

**Post-Cold War Demilitarisation and “Korean Trading  
Diaspora” in Vladivostok : the Past and Present**

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## Abstract of the Thesis

This thesis will examine historical changes of Asian traders in Vladivostok from the mid nineteenth century up to the present in the 1990s. The city was a military post, forbidden to foreign traders under the Soviet regime. The duality of cosmopolitanism and militarism determined the city's history either with an open border economy or a closed militarised economy. With Stalinism in the 1930s, system of "war-making" socialist state (hereafter, WMSS) destroyed the cosmopolitan nature of the city. Vladivostok was cut off from East Asia and became a recipient of the state subsidies and a power base of the centralised control to maintain military and border guard deployments. Stalin deported Han Chinese and forcibly relocated Koreans to Central Asia due to Stalin's belief in Asians' secessionist conspiracy in the Soviet Far East. In 1992 and onwards, the city was opened again, and Chinese citizens entered the city as traders, though their number is little known.

The thesis will explore links between the dismantling of the WMSSs system (in the Russian Far East and Northeast China) and the reappearing Chinese Korean traders (traders with Chinese citizenship of Korean decent) in the city. A primary research in this work is an original fieldwork 1995-96 which took place in the Chinese Market in the city. The thesis will discuss through its findings a reason for reemergence of Asian traders in the city. Major questions are : (1) what is a link between transformation of the WMSS system under the post-Cold War demilitarisation and impact on the city especially, demography, as seen in the reappearance of Asian traders, and (2) the decline of the former system of a militarised economy and the rise of a hypothesised "Korean trading diaspora".

It will be argued that declining of the former system caused effects in three dimensions :

- (1) state's retreat in "demographic engineering" to protect its homeland from an influx of outsiders,
- (2) casualisation of centralised state distribution and
- (3) casualisation and tertiarisation of state employment.

With the disintegration of the former system, the state's system of compensation and

subsidisation of peripheral settlements retreated in the periphery. The rise of ethnic “merchant capitalism” in part replaced the former system of centralised state distribution and employment. With readjustment of distorted economic structure (bias towards heavy manufacturing) and a rise of consumer market, shift in import sourcing of clothings and textile products caused the reemergence of Asian traders in Vladivostok. The former system used to provided the population in the two regions (the Russian Far East and Northeast China) with job guarantees and essential consumer products for living. The dismantling, however, produced decrease in opportunities for state employment, and increase in private trade and other casual jobs in order that individuals should gain alternative or supplementary means of income for economic survival (a rise of a “bazaar economy”). It is under this retreat of a militarised economy in the three dimensions at least partly that people in the two regions gained access to incomes and to consumer goods and services, and this situation generated some kind of trading diaspora, and hence, influx of Asian traders into the city.

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On Easter

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## NOTES ON TERMINOLOGY AND DEFINITIONS

The terminology used in this thesis will be as follows.

### [ 1 ] “Autarky”

Autarky is defined as a strategy of WMSSs to prevent movements of people, commodities and capital across borders under border controls of human traffic, state monopoly of foreign trade, inconvertibility of home currency, etc to maintain relative self-sufficiency by resisting penetration of foreign goods, capital and people (see Chandler A 1998 p. 44)

### [ 2 ] “Private Trader”

A “private traders” is a vendor at a bazaar, who facilitates *ad hoc* exchange of goods and services for profit outside the official distribution system, and emerged in the process of reform of the centrally planned system of the “war-making socialist states” (WMSSs) in NEC and the RFE (McGee T G 1970 p. 10 ; McGee p. 23 ; Hodder R 1993 p. 86). The social role of private traders is important as a safety net for the disadvantaged who are placed under an economic insecurity due to a decline in formal state employment and an occupational flexibility. Here, it is considered as a group of individuals, families and others (with a unit of operation being often fewer than 7 employees) searching for outlets for commodities, sources of supplies and opportunities to establish and expand retail businesses in their country of permanent residence or beyond. In Chinese terminology, “private trader” is used, meaning technically a person working in a unit of business operation with 7 employees or less (whereas “private enterprise” means a unit of business with 8 employees or more) (Hodder R 1993 pp. 86 - 7). Definitions used in this work excludes trading firms which legally register their business operations with Russian local authorities. Service traders such as immigrant contract workers selling their labour services

are also excluded from the research. The term is used throughout the thesis, either in full - “private traders” or shortened to “traders”.

### [ 3 ] “Chinese Citizens” and “Ethnicity”

A “Chinese citizen” refers to a passport holder of the People's Republic of China (the PRC). “Chinese citizens” are differentiated from “the Han Chinese”, who comprise about 90 percent of the population of China. The former includes any passport holder whether of Korean descent or Han. Regarding the official status of such people in Russia, our interest is simply traders who are Chinese citizens, and they are not necessarily recorded in the official alien registration (Larin V L 1994 ; *Vladivostok* 1 October 1994 ; *Vladivostok* January 6 1996 ; Moltz J C 1994 pp. 16 - 18 ; the Economist March 25th 1995).

The statistics of the number of Chinese citizens in Russia are chaotic and confusing, and are often cited in an exaggerated manner because : (1) the data does not differentiate between the number of persons coming to Russia to stay for a certain period, and the number of entries from China to Russia (the repeated entry of the same Chinese citizens into Russia, say 5 times, may be treated by compilers and users of the statistics as the entry of 5 Chinese citizens. Indeed, a large number of “ shuttle traders ” (*chelniki*) go back and forth over the border and the number of immigrants tends to be exaggerated), (2) the data does not divide immigrants from China into categories such as traders and contract workers, and (3) the official statistics do not record the real number of border-crossings by Chinese citizens due to much illegal cross-border movement. In this thesis the number of traders from China into Russia will be treated as the number of entries in flow to Russia, despite the difficulties in distinguishing between the case where the same person crosses the border many times and the case where a person comes to settle at a given place in Russia for some period. Unless it is indicate meaning of the latter (stock of contract workers), it means the former meaning (flow of traders).

## **[ 4 ] Terms for Informal Economic Activities**

### **( 1 ) “Unofficial Economy”**

The “unofficial economy” here is defined as a set of income-generating activities, unregulated by the state, such as retail services or other services related to basic human needs (food production, clothing, shelter, medical services, etc.). The “unofficial economy” thrives in an unregulated manner in post-socialist society, especially in services which had been long neglected by the former socialist war economies (e.g. the Soviet and Mao’s Chinese regimes).

### **( 2 ) “Immigrant Economy”**

An “immigrant economy” is an economy of an ethnic group having external economic links to a homeland such as in recruitment, remittances and commercial distributions (Kaplan D H 1997 pp. 214 - 33 ; Bater J H pp. 129 - 31 ; FEER May 21 1992).

### **( 3 ) “Ethnic Network”**

An “ethnic network” is defined as a distribution system among members of a group with perceived “common ethnicity” and cultural heritage to supply, (1) labour inputs, (2) business information (e.g. most suitable items to trade in, techniques of distribution, smuggling know-how), and (3) cash or credit for establishing business capital and revolving funds (Light I and Bhachu P 1993 pp. 36 - 7 ; Massey D S 1990).

### **( 4 ) “Diaspora”**

“Diaspora” means a set of scattered ethnic communities (including a home country), and a pattern of interactions between separate communities in order to restore the traditional interrelationships of these transnational communities, prior to their separation. The thesis focuses particularly on interrelationships between groups which were formerly cut off from each other by the political barriers under the Cold War. However, while the interdependence of the RFE with NEA countries has still a long way to go in globalisation under the Cold War legacy, “diaspora” of ethnic business networks is infiltrating the increasingly porous border. A trading “diaspora” mediate and coordinate an elaborate

system of exchanges and interactions of people, flow of commodities, information and finance, thereby linking immigrants, former migrants and their descendants and non-migrants into a system of organised economic activities and transactions. Immigrants already settling in a host country sponsors further migration of families, relatives and friends. A migration chain reproduces interactions and integrates ethnic communities abroad and home regions (Benton G and Pieke F 1998 pp. 10 -11). The prerequisites of a trading “diaspora” are : (1) a centre of gravity in business activities, and (2) certain social and economic impacts on a host country, with their ability to expand businesses and penetrate the market by linking it to other kin group communities in different countries (Lever-Tracy C et al. 1996 pp. 281 - 2 ). Later, Chapter 8 will specify the character of the “Korean Trading Diaspora” in detail for discussion.

## **[ 5 ] Northeast Asia (NEA)**

NEA in this thesis covers only continental Northeast Asia comprised of South Korea, North Korea, NEC (Manchuria) and the RFE (Russian Far East) (von Kirchbach F 1997 p. 47). Some argue that these regions have complementary factors of production : capital (South Korean), labour (China and North Korea) and natural resources (the RFE and North Korea).

# NOTES ON TRANSLITERATION

## Cyrillic

1. There are different systems for transliterating the Cyrillic alphabet. A system of the British Standards Institution (BSI) is in principle, used throughout this thesis. However, the following convention will be applied for this work. Some letters that are not in Roman alphabet, will be replaced by alternative letters as below.

	BSI	Convention in this work
- Ё	Ë	e
- Ъ	ÿ	i
- Э	É	e

2. Names of places are often transliterated differently. In this thesis it is decided that *Rossia* is used instead of *Rossiya*, *Primorskii Krai* is used instead of *Primorsky Kray* except in cases of direct quotation of exact transliteration in journals and books.

