can offer a consultation in such cases. This service is still the most important and most frequently demanded. The most important requirement is the trustworthiness of the mediator. Cases of fraud are not uncommon. Other important skills include languages, knowledge of laws, and business culture.
- Making agreements on behalf of clients or on the firm's behalf and the enforcement of agreements. These services are in good supply. Although both Russians and Chinese offer this kind of service, the enforcement and conclusion of business agreements is the prerogative of ones own country's residents.

Mediation services also vary by degree of legalisation and the transparency of the services offered. Some are fully legal and some are openly criminal. Legal mediators also offer informal services. For example, until the law regulating currency exchange came into being, Amur banks used their own schemes to transfer currency brought in by Chinese retail traders. The schemes were not straightforwardly illegal, but were designed to evade the law on currency transfers. Illegal mediators may offer services that, by common sense, should exist, but are illegal. For example, many residents of Blagoveshensk buying furniture in the free zone of 'Hushi' in Heihe then have to use informal channels to import them to Russia.

The resemblances between the following two cases are fascinating:

#### **Case 8, Russian, male.**

The professional education of this interviewee had enabled him to polish his Chinese to perfection. The first time he visited China was on a business trip before the liberalisation of economic relations. Business contacts were already emerging: 'wide informal contacts in China are everything', he told me. Now he owns a few businesses, including a machinery export business and a food exporter. Another important part of his business is helping businessmen on both sides to find partners and prepare documents. He has learnt about the legal systems of both countries over the years.

**Case 9, Chinese, male.**

This man was employed in an official jointly owned Sino-Russian enterprise. After it closed down, he had two options: either he could have left for China (effectively becoming unemployed), or start trading. His main business was trading metals. When new bureaucratic red tape came into force, he switched to timber for a while. Newcomers from China asked him for help as he already had considerable experience of doing business in Russia. He started to offer consulting services: he searched for potential partners, offered consultations on the evaluation and security of trade business, and on the declaration of goods, exports and balance transfers. As a result, he decided to work in mediation services, employment that provided him with his main source of income.

The above examples indicate once again, how Chinese and Russian economic practices can be seen to be similar.

## TRANSLOCAL JOB PLACEMENT

Heilongjiang and Heihe undoubtedly possess surplus labour resources; labour in Amur region and Blagoveshensk, on the other hand, is scarce. Therefore most translocal shuttle traders are Chinese.<sup>30</sup> Amur residents employed in China tend to gain highly skilled employment (with the exception of restaurant work), acting as representatives of Chinese companies dealing with Russian partners, and working as IT developers and interpreters.

**Case 10, male, 35.**

This man and his family live in Harbin. He owns a share of and supervises a Russian export business. He came to Harbin because Chinese partners offered him a job after his firm in Blagoveshensk went bankrupt. 'There are so many business schemes available there [in China]. I have time to work for them and for myself. I would not like to return; we'll see what happens later, of course'.

Russian graduates who speak Chinese travel to China seeking employment, though they prefer to settle in the more developed southern provinces. A number of examples of typical advertisements follow:

'Searching for a job in Beijing, fem, 23yrs, lived in Beijing ... Graduated from State University of Teachers in Blagoveshensk with degree in modern languages and a 'teacher of Chinese and English languages' certificate.' Another reads; 'Seeking a job in China. University degree in law, studied Chinese in China for 2.5 years. Speak very good Chinese. Live in Urumchi for the time being but willing to travel to any province. Worked as interpreter for 2 years'. A third: 'Searching for a job in China. Originally from Blagoveshensk, now live in Harbin. Fluent Chinese, basic English, good IT skills, excellent knowledge of geography, economics and work experience in the tourism industry! Would like to work in Harbin but willing to travel to Beijing, Shanghai. Personality – responsible, honest, goal-minded. Willing to consider any offer. Individual approach! Please call, don't be shy!'