## Chinese and Korean

1. There are not so many Chinese and Korean transliteration. Names of places and persons are transliterated as following. *Xinjiang* is used in principle except in cases of quotation of exact quotation from Freeberne's work "*Sinkiang*". *Urumchi* is consistently used instead of *Urumqi*. The name of ethnic group *Uyghur* is used throughout this work. The name of the Tumen River Development Planner is spelled as Ding Si Sheng, instead of using "Ding Shicheng" in the transliteration quoted in his book, Ding Shicheng (1996) *Tomanko Kaihatsukoso* Sochisha Tokyo. Other Asian names in Chinese and Korean in the literature and names of persons whom the writer of this thesis either came across in the literature or met during the fieldwork are spelled as exactly in the literature and documents quoted or the spelling of their name given on the name cards. Since they were given in Russian

alphabets, the spelling followed a rule of transliteration (BSI) from Russian phonetics to Roman Alphabet. In other words, while due care was taken to transliterate Asian authors names in their respective mother tongue, these Asian names are spelled as they appear in original texts or articles, since most of them are either spelt in English, Russian or Japanese (exceptions are just one or two cases in Chinese). For example, in cases of Chinese or Korean researchers writing articles in Japanese academic journals or books, the names are spelled in Roman alphabet, following the Japanese phonetics in originally quoted documents so that readers interested in enquiry could easily make reference in these articles and sources.

### Japanese

Japanese names of literature and persons are spelt, according to a rule of “*Romaji no Tsuzurikata*” in one of the most widely accepted sources, Izuru Shinmura (1955) *Kojien*, A Japanese Dictionary, Iwanami Shoten, Tokyo, and Ineko Kondo et al. (1986) “*Kana, Romaji Sakuin*”, Shogakukan Progressive Japanese - English Dictionary, Shogakukan, Tokyo.

## NOTES ON ABBREVIATIONS

CSE	The “Chinese State Entrepreneurialism”
GCC	The “Global Commodity Chains”
GTs	Growth Triangles
FDI	Foreign Direct Investment
KTD	The “Korean Trading Diaspora”
NEA	Northeast Asia
NEC	Northeast China (formerly Manchuria)
PRC	People’s Republic of China
RFE	The Russian Far East
MFA	Multi-fibre Arrangement in Textile Trade
MFR	A Market Facilitating Region
WMSS	A “War-making Socialist State”

# INTRODUCTION

## Background

### “Asian Expansion” in Primorskii Krai and Vladivostok

Primorskii Krai - a southern province on the Russian Far East's Pacific Coast - has a population of 2.3 million. More than 1 million live in the southern industrial area consisting of Vladivostok and its suburbs to the south (Kirkow P and Hanson P 1994 p. 66). During the Soviet regime 37 percent of the Krai's entire population worked within the military industrial complex (Valencia, M 1995 p. 200).<sup>1</sup>

Vladivostok is the capital of Primorskii Krai, located 200 km northeast from the border of China and North Korea. During the Soviet regime, the city remained isolated from external contacts with Northeast Asia (hereafter, NEA). Border control was an important “defence mechanism” for Vladivostok, one of the principal fortress cities in the Russian Far East (hereafter, the RFE), to seal off internal opposition and minimise foreign contact (Chandler A 1998 pp. 17 - 22).

Since the city's opening-up in 1992, however, it has sought to establish its role as a gateway for Russia to NEA. In the same year with the transition to a market economy and supply disruptions from the centre, Vladivostok started emergency importation of essential goods and labour services from China. This revived historical economic and social ties with Manchuria (Northeast China, hereafter NEC). Cross-border trade rose rapidly. With the city's shift from closed fortress to an open port in 1992, the land border with China has become a sensitive issue.

As the autarkic Soviet regime collapsed and the border controls were reduced in the same year, an influx of Asian traders (mainly Chinese citizens of Korean descent) occurred in the city, and ex-Soviet Koreans deported by Stalin in the late 1930s also started returning to the city. And this generated a historical revival of a trading diaspora,

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<sup>1</sup> The military-industrial complex included machine-making, construction, shipbuilding, aerospace industry, etc.

immigrant Chinese Korean traders reuniting with other communities of ethnic Russian Koreans, etc. At the same time, Korean nationalism in South Korea produced the idea of a “Greater Korean Commonwealth”, embracing the Korean Peninsula, NEC, the RFE and Central Asia (Kotkin S and Wolff D 1995 p. 305 : Henri-Claude Bettignies 1997 p. 160). The ambitions of these nationalists in South Korea to revive Korea’s ties with the RFE and NEC called for “the natural formation of a common cultural and economic sphere among the Korean nation...where there have been historical ties” (Kim H 1995 p. 308). They argued that a Korean Autonomous Region should be established in the RFE through ties with ethnic Koreans in the RFE and Yanbian Prefecture in NEC. They even argued that ethnic Koreans are a potential mediator to forge a network joining parts of NEA, despite the continued isolation of North Korea and opposition in Russian government circles to a return migration of the ex-Soviet Koreans from Central Asia (Rozman G 1995 p. 279). With the beginning of the RFE’s relations with China and South Korea in 1989-92 it was expected by some that Chinese Koreans would play a major role in fostering ties in NEA, in a similar fashion to the role of the overseas Han Chinese in South China’s “Growth Triangle” (hereafter, GT) between Guangdong, Hong Kong and Taiwan. And despite the still very regionalised markets within China and Russia, some went so far as to believe that growth in cross-border transactions with neighbouring countries or regions would eventually produce a subnational regionalism in NEA unprecedented in modern history, and not seen since the Parhae (710-934 AD, the kingdom set up in north Manchuria by remnants of Korean ruling clan of Koguryo). After the end of the Cold War in the years around 1992, the breakdown of tight social control (e.g. police and migration control) of the USSR probably revived the long suppressed contacts of minorities, particularly between dispersed groups of the Korean descent in Vladivostok. Why did this “Korean” diaspora revive ? This thesis seeks to answer this question and explore that it was caused by the changes of the RFE and NEC making the transition to market economies.

With the collapse of the USSR at the end of 1991, Vladivostok was confronted with disruption of the supply of essentials and a population decline of the Slav in-migrants.

Geopolitical issues of Primorskii Krai's vulnerability to "demographic overflow" from China became especially sensitive in the local politics (74 million people live in NEC adjacent to the Krai). In 1992, 160,000-200,000 Chinese citizens (including those of Han and Korean origin) entered Primorskii Krai. With a public fear of this new "yellow peril", the local authorities restricted the entry of Chinese citizens at the end of 1993. An ethnic clearance operation was launched by the local police force in the summer 1994. In the same year Moscow intervened in this affair and set up a special commission to investigate the growth of Asian settlements in Vladivostok and other parts of the RFE and devised countermeasures in order to tackle issues of emerging "Chinatowns" or "Korean problems" (Kirkow P 1995 pp. 924 - 5).

**Map 1 Vladivostok near the Border with China and North Korea**



The number of Chinese citizens in the RFE at this period is unknown. Some estimated it at 2.5 million (Blank S J et al. 1997 p. 269). Other sources estimated half a million (Blank S J *ibid.* p. 229). In the absence of reliable statistics, estimates ranged anywhere from 500,000 to 5 million Chinese citizens (*ibid.* p. 274). Some argued that the Chinese State encouraged emigration to the RFE and the expansion of an ethnic enclave in order to create new Chinese republics within the RFE - a "silent invasion" and an organised

conspiracy of the Chinese government to annex Primorskii Krai and recover territory lost in the nineteenth century. Others argued that Chinese Korean traders had financial and material support from South Korea, which was extending its sphere of influence in the RFE. Russian nationalists in the Krai forced the government to reintroduce a visa requirement for alien entry and residence in 1994. The Federal Migration Service started to discuss a resettlement programme to direct Slavs returning from Central Asia and other parts of the former Soviet Union to the sparsely populated RFE and Siberia (Pilkington H 1997 p. 59).

In 1992, as mentioned, in addition to the growth of these immigrants from China (as above, many of them Chinese Koreans), the former Soviet Koreans in Central Asia, who had been deported under Stalin, started to return to Vladivostok and other places in the RFE where they had lived before 1937. In rising nationalism among ethnic minorities and their transborder contact with diaspora communities abroad, Russia is confronted with issues of minorities and immigrant groups attempting to reunite. In 1992 in Vladivostok an Asian settlement began to emerge again around bazaars where the Chinese Korean traders gathered. This situation seems to be a historical revival of a familiar scene in the city during the late nineteenth century before the revolution when the city accommodated a “Chinatown” and a “Korean district”.

This research will focus on the immigration of Chinese citizens to Vladivostok in Russia, which have been particularly facilitated by ethnic networks of Korean descent. It examines only private traders, since they are the majority of Chinese citizens coming to the city.<sup>2</sup> As existing literature is sparse in this field, the research started in a rather exploratory manner before and during the fieldwork stage.

## **[ 1 ] The Research Questions, Assumptions and a Hypothesis**

### **1 - 1. The Research Questions**

As discussed already, this thesis looks at immigrant Chinese Korean traders, a major

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<sup>2</sup> Their precise number is unclear.

actor reviving transnational contacts with other ethnic Koreans. From their home community in Yanbian Prefecture, China, and the ex-Soviet Koreans returning from Central Asia and elsewhere. Why did this happen in Vladivostok ? The main research question is :

- How would the post-Cold-War demilitarisation in NEA related to a historical reunion of ethnic Korean traders in Vladivostok ?

A tentative answer to the research question above is hypothesised as follows :

**With the end of Cold War and regional demilitarisation in NEA after 1992, the dismantling of socialist military autarky controlling movement of labour, commodity distribution and job security ( the so-called “War-making Socialist States” System) of the RFE and NEC revived transnational networks of a formerly separated ethnic Korean traders in Vladivostok.**

## **1 - 2. Assumptions and Discussions**

### **( 1 ) An aim of the research**

This research seeks to explore in a historical context causal links between a repressed and exiled ethnic group within a closed border and the stability of an autarkic system under the military security regimes of the past, and between a reunion with a relatively open border and the dismantling of the autarkic system at present. While the historical context falls within the scope of the thesis, the main focus is contemporary change, especially the effects of the decline of the autarkic regimes after 1992.

The autarkic system in Russia and China, which is simultaneously dismantling, could be called in the thesis, the “War-making Socialist States” (hereafter, WMSSs). This term refers to the socialist autarkic system of a war mobilising economy, which dominated the Soviet Far East from the mid 1930s to 1992, and, to a lesser extent, NEC from the late 1940s to the mid 1980s. The state established a monopoly of various resources - capital, labour and commodity transactions. A WMSS is characterised by three dimensions of state control - migration control, centralised commodity distribution and state allocation of jobs. The state, here, acts as a “gate keeper” controlling the flow of capital, commodity distribution, and the movement of labour. The WMSSs tried to maximise national self-

sufficiency with minimum contact with other NEA countries, thus sheltering the national economy from the changes of the world economy (Shaw D J B 1999 p. 39).

### **The WMSSs during the Cold War**

Before 1992, the social and economic structure in Vladivostok was distorted as a result of state controls in the following areas.

#### ***(1) Migration Control***

As the history of the city shows the present ethnic composition - predominantly Slav - has not been the result of free process, but is a product of Soviet state policy in the past - the encouragement of inward migration of Russians and the expulsion or elimination of other ethnic groups, notably the Han Chinese, Chinese Koreans and other Asians (Kerr D 1996 pp. 950 - 1). Here “demographic engineering” policy is of importance. It was a policy to maintain an ethnically homogeneous population, in order to ensure loyalty of inhabitants of the city to the Soviet State - in the belief that non-Slav are disloyal. The Soviet state prevented return migration of deported Koreans from Central Asia and immigration of Chinese citizens. This policy aimed to avoid subversion by minorities in the borderlands by severing any possible links with hostile states. This policy was most actively pursued in the USSR in the late 1930s with the forced repatriation and relocation (McGary J 1998 pp. 613-31 : Bookman M Z 1997 p. 129 : Chandler A p. 26). In 1932 an internal passport system was also introduced in the USSR in order to control inter-regional movement within its territory (Chandler p. 65).

#### ***(2) The State Monopoly of Foreign Trade***

The state monopoly of foreign trade and the border controls were a policy package thought necessary for the Soviet and Chinese states to protect local industries against foreign competition. Under the doctrine of encirclement by hostile states, markets susceptible to mercantile penetration by foreign goods were seen as dangerous since foreign states would use markets as a way to colonise borderlands (ibid. p. 48). The Soviet State was obliged to assume responsibility to supply basic necessities to the city. The location of Vladivostok in the distant eastern periphery was considered to be most

vulnerable to the influences of foreign states and most likely to be controlled by “Asiatic” powers in NEA.

The Soviet and Chinese states excluded the masses from private economic gain (denying them legally both access to imported goods and any legal means of earning private income) by forbidding transborder private trade (ibid. p. 35). In the USSR, the state monopoly of foreign trade was extended to almost all commodities crossing the border with NEA countries (ibid. pp. 48 - 9). Furthermore, with the inconvertibility of the home currencies (rubles and renminbi) people could not directly purchase or sell any foreign products imported and this also helped prevent transborder trade from emerging again (ibid. p. 52).

### ***(3) Life Tenure Employment in State Sector***

The Soviet and Chinese states were committed to job stability in state employment where most people worked. Workers were incorporated into the state system through their workplaces. Job security served to consolidate the political legitimacy of the regimes. State-owned enterprises (hereafter SOEs) were not just workplaces but the basis of the power and legitimacy of the state. The Soviet and Chinese states assigned various functions to SOEs (or work-units in the Chinese case). SOEs (or work-units) dominated the life of workers as state agencies of production, distribution and political control. Therefore, with the retreat of the SOEs from their former commitment to employees, the social and political system of the state was exposed to a danger of disintegration.

### **The Post-Cold War Changes of the WMSSs**

This research focuses changes in the transition below :

#### ***(1) Resurgence of Ethnic Minorities Engaging in Transborder Trade in Borderlands***

***(2) Increase in Transnational Transactions*** (centralised distribution replaced by more horizontal and market-led commodity exchanges, and transnational transactions).

***(3) Occupational Flexibility and Job Insecurity.*** An erosion of the former secure employment in the state sector (i.e. an increase in occupational flexibility in state employment) led to casualisation and tertiarisation of employment, causing the decline of the state as the dominant employer (Nolan P and Chang H 1995 pp. 9 - 20). As a result of

the dismantling of the old system, state resources and labour were demobilised from a quasi-war-footing. Some workers in the state sector in the RFE and NEC, turned to informal ways of generating income, such as selling commodities in bazaars. This situation was revealed in transborder unofficial economy between NEC and the RFE. Interpenetration of the border was facilitated by partial adjustment of the state economies. This started with an informal flow of commodities and human traffic in commercial tourism. Both countries' citizens in the borderlands caught in the readjustment of the transition, turned to the bazaar economy. The bazaar economy refers particularly to informal retail services, in which traders are engaged in reselling imported goods. As these unofficial trading activities increased, state enterprises spawned wholesale and retail subsidiaries to provide resalable commodities to traders. The workers of SOEs mobilised and procured state resources, and sought for connections with officials in the local government to protect their trading business. This created an increasingly hybrid market system of the state and non-state sectors. It is this rise of a bazaar economy in the RFE and NEC in the 1990s that formed the context which drew immigrant traders to Vladivostok and hence the reunion of ethnic Korean traders.

## **[ 2 ] Methodology**

### **2 - 1. Historical Approach**

The analysis in this research takes a historical approach. Why ? Because in the 1930s the Bolsheviks consolidated an autarkic system of control in migration, foreign trade and job market. In the late 1920s and in the 1930s, the concept of solidarity of workers in the world revolution was replaced by a territorial state of military autarky with institutions isolating it from contacts with the world. It is here the importance of investigating the reunion of Chinese Korean traders in Vladivostok lies (Chandler A p. 30 ; Smith J 1999 pp. 11 - 12). The thesis takes a historical approach to understand the rise, fall and second rise of the ethnic quarter of Asian traders in the city. It goes from a historical perspective to the contemporary time framework ; from a macro NEA-wide outlook upon geopolitical

issues to a micro approach of the local transborder interactions taking place in the city.

Stalinism generated a historically unique pattern of ethnic composition in Vladivostok. In order to understand the present situation in the 1990s, the thesis studies history of Asians (mainly, ethnic Koreans) in the city.

## **2 - 2. Development Process of Fieldwork Research**

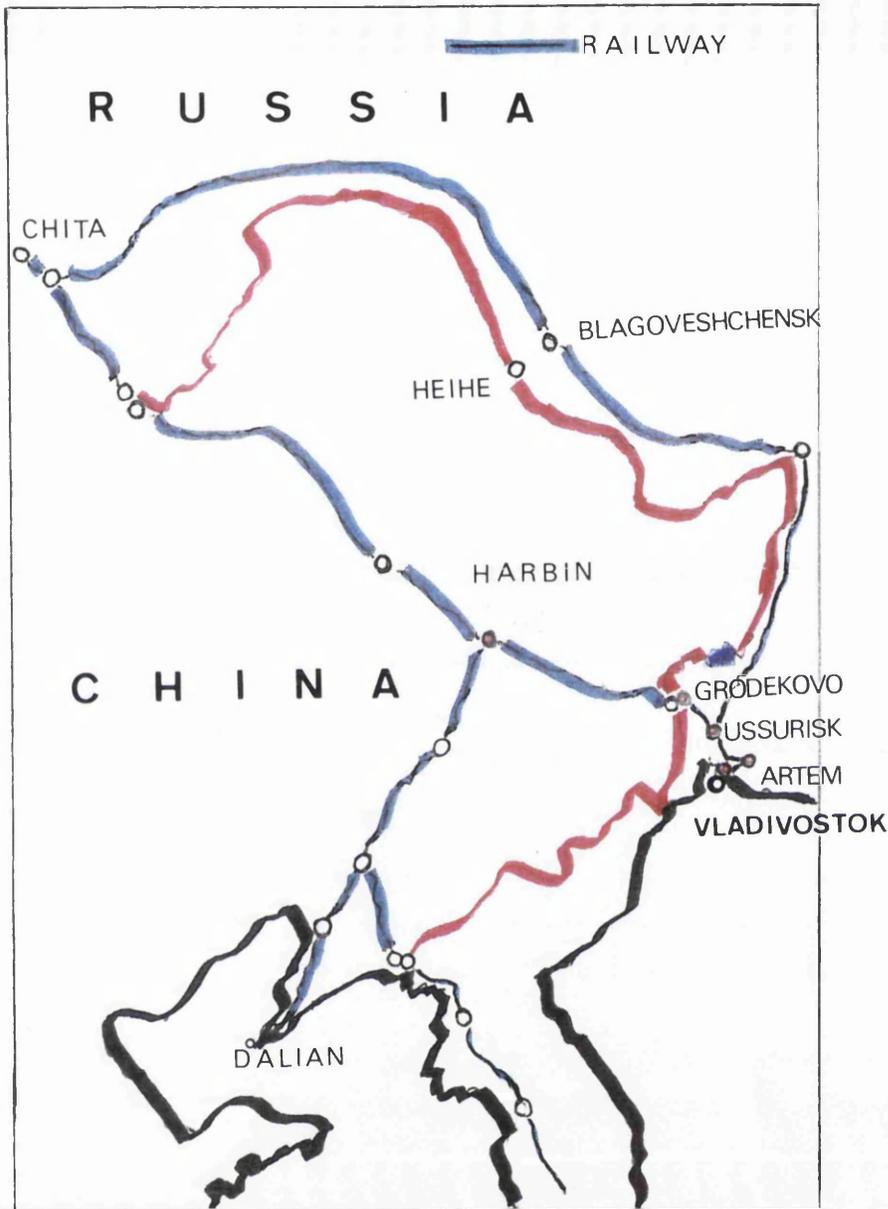
Traders with Chinese citizenship were chosen as the focus of the main research on the role of an ethnic quarter having transborder contacts. Why ? Because the study of these traders gives insight into little known unofficial transactions. These informal economic activities are often difficult to identify in statistics and publications. In fact little research has been done on why immigrant traders came to the RFE. But informal cross-border transactions come to make up some share of trade with the deregulation of foreign trade in Russia, since a fully-formed market mechanism was still absent in the RFE (Larin V 1997 pp. 25 - 8).