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The number of Chinese workers is increasing both absolutely and relative to the Russian population every year. According to official statistics, Chinese workers constituted 0.1% of the labour market of Amur region in 2000, and 3.2% in 2006. However, there are many Chinese illegal immigrants who are not included in the official figures. They come on business visas but become illegal shuttle traders. Inspections undertaken by the Tax and Migration authorities revealed that 15% of employers concealed the numbers of foreign staff they had hired by failing to sign legal labour contracts with them.<sup>31</sup> However, this figure may well be even higher.

Chinese are employed in both Russian and Chinese firms as these examples illustrate: The Amur Metal Factory solved its labour shortage problem by employing Chinese shuttle traders. It offered accommodation, food and an interpreter. All labourers had professional training and learnt new machinery and business processes quickly. Many of them continued working in the factory for several years and travel home to see their families once a year (during the Christmas holidays). They send portions of their salaries home every month.

The Jan Sin Company (100% Chinese equity) was involved in brick production in Amur region for a few years. It employs 100 staff, all of whom are legally employed. And a third business that I call 'Firm N' prepares invitations for 'business purposes' for workers. The partner of the company recruits unskilled 'traders' (unemployed rural habitants), accompanies them on the journey to the work place (construction sites or timber factories), and helps them through customs. For security reasons, Chinese shuttle traders rarely make independent trips to the city, and these workers are not allowed to leave their premises.

A colleague, N. Sharmashkeeva, who lives in Ulan-Ude and works as an interpreter and mediator for Chinese firms, told me: 'There is a special type of mediator who specialises in Chinese labour supplies. Usually they work for the business in need (construction, agriculture, wood processing). The job of the mediator is to find a company in need of workers, find them in China and help them to get to Russia. The client firm prepares the necessary visa documents'. 'If there aren't enough visas, we always have other alternatives', an interpreter said. She worked for the mediator. 'We employ much larger numbers than those officially registered. Sometimes we bring in workers who have tourist visas' (Sharmashkeeva, 2006).

Illegal (and sometimes official) shuttle traders face appalling working conditions. Manual labour is predominant and health and safety regulations are ignored. Employees are required to work 12 hours a day or more, do not qualify for holiday or weekend leave, and are provided with accommodation in non-residential buildings. Catering facilities do not comply with health and sanitary regulations: chefs have no health and safety training, and there are no water or sewage facilities.

## TRANSLOCALITY AND THE CONFLICT OF INTERESTS

Comparison between the social and economic institutions that have sprung up in Blagoveshensk-Heihe and the institutions functioning in mainland Russia and, arguably, in mainland China, exposes the uniqueness of the former. Caroline Humphrey has commented on the development of various forms of trade and economic activities, noting: 'this process marks a fundamental shift in the way society is perceived to be organised. If the perception of tsarist times was of a vertical hierarchy, which was replaced by the Soviet pyramidal territorial structure, the recent shift is to a more horizontal, relatively egalitarian territoriality' (Humphrey 2002: 96).

Using the language of Appadurai, translocality evolves through the everyday activities of 'transit' groups that form the contemporary ethnic scene of the Russian-Chinese border. This leads, as argued by Appadurai, to conflicts between the evolving translocality and nation-states. State attempts to 'control' and 'dominate' translocalities are inevitable, processes that are illustrated by the cases discussed in this paper. The surge in informal economic activity in the early 1990s came to be 'suppressed' by the anti-migrational and anti-informal policies of the Federal State towards the mid-90s. Nevertheless, the genie of translocality escaped from the bottle. 'Translocal' economic activities adapted, transformed and developed rapidly. They still do not belong to the mainstream.

How does shuttle business survive if in the words of the Deputy Chief of the Russian Research Institute of Foreign Affairs Ministry (Zimin 2008) it represents 'absolutely evil, black economy and needs to be fought against'? Is it supported only by the financial interests of 'transit groups'? Obviously not.