There are three types of trade : (1) national trade, (2) provincial trade, and (3) private trade. The first two are subject to some limitation : licensing requirements in national trade (state-managed trade) ; and constraints on spatial expansion and varieties of transaction in provincial trade, caused by interlocking protectionism of commodity circulation between regions in Russia and China (provincial-government-managed trade). Private trade is more flexible and dynamic than other types of trade. Asian traders bring goods of value up to US\$ 5,000 into the RFE tax-free and use a “variety of imaginative forms of transactions and payment” (Hishiki K 1994 p. 23 : Kirchbach F 1997 p. 52). Reportedly, the volume of private trade between the RFE and NEC is far from negligible (Kirchbach F *ibid.* p. 51). According to Chinese estimates, the volume of informal trade in clothes and footwear was twice the volume of official trade (Portyakov V 1994 p. 4).

Vladivostok was chosen as the main site in this research. During the fieldwork it was found that there was a considerable number of agglomerations of private traders from China in Primorskii Krai, dispersed in such cities and regions as Ussurisk, Grodekovo, Artem and Vladivostok (Map 2). However, Vladivostok was most suitable as a location

for the fieldwork because it is the largest city in the RFE, and has the largest market for private traders.

Map 2 Location : Ussurisk, Grodekovo and Vladivostok



Chinese friends, Mr. Kong and Mr. Zhao, whom the writer of the thesis met in Vladivostok introduced him to three markets in the city - *Balyaeva*, *Pervaya Rechka* and *Vtoraya Rechka* - where traders from China were engaged or had been engaged in private trade (Map 3). In these markets traders sold various kinds of commodities - clothes, shoes, electrical goods, carpets, cosmetics, etc.

# Vladivostok

## Amurski i Bay

◆ VTORAYA RECHKA

◆ PERVAYA RECHKA

## Balyaeva



THE KRAI ADMINISTRATION

THE "MILLIONKA" (THE LATE 19TH~THE EARLY 20TH CENTURY)

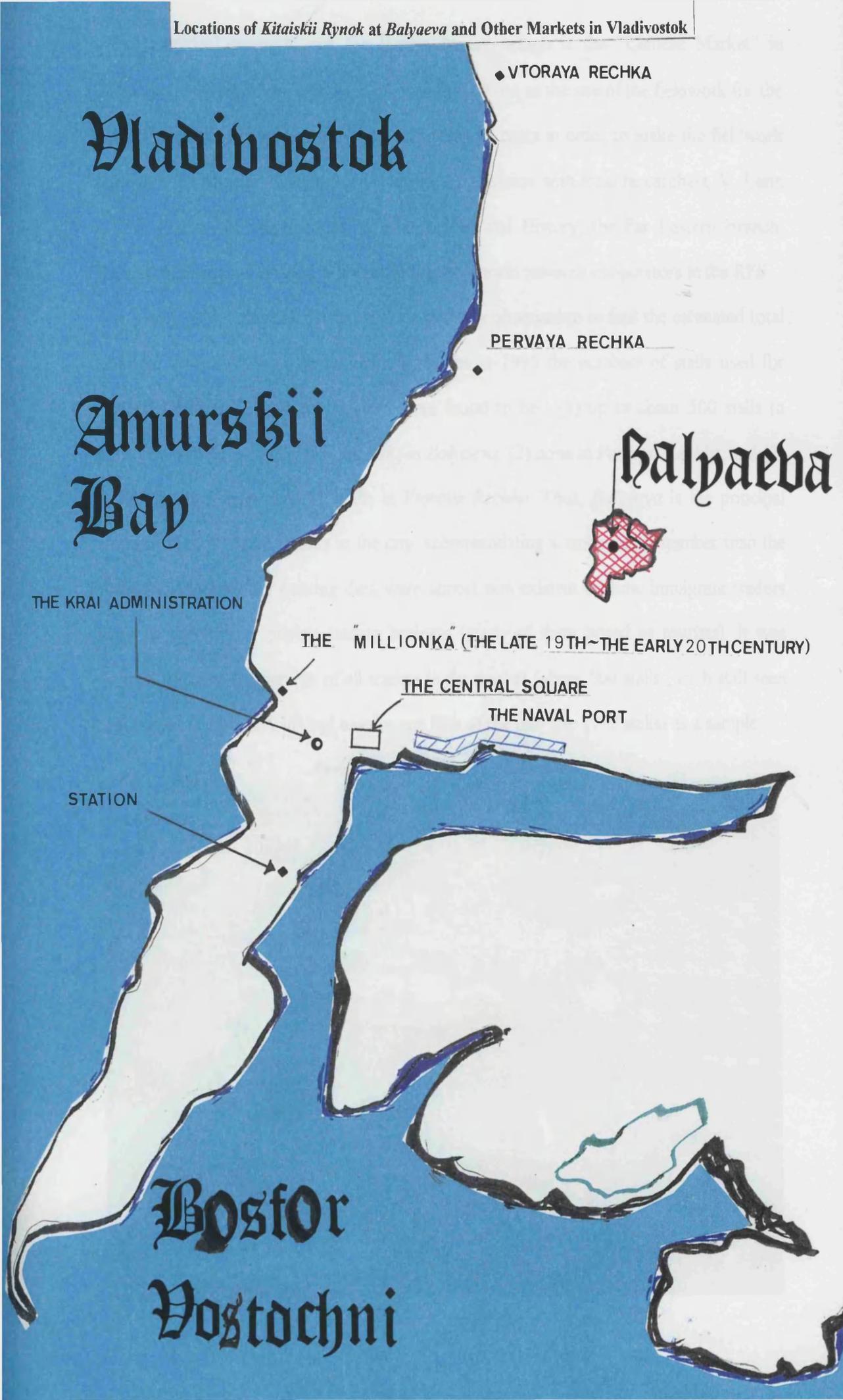
THE CENTRAL SQUARE

THE NAVAL PORT

STATION

## Bosfor

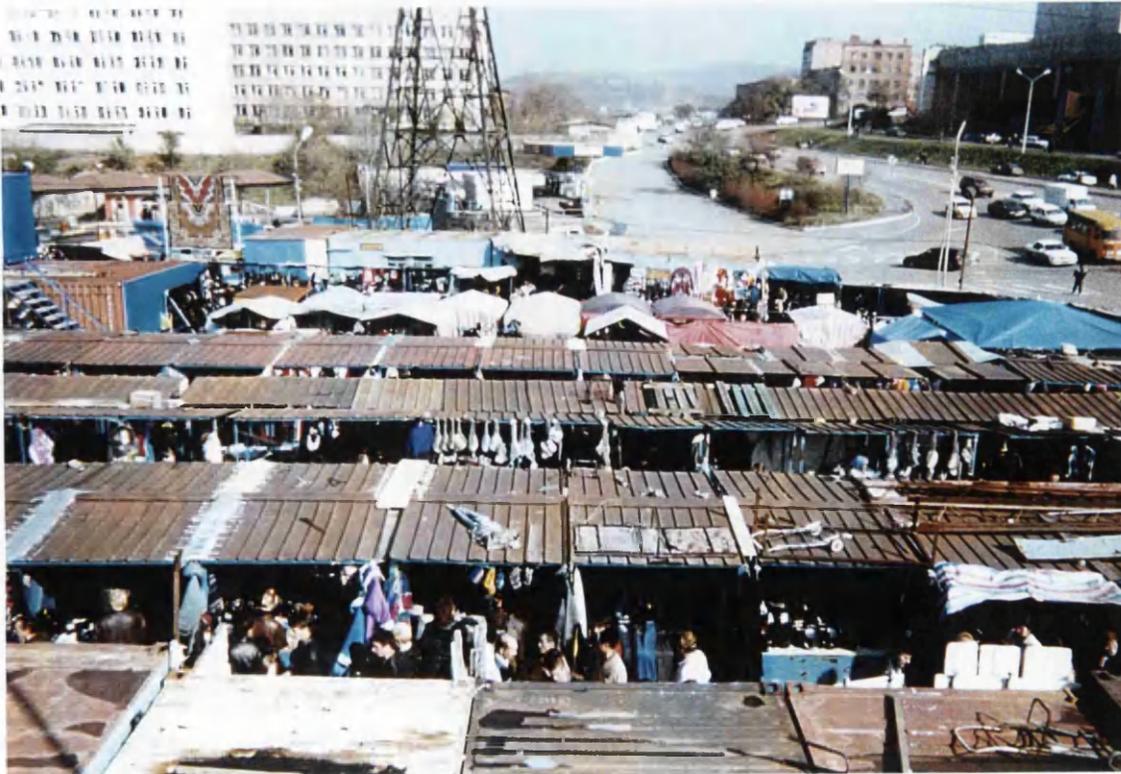
## Vostochni



For empirical research, just the largest bazaar, which is the “Chinese Market” in *Balyaeva*, a suburb of the city (Map 3), was singled out as the site of the fieldwork for the sake of simplicity, reducing time spent and research costs in order to make the fieldwork feasible. This decision was made as a result of discussion with local researchers, V. Larin and E. Plaksen of the Institute of Ethnography and History, the Far Eastern Branch, Russian Academy of Science, who are the writer’s main research cooperators in the RFE.

In Vladivostok fieldwork started with preliminary observation to find the estimated total sizes for sample surveys. In preliminary studies in 1995 the numbers of stalls used for traders’ business in the three markets were found to be : (1) up to about 500 stalls (a figure fluctuating between 233 and 498) in *Balyaeva*, (2) none in *Pervaya Rechka*, and (3) fluctuating between 3 and 18 stalls in *Vtoraya Rechka*. Thus, *Balyaeva* is the principal concentration of Asian traders in the city, accommodating a much larger number than the other two markets. As existing data were almost non-existent on how immigrant traders came to the city for private trading business (many of them posed as tourists), it was decided to count the number of all traders in the market (about 500 stalls ; each stall seen as a unit of one household) and to take one fifth of the universe (100 stalls) as a sample.

**Photo 1 Kitaiskii Rynok in Vladivostok**



The fieldwork had certain limitations. Firstly, the research based on informal interviews and questionnaires with private traders is aimed at qualitative and sociological analysis, but mixed with approximate quantitative data for the given time when the research was conducted (the emphasis is to explore qualitative changes rather than to aim at precise quantitative and mathematical macro-model analysis, since this cannot be done due to the character of the research topic). Secondly, only the number of individual respondents standing at stalls was counted as a substitute for the real number of private traders in markets in order to estimate the universe and sampling, since the real scale of the universe - i.e. the total number of individual traders in the markets - was unknown, and the scale of the business operation that each respondent represented was also unclear at the time of asking (a respondent may be representing just himself or a relatively small scale of business that utilises the non-wage labour of 2-7 persons - family, relative and friends ; others may be representing a larger non-family business unit that hires 35-40 employees). Thirdly, each survey result is a snapshot of a range of activities as they take place. The only means of grasping the broad picture was to conduct several sampling surveys and construct a better picture each time. The number of traders and their activities were subject to frequent changes, depending on the time each survey was carried out. Finally, the main research activities were concentrated in the RFE rather than looking at both sides of the Russo-Chinese border to include NEC as well as the RFE. Simultaneous fieldwork on both sides of the border was not possible due to financial limitations, the language barrier for the writer and time limitations. Also, this research has certain characteristics. It is not about the impact of volumes of transborder transactions engaged in by these Asian traders on the economy of the city and the implications of the Asian traders for the future development of Vladivostok, but simply the movement of human traffic - how their transnational trading activities work, and what are the relationships between their businesses and the other Northeast Asian economies - China, South Korea, etc.

Since there was almost no existing literature or information on their activities, it was vital

to get help from others throughout the entire research phase - that is to say, help not only with the literature reviews before the fieldwork, but also with primary source data collection during the fieldwork and with feedback to theoretical implications and with qualifying the data collected in the writing-up stage. Particularly, during the fieldwork, it was most essential to get assistance from friends and gather live information, the primary data on the spot from various sources - local academics, specialists of the regional authorities and people of the immigrant community. It was difficult to obtain such simple data as how many residents with Chinese citizenships were in the city or how many traders travel to the city each year as a flow, even as rough estimates. Before the sample surveys, in order to get a picture of immigrant traders, the writer attempted to obtain this kind of secondary data, but it was found that either there was none or it was "confidential", according to the Krai Administration and Vladivostok Municipality. Thus, rather than approaching to obtain information in an official manner, it was more effective to make friends and get some relevant information through them. Therefore, most of the time for research activities was spent in the field and building up help networks for this research, given the lack of existing reliable data, and at the same time the writer, through this informal means, tried to grasp the local feel in the field through living in the city and to observe actual activities that were happening around Asian traders in the bazaar, the attitude of the Krai government and the police force, and the reactions of Asian traders. This is one of the reasons why the fieldwork took two years (1995-96). After writing-up and revision, some of the recent changes in the "bazaar economy" were studied with a follow-up study trip to Vladivostok after the ruble depreciation in 1998, which updated the writer's understanding, but, a majority of the work concerns the period of 1995 and 1996, before the financial collapse of the East Asian economies and the recent depreciation of the ruble.

Since the local sensitivity towards the physical presence of East Asians was very high during the research, the writer of this thesis, who is a Japanese citizen, was often in danger of physical violence from gangsters and occasional but surprise passport inspection by the

local police. In the bazaar the police often carried out surprise inspections to check passports and visas, to detect illegal immigrants hiding in the market, because the bazaar was the most likely place for them to hide. Therefore, the writer tried several interview modes for reading out the questionnaires - hiring Chinese students with whom the writer got acquainted in a dormitory of the local university, Chinese interviewers from the local immigrant community, and Chinese-speaking Russian researchers of the Institute of History. Each kind of interview has some advantages and disadvantages. Interviewers were paid about 15 dollars per hour so that they would be motivated for the tasks given (a research grant for this task was provided by various sources - the Sasakawa Scientific Research Grant, the Japan Economic Research Foundation, and Kumamoto Municipal Office).

In order to organise and reformulate the questionnaires and to elaborate the meaning behind the answers and stimulate spontaneous responses from respondents themselves rather than just reading questions mechanically, well-informed Chinese-speaking Russian academics - lecturers on the Chinese economy in the local university and researchers at the Institute of History - were hired since they were experienced in sampling surveys (especially, Professor Larin and Senior Researcher Evgeniy Plaksen - my main local cooperators), interested in the research, and helped the writer very much. But the research started with some difficulties at first in generating trust since the Asian respondents were suspicious of these Russian interviewers. But over half of the data were collected in this manner, since the local researchers were keen on helping the writer through to the end in the various types of surveys.

Simultaneously with Russian interviewers, Chinese interviewers - i.e. Chinese students and traders - were employed for the surveys. But, halfway through the fieldwork Chinese students, complaining that they might be caught by the Russian police for interrogation and custody, asked to abandon the task. They were also facing difficult situations in interviewing, arising from suspicion on the part of both - respondents and occasionally the police interrupting with ethnic clearance operations - surprise passport and visa inspection,

etc. Other interviewers were therefore selected from actual members of the immigrant community - colleagues of traders themselves - so that the interviewers could at least obtain better cooperation from the interviewees.

During the fieldwork the writer often accompanied the interviewers and asked the questions informally in person, but not all the time simply because of the need to reduce the degree of suspicion that might arise from the fact that some respondents noticed and began to become suspicious, given that Japanese, an outsider to the immigrant community was organising the research behind the surveys and that a non-Chinese speaking person was standing beside the interviewers. Respondents were initially cautious about answering the questionnaires, wondering who might be using the collected data. Thus, before the interviews, much explanation had to be given that the collected data were purely for academic research, and not intended for the police or the regional authorities. As the writer was later generally accepted by the immigrant community thanks to a polyglot Han Chinese friend (Chinese-, Japanese-, English- and Russian-speaking), it was found that some bazaar traders did not have any passports or visas (illegal immigrants), and they were very sensitive about outsiders, whether Japanese or Russians. Furthermore, much care was taken to explain the aim of the research to interviewers and to generate interpersonal communication with respondents they faced with, so that interviewers were advised not to just read out the questionnaires, but look at the respondent's face when asking questions to maintain mutual trust and a cordial atmosphere. Because it was not prudent to rely on figures, but better to let respondents tell their story, open interviews were often tried apart from the questionnaires, as mentioned earlier, by making friends and gaining trust among the local Asian community, dining with them, spending time with them, as well as having informal, but structured interviews with specialists of the regional authorities, researchers of the local research institutes and immigrant community leaders. By building help networks with friends from the immigrant community, the writer was able to arrange a study trip to another bazaar in Ussurisk, traders' lodgings in Vladivostok, some of their trading companies, municipal governments and transborder trade economic zone

management committees in Hunchun, Suifenhe and Heihe in China. Although it is not claimed that the people whom the writer met were typical representatives of the immigrant traders, this style of ethnographic research based on on-site study, though time-consuming, produced some valuable information. The researcher experienced an unpleasant spell in custody in the headquarters of the Ministry of Internal Affairs during the research, and also attacks by Russian hooligans, and these experiences too were convincing evidence of how ethnic issues and Asian immigration were sensitive issues in Vladivostok - a kind of "action research". As for the hypothetical emergence of the "Korean Trading Diaspora", the writer had an interesting encounter, relevant to the "diaspora" situation, while in custody. The researcher met some migrants, including some of Korean descent returning from Central Asia. One of them identified himself as a Korean trader from Tajikistan. Looking at the familiar oriental face of the researcher, he appeared to relax. He and the writer of this research project conversed for a while. These seemed to be minor but were valuable experiences for the qualitative research.