The presence of Chinese traders in Blagoveshensk is valuable not only for themselves or other parties involved in business but also for Chinese provinces. 37% of external trade takes place through the small-scale businesses on the border. It is also clear that trade is also in the interests of Russian local authorities. Blagoveshensk collected 150 million roubles<sup>32</sup> from Chinese traders in 2002. Still, business is not usually officially documented. Business rules continue to change all the time.

For instance, in April 2002, market trading was restricted by an Order named 'On the regulation of trading by foreigners in the markets of Amursk region'.<sup>33</sup> The Governor reported: 'The idea behind this Order is simple. Money should go to the budget, not to pockets. Every Chinese must register. We are supposed to know of his goods, revenues, and profits. He must not come, sell under criminal supervision (*smotriashchiy*, lit. 'viewer'), protection (*krysha*,<sup>34</sup> lit. 'roof'), and leave after paying them the money'.<sup>35</sup> The order advised Chinese workers to enrol in a Russian firm.

Over the following two or three years Chinese used two methods: either signing labour agreements with companies that lent out their trading floors<sup>36</sup> or hiring Russians as shopkeepers and registering them as the rightful owners of the business. Afterwards as some legal concessions were introduced, many Chinese

returned to the old scheme and stopped using false identities. Nevertheless, 2006 brought a new Order, restricting foreign trading as from 2007.

City and regional authorities had to decide what to do with Chinese traders. They were contributing a large share of budget revenues as a local newspaper article made the following points. 'No-one doubted that federal initiatives would harm Amursk region, where most of the markets are Chinese. Ways to implement these policies are being sought. One of them would be to move the Chinese into supermarkets and shop centres. Soon they will open a shopping centre on the space of the Central Market of Blagoveshensk. Some foreigners could move there. Amur Fair offered 3rd and 4th floor of a supplementary building for rent. Interestingly, the Central Market will not have problems with the law. Chinese constitute 27% of shopkeepers there. There are 996 foreigners in total. They are all officially registered as working in the municipal enterprise called 'The City Business Centre' (CBC). The deputy head of the CBC Eduard Tikhonov stated that the Chinese pay rent and taxes dutifully, have passed all the necessary medical examinations and other tests. However, 'market' initiatives will hurt CBC too, once they come into force on the 1<sup>st</sup> of April'.<sup>37</sup>

As a result of the agreed actions and despite the regulation, Chinese trade on the open market, and in discount centres and retail centres. Local authorities 'play with the law' for financial reasons. They need money for the budget and to satisfy demand for goods and services, which cannot be satisfied by domestic production alone.

Corruption constitutes an important factor. Government officials of all kinds and members of the armed forces take their share of the pie. Despite frequent changes in immigration and taxation regulations, the Chinese are usually well aware of the law. However, they find the frequent changes annoying. An accountant who worked for a Chinese businessman commented: 'My chief was so angry when I told him about the changes ... that I need to find out about them, go to seminars. I was not sure whether he was angry with the government or me. When we had to pay a fine, I thought he would fire me. I was not responsible, and he realised this. However, he was on the brink of leaving. Once he left for a short time for China and I expected him not to come back, but he got calmer and returned'.

The ambiguity of the legal status of Chinese businessmen reflects the absence of a comprehensible set of policies on migration in the Far East. Settlement rights papers and visas are the main documents one may use to register a legal business. However, only a few Chinese have them. The Mayor of Blagoveshensk received a petition from the local attorney's office on account of the mayoral offices' registration of 525 Chinese citizens as individual businessmen without their having any settlement rights<sup>38</sup>.

It is difficult to obtain settlement rights due to the ambiguous legal status of shuttle traders and the existence of 'holes' in the law. As a result, translocal individuals can earn an income for themselves and generate additional revenue for the local economy.

An official reason for the difficulty of obtaining settlement rights would be that the federal government fears Chinese expansion and the uncontrolled inflow of migrants, despite the fact that the majority of research, like this, advocates against those fears, exposing them as myths. Such fears constitute a national tool to control the locality, which is organised independently from the legal mainstream.