This fieldwork was conducted during 1995 and 1996 with several breaks, and was preceded by a number of study trips to South Korea, China and Russia in 1994. The writer also made a follow-up trip to Vladivostok in Russia after the writing-up in 1998. The situations surrounding the bazaar changed during the period of 1994-98. The thesis reveals some of the qualitative changes and discusses some of the background behind them.

### **[ 3 ] The Contribution of The Thesis**

1. The migration of Chinese citizens is most often understood by researchers as rural - urban migration, and is usually seen as a research area of geography of developing countries. But in the thesis, since the research focuses on Vladivostok as the host society for immigrant traders, it is analysed as a matter of the dismantling of two socialist states - an area of transitional economies. The decline of this system concerns both NEC and the RFE. Its consequences are a rise of unofficial distribution services (e.g. retail trade) and occupational flexibility (diversification of income generating activities).

2. Vladivostok was traditionally a crossroads of Eurasian cultural contact and a place of inter-ethnic rivalry in commerce between Asians and Slavs. With an acute shortage in Russian consumer market the decline of the the state's migration control of ethnic minorities led to the reunion of ethnic Koreans. The thesis examines this little studied topic. It discusses the reunion of ethnic Koreans in Russia's eastern periphery as a way to facilitate transnational commodity circulation. It argues that the reunion and commercial competition with local Russian traders caused xenophobia against Asian traders.

3. It is said that a substantial amount of economic activities in the post-Soviet Far East take place outside official surveillance. These informal economic activities are often difficult to identify in statistics and publications. This study aims to uncover a part of the hidden unofficial transborder economy, the links between Asian private traders as an actor at the micro level and the political changes in NEA at the macro level.

#### **[ 4 ] Organisation of the Thesis**

How is this reunion of ethnic Koreans in Vladivostok understood within the context of political changes in NEA in the post-Cold War period ? As mentioned earlier, although this work involves historical study about changes in Korean and Chinese communities in Vladivostok, the historical study is used to support a main argument of the rise and fall of the Soviet State. The research priority of this thesis is to explore systemic changes focusing on present changes since 1992 in comparison with the past practices in the three dimensions, as already mentioned. The thesis is divided into several parts, the first part explaining analytical frameworks, which are briefly discussed in this chapter, the second part examining mainly the historical changes in the relationships between Vladivostok and Asian traders during the Russian Empire and the Soviet regime during the Cold War period, and the third part discussing the present changes since 1992, focusing on a study of the readjustment and the structural imbalances of the WMSS in Vladivostok, drawing immigrant traders. Thus a substantial part of this thesis will be devoted to a historical approach to examine the rise and fall of the Soviet State system, related changes of Asian

traders and the communities. Throughout this work, social, demographic and economic changes in Vladivostok are seen in historical processes within the macro context of national, NEA-wide regional and even global economic forces, and they are understood as a spatial manifestation of the complex interplay between a rise of Asian trading diaspora in the city and international economic system in the NEA region as a whole.

Part I is composed of a single chapter (Chapter 1), explaining analytical frameworks in detail. Part II explains the history of Asian traders in the evolutionary changes of Vladivostok consisting of an overview and three chapters. After the historical overview (Chapter 2), each chapter (Chapters 3-5) describes a distinct stage in the history of Asian immigration : the beginning of immigration, consolidation of the autarkic economic system, and reversion to an open border economy in the early 1990s. Part III, in response to the research questions presented in this Introduction, examines the post-Cold War readjustment of the distortion produced by the former system in the three areas (demography, distribution and employment). Chapter 6 discusses a plan and reality of Vladivostok's development in the 1990s. Chapter 7 aims to give a broader picture of how an immigrant economy works in the city in such matters as recruitment for trading business, what other immigrant groups there are, and what are the relationships of traders with them, etc. Chapter 8 examines demographic aspects of the dismantling of the former system. It argues that the Soviet state's control of movements of labour - i.e., internal migration within the former Soviet Union and immigration from China - decreased as a result of demilitarisation. This chapter focuses on the movement of immigrant traders from China into the city, but with some analysis of the internal migration of the former Soviet Koreans from Central Asia to the city and their collaboration with other Korean groups. Chapter 8 will also discuss how competition in the bazaar produced populist reactions of xenophobia. It then goes on to discuss how the local authorities are assisting the local traders by setting obstacles to Asian traders. Chapter 9 will look at changes in the distribution system, and argue that the arrival of immigrant traders from China is the result of transnational commodity circulation penetrating a consumer market in Vladivostok.

Chapter 10 is a study of the casualisation of employment as a result of occupational flexibility brought about by the dismantling of the WMSSs system in NEC and the RFE. This chapter will discuss that in the 1990s new state entrepreneurial ventures started in China and their activities were extended to the RFE as part of the incomplete process of the dismantling of the Chinese WMSS, and that this process also facilitated an influx of Asian traders into Vladivostok.

The conclusion will sum up the research findings and discuss their relevance to the theoretical considerations presented in the Introduction as feedback on the validity of the research hypothesis and the analytical frameworks, and will suggest further areas of research to be undertaken.

## **PART I ANALYTICAL FRAMEWORKS**

## **CHAPTER 1**

### **ANALYTICAL FRAMEWORKS : TRANSITION FROM**

### **“WAR-MAKING SOCIALIST STATE” (WMSS)**

### **TO A “BAZAAR ECONOMY”**

#### **Introduction**

Until 1992 Northeast Asia (NEA) was the scene of one of the world's largest military buildups. Alliances in NEA had for decades had a bias towards national security, but the collapse of the Soviet Union - Eastern Europe alliance and the Soviet Union itself brought rapid changes in NEA and the RFE. Border disputes have become less important in political agendas in the 1990s.

This chapter, after a background explaining changes in foreign economic relations in NEA, moves to compare the theories - “demographic pressure” vs. “the dismantling of a WMSS (war-making socialist state)” - and discuss which explains better about the Asian traders coming to Vladivostok. Since it is more important to understand what contextual change made it possible for Asian traders to come rather than just why traders come to Vladivostok, the chapter aims to explain the nature of systemic changes. The rest of this chapter then, goes on to discussion about the system transformation, using a typology of states - the WMSS and MFRs (“market-facilitating regions”). Then, this chapter concludes with explanation of conceptual frameworks in diagram, and with articulation of a specific research focus for the chapters that follow.

#### **Background : Changes in Foreign Economic Relation in Northeast Asia**

During the Cold War period cross-border trade was discouraged between hostile states in NEA. The Cold War kept restive allies in line and provided justifications for government interventions in trade and military build-ups in Continental Northeast Asia (NEA) (Brun E and Hersh J 1990 p. 270). In the 1950s-80s, each state attempted to present a better

development model to prove the superiority of a system, whether this be the developmental statism of South Korea, Chinese socialism or the system of the Soviet state (Watanabe T 1995 ; Gills B 1997 passim).

The U.S.'s security concern in the region provided the background for export-led development of Asian Newly Industrialising Economies (Asian NIEs). Exchange-rate control and the Generalised System of Preference (GSP) with its preferential low tariffs were a part of the U.S.'s "containment" strategy to support export-oriented development of Asian NIEs and thereby reduce communist influences in NEA (Ow Chin Hock and Chwee Huay Ow-Talor 1993 pp. 89 - 98 ; Twu J 1990 pp. 78 - 79 ; Honda K and Ogawa Y 1994 pp. 4 - 18 and pp. 53 - 65). The political patronage of the U.S. supported South Korea as a "front-line state" through economic and military aid (Lee S H 1995 pp. 3 - 5 and pp. 30 - 37). It was thus a "stepchild" of the Cold War system - political, military and economic confrontation (Bedeski R E 1994 pp. 2-4 : Castells M 1992 p. 63).<sup>1</sup>

Its communist neighbours maintained their autarkic centrally planned systems in a state of hostility towards South Korea. Foreign trade was managed by state monopoly in the RFE and China (North Korea still attempts to manage it in this way). Hence, NEA suffered from political division and separation of markets for decades, but signs of change appeared in the late 1980s.