Appadurai saw the construction of locality as going through a difficult period. Problems with cultural reproduction are caused particularly because locality is constituted at the local level. The disparity between societies (social formations) and locality (as a feature of social life) is not new in human history. What is new is the disparity between these processes and the discourse generated by the media about them

In the Russian Far East, the cross-border economy grew not only in Amur but also in Evreyskiy and Primorskiy Regions and even in Regions sharing no border with China. The empirical evidence tallies with Appadurai's findings, suggesting that despite sharing forms and practices, each translocality possesses unique characteristics. Discourses created by the media play an important role in this analysis. 'Border economies entangle bodies and commodities on both material and conceptual levels. Chinese commodities and economic activities shape local perceptions as the experience of local Russians with migrant workers from China is mediated through encounters at open-air markets and regular shopping sprees to neighbouring China. Xenophobia in Primorskiy region is a product of the border experiences of the local population, both in terms of personal involvement in cross-border trade and as recipients and consumers of commodities originating in China ... Chinese labour migration into the Russian Far East is perceived as a threatening consumption of one's own land, population, and resources. The other, the stranger, and the foreign trader are perceived through the commodities with which they are associated. Xenophobia attaches itself to commodities, which in turn acts as a catalyst for negative perceptions of cross-border flows' (Holzlehner 2008: 33).

Other authors also point out the existence of xenophobia, and domestic xenophobia in particular. Holzlehner's conclusion that xenophobia is 'a product of the border experience of the local population...in terms of personal involvement in cross-border trade' is exciting, but must be examined in relation to Blagoveshensk. Although Amur's population has no less experience of cross-border trade, research has found almost no evidence of xenophobia. Quite the contrary, the interethnic situation is judged by experts to be 'soft and balanced'. Why? I would suggest that local authorities have traditionally been soft and balanced in their dealings Chinese businessmen (Larin 2006: 256–68), and that the Media took the same attitude as the authorities.

It should be noted that non-local (federal) media sources tended to describe Blagoveshensk as 'Chinatown', i.e. a city with a different culture. *Izvestia* for example noted that: '10 % of Blagoveshensk residents are Chinese. Widespread criminal activity comes in the form of labour and immigration law violation

according to the Amur regional Home Office'.<sup>39</sup> A local information agency reported that 'A Chinese set up a fake bank in Blagoveshensk'.<sup>40</sup> All the residents of the district have got used to the fact that 90% of economy is controlled by Chinese business??AUTHORXXXXXXXX ???it was claimed???XXX XXXXXXXand for example, another information agency reported that the 'Numbers leaving Blagoveshensk to become illegal migrants in the Chinese city of Heihe are on the rise'.<sup>41</sup> These media extracts exaggerate the Chinese aspect of Blagoveshensk, overstate some of the facts and figures. The city appears particularly *inconceivable* and *strange* for inhabitants of other Russian cities.

Journalists from the central cities use especially strong language to portray Blagoveshensk as an 'alien' city: 'If Saint-Petersburg is a window onto Europe then Blagoveshensk is a wicket gate to China ... a village of Heihe which sits right opposite Blagoveshensk has grown to a city in fifteen years. One should not view it as a traditional Chinatown. Heihe is a normal city that every southern Chinese would call Russian. The real Chinatown is hidden not on the Chinese but on the Russian shore of Amur. Almost all the signs in Blagoveshensk are duplicated in Chinese. It is easier to buy Chinese starch noodles in Blagoveshensk than kebab in Moscow. One has a feeling that everyone there uses chopsticks. When we asked for forks in a café the waitress looked at us as if we were barbarians. Russian food is rare here. As it is so expensive, only Chinese businessmen go to Russian restaurants'.<sup>42</sup> It is likely that journalists were so sure of their story that they 'knew where to look before actually looking'.

Some experts agree with them: 'Places characterised by Chinese ghetto living appeared in Russia recently, at least in the bordering regions. Chinese supplied Siberia and the Far East with cheap foods and products of ambiguous quality during the years of shortages that followed *perestroika* (transition). **Chinatowns** (my emphasis) are places for trade. Nevertheless they possess some negative features, including criminality ... Chinese markets in Russia exert social pressure'.<sup>43</sup> These were the words of Sergey Louzianin for the *Utro* (lit. 'morning') programme broadcast on the BBC Russian service. Mr Louzianin is the President of the Oriental Studies Support Foundation and a Professor at the Moscow State Institute of International Relations (MGIMO)

Many experts imagine closed segregated (if not ghetto) spaces for Chinese migrants to live and work in the city: 'On the other hand, one needs to consider examples of activities happening in the Far East region of Russia. For example, the regulation of disorganised trade. These laws, often not accepted as just but still enforced in fact were aimed at isolating the Chinese diaspora from trading and other business activities. This practice was widespread in regions with active cross-border trading e.g. Khabarovskiy Krai and Amurskaya Oblast. For instance, the Chinese market in Khabarovsk sits, just as in Blagoveshensk, on the outskirts of the city. Chinese entering Russian territory and society remain behind certain walls raised by administrative processes'.<sup>44</sup>

Chinese market stalls and shops do not operate in the suburbs but sit right in the city centre of Blagoveshensk. Implementation of the new law restricting for-

eign trade brought changes to the organisation of space in the city, but no one in our city expects the eviction Chinese traders to the outskirts.

Experts and journalists seem to deny any debate on the existence of Chinatowns in border cities and villages. My research (Ryzhova 2008) and experience prove the absence of physical Chinatowns (as a place in the city) in Blagoveshensk. There is a widespread image of 'Blagoveshensk-Chinatown' that does not in fact exist in the city itself. Analysis of regional newspapers of 2006–2007 reveals only a single example of 'Chinatown' to describe an actual place where Chinese migrants live or work. 'Few were pleased when Pionerskaya street was blocked so that Chinese shop keepers could put stalls there' the article reads. Such a Chinese 'Arbat' (pedestrian zone) caused irritation. A glimpse of hope that the street will preserve its previous appearance was brought by the Order, issued by the Attorney's Office, to close down the 'Chinatown'.<sup>45</sup>

The national media uses the image of 'Chinatown' to cause anti-Chinese feelings and to raise xenophobia. Yet, transmigrants, local authorities and population have no reason or desire to build barriers across the city space. There are no spaces geared exclusively towards Chinese residence. As one interviewee put it 'Why would they need this? If there is a big problem – he will callXXXXXXXXAUTHOR?????i.e. one can use the phone to contact a business associate)???XXXXXX. They can come from a city, like Heihe, in two hours. Who needs this segregation?'. XXXXXXXXXXXXAUTHOR?????There is, rather, a pattern of diffusion of Chinese residentsXXXXX?????, with higher concentration around working sites. Arguably, particular sites with higher concentrations of migrants will be formed only when the authorities force their introduction.

#### FINAL REMARKS

I have noted three forms of conflict: between the interests and laws of the federal government and the interests of the local administration and its regional policies regulating the business of Chinese traders; between federal and local discourses on Blagoveshensk and 'Chinatowns', and between levels of xenophobia in Blagoveshensk and rest of Russia, including regions closely involved in Chinese immigration and an export flows. These tensions expose the inconsistency between the proclaimed federal policy to build a vertical, hierarchical structure for modern Russian society and the existence of translocal economy that has emerged as a product of social life on the peripheries.

#### NOTES

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<sup>2</sup> She worked as a clerk of the currency department in a commercial bank and as a business consultant.

<sup>3</sup> *Amur region of Soviet era*. State Statistics Committee of RSFSR. Statistics authority of Amur region, Blagoveshensk, 1988; *Comparative study of social and economic data of districts in the Amur region*, Blagoveshensk, 1996. Population of Blagoveshensk was 212,500 people in 2006 i.e. no change compared to the pre-transitional period

<sup>4</sup> China 1982 population census data assembly. [www.chinadatacenter.org](http://www.chinadatacenter.org). The population of Heihe grew in this period by 2.7 times to be 188,000. in 2006.