The turning point of the end of the Cold-War regime in NEA was 1989. Asian NIEs ceased to be free riders for economic development with preferential treatment. The U.S. faced lower economic growth and rising unemployment, and regarded imports from Asian NIEs as a threat to stable employment and the standard of living. In the late 1980s South Korea was confronted with a stalemate in export growth to the U.S. market, due to exchange-rate realignment and abolition of the application of the GSP (Generalised System of Preference) to its exports, in addition to rising wages and land price rises (Dobbs-Higginson M S 1995 pp. 263 - 98 ; Ebina Y 1996 pp. 39 - 47). Exchange-rate realignment reduced the price competitiveness of the country's exports and promoted outward

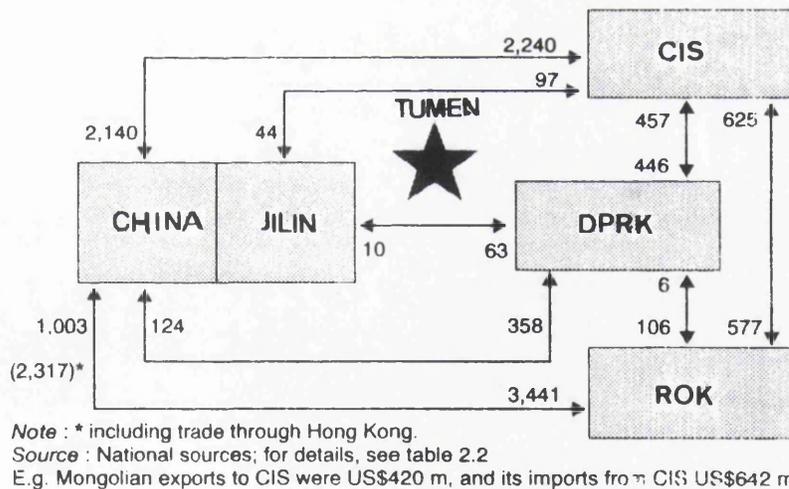
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<sup>1</sup> The U.S.'s geopolitical interests in NEA played a major role in facilitating South Korea's export-led development by providing her exports with access to the world market. See discussions of R. E. Bedeski's view of "developmental statism" and M. Castell's "vassal state".

investment (foreign direct investment, FDI). With changes in unit labour cost, South Korean FDI flowed outwards to China and to a lesser extent, to Russia, as South Korean companies sought to secure profits by diversifying their overseas markets to include China, the Soviet Union and Eastern Europe (Golub S S 1994 pp. 286 - 313 ; Lee Y 1997 pp. 366 - 90).<sup>2</sup>

By 1992, relations between South Korea on the one hand, and China and the former Soviet Union on the other were normalised. In NEA intra-regional imports of inputs facilitated exports to external markets such as a case where South Korean companies outsourcing production to factories in China, and exporting finished products to Russia and East European markets (Lee J C 1996 p. 87). As in the diagram below, trade between South Korea and China and between China and CIS were the two largest bilateral flows in 1991. In that year, Sino-CIS trade and Sino-South Korean trade amounted to US \$ 4.4 billion each, and CIS-South Korean trade to US \$ 1.2 billion (Kirchback F V 1997 p. 66).

**Figure 1 Intra-Regional Trade in NEA**



Source : Friedrich von Kirchbach, Chapter 2 : "The Normalisation of Economic Relations in Continental North-east Asia" in Henri-Claude de Bettignies ed, 1997, The Changing Business Environment in the Asia-Pacific Region.

<sup>2</sup> In the late 1980s unit labour costs of Asian NIEs increased in dollar terms, while those of China declined due to the depreciation of the Chinese currency. The price competitiveness of Chinese exports was strengthened. As for Russia, although the ruble was devalued substantially against the US dollar, Russia still remains marginal (as of 1998) as a direction for South Korea's FDI, due to political instability and the absence of a reliable legal framework for investment.

In the RFE with the demise of the WMSS (“war-making socialist state”), the former system - e.g. the state-managed foreign economic relations and the separation of the region from the world capitalist system - were replaced by a resurgence of cross-border trade with NEA and a revival of private trade. Cross-border trade was supported in part by networks and “diasporas” of ethnic minorities, since Moscow retreated from direct intervention in the life of the local population (Bradshaw M J 1995a p. 141 and 1991 pp. 176 - 77). With supply disruptions, foreign trade became more regionalised, making each economic subunit in the periphery subject to interactions with the world economy (Bradshaw M J 1993 p. vii). With the liberalisation of foreign economic relations since 1992 Russia has thus increased foreign trade with NEA (Akaha et al. 1997 p. 54).

## **[ 1 ] “Demographic Pressure” of Chinese Citizens**

### **1 - 1. Introduction**

In the Far East the Slavs are vastly outnumbered by their Asian neighbours in Northeast China (NEC) : there are less than 8 million in the RFE, as against 101 million people in the three provinces in NEC (Heilongjiang, Jilin and Liaoning). Historically, many Russians fear that China may flood the thinly-populated RFE with her overwhelming population (Moltz J C 1997 p. 192). This might seem true especially with the border having become more porous after 1992. Russians are strongly aware of the fact (table 1) that even the most densely populated areas of the RFE are far less populated than those of the adjacent areas of NEC.

**Table 1-1 Population in NEC (Northeast China) and the RFE**

(A) Historical Development of Settlement	(Unit : 1,000 people)					
	1860-70	1895-1900	1920-21	1930-31	1939-40	1991
NEC	3,000	9,000	19,000	31,000	40,000	*100,740
The RFE	10	30	1,100	1,700	2,300	8,566

**(B) Comparison in 1991**

	Population (1,000 people)	Density (persons per km <sup>2</sup> )
NEC :		
Liaoning	39,900	285.0
Jilin	25,090	139.4
Heilongjiang	35,750	77.7
The RFE :		
*Southern zone only	5,244	3.9

\*N.B. : "Southern zone" refers to Primorskii Krai, Khabarovsk Krai and Amur Oblast

Source : (A) David J. Dallin, 1950, The Rise of Russia in Asia, Hollis & Carter, London, p. 14 and p. 134 : (B) David Kerr, 1996, "Opening and Closing the Sino-Russian Border : Trade, Regional Development and Political Interest in Northeast Asia", Table 1, in Europe-Asia Studies, Vol. 48 No. 6 September 1996, p. 935 : Institute of Economic Studies, Far Eastern Branch, Russian Academy of Science, 1994, Roshia Kyokuto Keizai Soran (Japanese Translation), Toyo Keizai Shimposha, Tokyo, p. 279

The Chinese citizens in the RFE have been accused of creating conditions for *de facto* reconquest of their "lost territory" in Primorskii Krai (Tinguy A 1998 p. 312). To offset the perceived Chinese "demographic pressure" the Russian government proposed a programme for resettlement of 5 million Slavs in the RFE (Gelman H 1997 p. 230). As discussed in Introduction Chapter, despite the unlikely success of such a programme, some suggest that the government should promote a housing programme for Russians migrating from elsewhere to resettle into the RFE (ibid. p. 231). "Demographic pressure" from China is coming to be seen as a real and imminent danger by the local population.

What about a background of China sending emigrants to the RFE ? In China an official projection foresaw a net decline in arable land from 100 to 90 million hectares during 1979 to 2000 (Kirkby R J R 1985 p. 183). With a decrease in arable land relative to farming labour in China, the declining ratio of land to agricultural labour produces a "pressure of surplus labour", and drives "excess" farming labour off the land to cities and pushes it out of China abroad (Kato H 1994 pp. 101-6). This argument of demographic alarm is gaining momentum among Russian strategists, especially with the fall in the RFE's population from

8 to 7.6 million during 1992 to 1995. The decline in the number of Slavs in the eastern region has caused concern in Russia, with some arguing that the RFE's "demographic vacuum" could become a geopolitically destabilising factor for Russia in the future (Harada C 1997 p. 19).

"Demographic pressure" is an old argument dating back to the nineteenth century. Advocates of this perspective (Vasilev, Bakunin and Kuropatkin) opposed the idea of mass immigration of the yellow race of Asia into the RFE. They warned of the ethnic imbalance between Slavs and Asians in the Far East region. The connotation is that the scattered Russian settlements along the Ussuri borderland could not offset the mighty Asian "demographic pressure" without the protection of the Tsarist state, which barred non-Russians from acquiring land in the RFE (Hauner M 1990 p. 52). Vasilev V P (1818-1900), a leading sinologist, warned that (if China were to control the Pacific) "she could become ... a threat to Russia ... and ultimately destroy the whole world, which would then be populated exclusively by the Chinese" (ibid p. 50). Bakunin M A (1814-76), predicting the decline of the colonial empires of Great Britain and Russia, forecast that the future global conflict would divide the world on racial lines, with a white Caucasian group (350 million) threatened with destruction by the Asians (850 million) (ibid. P. p. 51). According to Hauner M, Bakunin regarded Russian control of the RFE as superficial, since "there could never be enough Slav settlers to offset" massive immigration from China and other Asian countries, and predicted that "Russian possession (in the east) would not last more than 50 years" (ibid. p. 51). Kuropatkin A N (1848-1925) also believed that the sparse Russian settlements in the RFE could not survive the "waves of the yellow race" (ibid p. 51).

At present in the 1990s the Russian government hesitates to enter into economic cooperation with its Northeast Asian neighbours partly due to fears of "demographic pressure" from China. At the end of 1993, the local press in Vladivostok discussed the "expansion" of Chinese citizens in the RFE. Several academics warned that the territorial integrity of the RFE was in jeopardy due to increased cooperation with NEA (Larin V L

1994 and 1997 pp. 17 - 32 ; Gaikin V A 1994 p. 41 ; Zbrovskaya L V 1995 pp. 93 - 98 ; Baklanov P and Karakin V 1993 in *Krasnoe Znamya* 18 November 1993 ; Miasnikov V S 1994 ; Hyer E 1994 passim ; Masnikov V S 1994 pp. 93 - 98 ; Sharov V 1993 in *Literaturnaya Gazeta* 27 October 1993). With the Tumen River Project, Russian permission for China to build a railroad to Port Zarubino would be the first step in a series of concessions leading to China's takeover of the RFE through massive immigration (Rozman G 1995 p. 283). Gaikin V A (1994 p. 41) comments that the opening of the border would lead to the formation of Asian enclaves in Russia and cause separatism in Primorskii Krai.

## **1 - 2. "Demographic Pressure" on the RFE**

As discussed above, with the declining local Slav population, the local politicians' discussion generated an impression that the Russian settlement was unsustainable in the long run if faced with immigration from China to the RFE (Kerr D 1996 p. 949 ; Kolsto Pal 1998 pp. 51 - 69).