<sup>5</sup> *External trade in Amur*. Amurstat circular. Blagoveshensk, 2007.

<sup>6</sup> *Main indicators in cities at prefecture level*. [www.chinadatacenter.org](http://www.chinadatacenter.org).

<sup>7</sup> The share of Amur GRP in GDP of Russia was 0.59% in 1995 and 0.5% in 2005. Figures from Heilongjiang showed the same dynamics – 3.4% \_ 1995, 3.0% – \_ 2005.

<sup>8</sup> The following figures are helpful here: The resident population of Amur region was 888,100 people in 2005. The population of Blagoveshensk was 217,500 and the absolute number of people crossing the border was 362,000. Source: Tourism in Amur. Blagoveshensk. Amurstat, 2005. The population of Heilongjiang province was 3,768,220 in 2005. Heilongjiang has a bigger territory than Amur region and has several customs offices. Therefore I use the figures of Heihe (which includes several villages): population – 1,640,100. The population of Heihe (sometimes called Aihui) itself is 176,200 (The China Data Center at the University of Michigan. <http://chinadatacenter.org/>). The number of cases crossing through customs was 115,100. Therefore, the number of crossings per person in Blagoveshensk was 1.67 and in Heihe just 0.65

<sup>9</sup> People's trade is the distribution of consumption goods using informal tourist channels (i.e. through the 'people'). This implies either complete avoidance of or lower customs duties. In Russia, it is called shuttle trade (*chelnochnaya trgovlia*).

<sup>10</sup> *Heilongjiang statistical yearbook 2006*. [www.chinadatacenter.org](http://www.chinadatacenter.org)

<sup>11</sup> Chinese average is less than 1%: *China External economic statistical yearbook, 2005*. [www.chinadatacenter.org](http://www.chinadatacenter.org)

<sup>12</sup> The figure of 19% is the lowest estimate, as it is clear that bank transfers made only a part of total volumes.

<sup>13</sup> 'Grey import channels' and 'shuttle business' were not invented in Heilongjiang and Amur. They became traditional for Russia and Eastern Europe in 1990–2000. Major research on these was done by HSE University, e.g. Yakovlev A. A. et al, 2007; Wallace C. et al. 1999; Sik E. et al. 1999.

<sup>14</sup> This word originates from the fact that the person supplies his passport as if for 'tourism'. He is not responsible for anything. The Russian saying, 'do phonarya' (lit. to the lamp) means 'he does not care'.

<sup>15</sup> This word could have been born when people involved in this business had to carry very heavy luggage (as if full of bricks).

<sup>16</sup> The word implies the camel's task of carrying heavy bags.

<sup>17</sup> However, Chinese businessmen estimate real expenses higher by USD 3000. 'These are not official levies. Many businessmen could not cope with the high price of bribery. In addition to customs duties, one needs to spend three thousand dollars to prepare all the necessary documentation and for other needs. The Chinese would never leave Russian Far

East', stated the editor of the newspaper *Vostochniy Most*. (Huelin, 26.04.2007. RIA Deita.RU).

<sup>18</sup> This is a widespread name of Chinese catering. 'Where shall we go to? To Kitayka? We have not been in kitayka for a long time.'

<sup>19</sup> «Huafu» will finish the 'skyscraper' / Amurskaya Pravda, a newspaper, 21 March 2007.

<sup>20</sup> *Blagoveshensk and Heihe: in the same direction* / Amurskaya Pravda, 9 August 2007.

<sup>21</sup> *Analysys of the commercial property market of Tula*. <http://www.investor.kirov.ru/analit/detail.php?ID=2075>

<sup>22</sup> *Development of agriculture in Heilongjiang province* / <http://www.chinazone.ru>

<sup>23</sup> Amur regional Office of Attorney / [http://www.prokamur.ru/news/2006/july/270706\(2\).html](http://www.prokamur.ru/news/2006/july/270706(2).html)

<sup>24</sup> The Chinese government made the order to 'cut overseas, process in China, sell overseas' and efficiently proceeded with the task.

<sup>25</sup> Amur District Attorney's Office *summary of laws on immigration. Russia and China: legal and socio-economic aspects* (the case of Amur region). A manuscript.

<sup>26</sup> *Vostochniy Courier*, newspaper No. 34, 15 Sept. 2006.

<sup>27</sup> 'Entrepreneurs starting a business with the Chinese seldom speak their language. Knowledge of the language is necessary not only to understand the speech, but also to understand the traditions and laws. Russians, just like the Chinese, do not know the laws and never worked in trade. They do not know where, what, supply, demand, i.e. the structure itself, the inexperience drives people towards dead-end: what to do and how' (Interview with mediator, 2002).

<sup>28</sup> I used classes proposed by R. Kokorev in *Mediation as an institution of the market in transition*. M., 1993: 27–28.

<sup>29</sup> «April the 3<sup>rd</sup>. National Government of Heihe. «Huafu corporation was given a task to help other Chinese sub-contractors to enter the Russian market. Construction volumes should reach 200 ths. sq. m. And numbers of Chinese migrants employed should rise (<http://www.chinazone.ru/i/cont/hh.htm>)

<sup>30</sup> Still, some staff could be using their identities to build 'grey import channels' (see chapter on logistics and grey import channels).

<sup>31</sup> Press office of the Financial Tax Authority of the Amur region / Amurskaya Pravda, 23 October 2007.

<sup>32</sup> *Blagoveshensk*, a newspaper, 22 March 2002.

<sup>33</sup> Amurskaya Pravda, a newspaper. *Blagoveshensk*, 29 December 2001.

<sup>34</sup> *Smotriaschiy, krysha* – words well known by Russians and related to the discourse of the 'forced business' and racket.

<sup>35</sup> From an interview with Korotkov / *Blagoveshensk*, 17 May 2002.

<sup>36</sup> In addition to the renting agreement, they started to sign labour contracts, which should have covered the minimum wage paid by the lending agents.

<sup>37</sup> *Amurskaya Pravda*, a newspaper. *Blagoveshensk*, 2 December 2006.

<sup>38</sup> Amur District Attorney's Office summary.

<sup>39</sup> *Yellow on white* / *Izvestia*, M. March 2003 / (<http://www.izvestia.ru/russia/article31210/?print>)

<sup>40</sup> *A Chinese set up a fake bank in Blagoveshensk* / Regnum information agency, July 2005. (<http://www.regnum.ru/news/489373.html?forprint>)

<sup>41</sup> *Blagoveshensk moves to China* / Deita.ru. Regional information agency, 23 November 2006. (<http://www.deita.ru/index.php?news,2006-11-23,6,7,75608>)

<sup>42</sup> *Galloping through Russia -4* / Electronic media or Russian Rail. November 2006.

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([http://www.rzd.ru/wps/PA\\_1\\_0\\_M1/ChamUserServlet?vp=9&STRUCTURE\\_ID=2&layer\\_id=459&id=52894](http://www.rzd.ru/wps/PA_1_0_M1/ChamUserServlet?vp=9&STRUCTURE_ID=2&layer_id=459&id=52894))

<sup>43</sup> Leder Yan. *Chita may get its own Chinatown*/ BBC Russian Service. July 2006 ([http://news.bbc.co.uk/1/hi/russian/russia/newsid\\_5149000/5149518.stm](http://news.bbc.co.uk/1/hi/russian/russia/newsid_5149000/5149518.stm))

<sup>44</sup> *Neighborhood with China gets a new makeover* // Expert channel 'Open economy'. October 2005. ([http://www.opec.ru/comment\\_doc.asp?d\\_no=58055](http://www.opec.ru/comment_doc.asp?d_no=58055))

<sup>45</sup> *Chinese quarters in Pionersky are closed* / Komsomolskaya Pravda na Amure, Blagoveshensk, 15 June, 2007.

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