On the Chinese side of the border, Kim's projection (Kim W B 1994a p. 12) suggests a labour force of 109.12 million in NEC by the year 2000. The key point of his argument is that the labour demand will not be sufficient to absorb a rising supply in the future. In Kim's estimate the growing service sector "will not be sufficient to absorb all the unemployed, underemployed, and new entrants", arising from : (1) surplus rural labour in agriculture (calculated on the assumption of a fixed land-labour ratio), (2) urban unemployed, and underemployed workers in overstuffed state-owned enterprises (SOEs), and (3) new entrants seeking to enter the labour market (ibid pp. 17 - 8 ; Kim W B 1995 ; the Economist April 26 1997).

According to Kim's demographic projection, 2 million new jobs are needed annually in NEC to absorb the unemployed and underemployed labour (Kim 1994a idem). Kim W B (1992 p. 239) writes :

Despite high GDP growth during 1986-90 in Northeast China, employment growth in nonagricultural sectors was not impressive, averaging around 2 - 4 percent in Liaoning, 2.1 percent in Jilin, and 3.1 percent in Heilongjiang...Considering that 20 - 30 percent of rural

labour is either disguised unemployment or underemployment, and that there is a large proportion of redundant workers in the urban sector, there will be a significant workforce available for export... in ...Northeast China for some time in the future (original text in English).

Improved labour productivity is reducing labour demand in agriculture. The anticipated reform of overstuffed SOEs (state-owned enterprises) will eventually force much of their labour force out onto the streets. Kim W B (1992 ; Kim W B and Kim Y B 1996) writes :

.. the pressure to migrate will soon be built up in labour-surplus countries / areas if political barriers are lifted. China appears to be most susceptible to potential out-migration since it has suppressed the mobility of its people for over three decades... According to estimates made by Chinese scholars, there is more than 100 million “surplus” rural labour in China’s rural areas... (1992 pp. 240-1). (A) substantial portion of labour absorption in the urban areas (had been) due to the rapid growth of the collective sectors... However, such a rapid growth of employment in the collective sector may not be possible in the 1990s...(ibid. p. 248) Migration pressures have been increasing in China where a large proportion of its 1.2 billion population is underemployed (ibid. p. 252). (Besides), China can earn badly needed foreign exchange by exporting labour...

Furthermore, labour export helps to relieve unemployment and underemployment problems in China (ibid. p. 252). (Meanwhile,) the RFE needs the supply of labour in addition to its own. Given the trend of out-migration from the RFE, it seems unlikely (for Russian employers) to recruit workers and agricultural workers among Russians (1996 p. 36).

Some agree with Kim W B that the Chinese authorities regard emigration as another way of solving unemployment problems (Garver J W 1994). Kim W B (1994b pp. 1066 - 72) also recognises that other factors in the RFE may be drawing labour from China. Jobs in agriculture, construction and light manufacturing, rejected by Russians go to alien workers. In Kim's projection, given China's “demographic pressure” and the RFE's increasing labour demand, labour would flow “naturally” from China to the RFE.

### **1 - 3. Critique**

There are problems in this analysis.

First, Kim W B takes movement of immigrants from China to the RFE as axiomatic. He does not explain how the demography of the RFE, NEC and other economies relate dynamically to each other (see Wang 1994). He studies each national demographic situation in NEA separately. NEA may be divided into : (1) South Korea moving increasingly towards the high-income, labour deficit economy with labour import and

capital export, (2) the RFE as a low-income, labour deficit economy with labour and capital import, and (3) NEC as a low-income, labour-surplus economy with labour exports and capital imports (Kim W B 1995 ; Kim W B 1994a loc.cit. p. 12). However, his study does not explain why and how capital and labour move, and how each economy is related to others in a dynamic way. As a consequence, his analysis remains static and ends with each separate economy's demographic projection. The labour inflow to the former Soviet Union in the early 1990s must be seen in terms of a global redistribution of labour exports from China in response to demand in different parts of the world (FEER May 29 1997 p. 51).

Second, exports of labour to the RFE in farming and construction do not explain the growth of traders. He confuses the categories of people with multiple entries into the RFE : more than 90 percent of Chinese entries into the RFE are commercial tourists (private traders), not contract labour, according to the data on human traffic passing through Heihe-Blagoveshchensk, a checkpoint on the Russo-Chinese border (*Nittchu To'hoku* July 1 - August 1 1994 : Kazakov I V 1993 p. 65). Thus, there is the problem of exaggerated recording of their entries. Furthermore, few people take risks and move without reliable information on earning opportunities abroad.

Third, as discussed already, "demographic pressure" has long been employed historically as one of the justifications advanced for fortifying the Russo-Chinese border and expanding the armed forces in the early twentieth century (Dallin D J 1950 p. 13). In the 1990s this pretext can be also exploited for political agitation against immigration. As mentioned earlier, local journalists in Vladivostok seek to stir up fears of population pressure, viewing the policy of an open border as detrimental to the sovereignty of Russia. Some Russian nationalists insist on defending territorial integrity even at the sacrifice of economic benefits. Others even argue that the growth of immigration from China will eventually lead to a "Chinese republic" within Russia (*Delovoi Mir* 26 Dec. 1994 - 1 Jan.

1995 p. 44 ; *Delovoi Lyudi* No. 60 Oct. 1995 p. 72).<sup>3</sup> However, this geopolitical concern must be balanced against the benefits of economic opportunity which the policy of an open border economy brings (Kim W B 1994b op.cit. p. 1064).

More precisely speaking about the “pressure”, what local Russians fear is that a “Korean (Trading) Diaspora” (in this case the Chinese citizens of Korean descent) may emerge in Russia and gain control over cross-border trade. This view fits Huntington’s picture of “fault line conflicts” between groups of different civilisations under a mobilising diaspora situation in a host country, discussed already in the introductory chapter. In early 1992 a high official of the police department wrote in a memorandum, issued by the Bureau of Internal Affairs :

The discussion (of demographic pressure) is not about the (Han) Chinese in general. The local police are, however, afraid of the Chinese Koreans forming a “Korean region” within Primorskii Krai...The South Korean government has a long-term and well-planned policy to increase the Korean minority in Primorskii Krai, in order to establish a “Korean Territory” within Primorskii Krai (*Vladivostok* July 26 1996). (original text in Russian)

Fourth, local business groups and politicians use the threat of “demographic pressure” to force the local authorities to restrict Asian economic activities and to win a larger share of the local trading business for themselves, probably with the support of many Russian small traders (Kerr op.cit p. 953 ; Blank S J 1997 pp. 82 - 3).

With deregulation of the state trade monopoly, industrial managers (including many in the former military industrial complex) tried to run and control lucrative commercial business under the shelter of the Krai government's protectionism so that foreign economic influence would not threaten their interests (Slider D 1994 p. 382). A rise of inter- and trans- regional transactions in commerce raised fears among local managers and politicians that the disrupted centralised distribution might come under the control of foreign traders and businessmen (Kuchenrenko 1994 pp. 1 - 7 ; Kirkow P 1998 p. 117 ; Vacroux A 1984

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<sup>3</sup> The number of Chinese citizens differs, depending on the source. Therefore, the real number of residents with Chinese citizenship is unknown. Koudin A P (1994) states that there are 1 million Chinese citizens in the RFE and Siberia. The Asian Wall Street Journal (April 19 1994) reports more than 200,000 Chinese citizens in the RFE. And according to Li M X, Director of the Border Trade Bureau, Heilongjiang Province, in 1994 1,790,000 Chinese citizens went to Russia through Heilongjiang. Against these figures, in official statistics from the Ministry of Internal Affairs, illegal residents from China amounted to about 1 million in the RFE and Siberia combined. In Primorskii Krai, there are more than 100,000 illegal residents (*Rossiiskii Vestnik*, 1994, No. 36, p. 13).

p. 41). Through overlapping leadership of the Krai government and PAKT, an association of local business elites and politicians, they obtained political power to suppress opposing forces and a strong control over foreign trade, since the regional government had political leverage over the regional economy through the issue of trading licenses, quotas and import tariffs (Kirkow P 1998 p. 118 p. 164).

Furthermore, the local authorities use the image of a demographic threat to bargain with the centre for additional budgetary allocation, reduced taxation, subsidies, etc (Kerr op.cit. pp. 948 - 9 ; Christoffersen G 1994-95 pp. 513 - 41 ; Clarke S 1992 pp. 3 - 27 ; Hendley K 1998 pp. 91 - 119 ; Kirkow P 1998 p. 124). “Demographic pressure” is thus a useful bargaining card in their negotiations with Moscow for more assistance (Kirkow 1995 op.cit. p. 942 ; Kirkow P 1998 ibid. pp. 131 - 2). The recent development of foreign economic relations with NEA has led local governors to appeal to Moscow for privileges, and has thus become a lever to win subsidies, soft credits, and concessions from the centre (Kerr D loc.cit.). These moves have also involved some conservatives in the Krai’s Duma, mainly officials, managers and the military, rallying support for their nationalist aims (Moltz J C op.cit. pp. 522 - 3 ; Kirkow P 1998 op.cit. p. 138).

Finally, but most importantly, the typical “demographic pressure” argument sees it in terms of an overflow of China’s “rural surplus labour” into the RFE, although Kim W B does mention about an overflow of the urbanites from the overstaffed SOEs. In original data collected for this thesis, findings were that, most immigrant traders from China were urbanites who extended casual business practices (a many of them in service jobs) from China to Vladivostok, and many of the respondents do not settle but sojourn in Russia. In other words, the argument of “demographic pressure” that these traders were accumulating to form a Republic of their own eventually in the land of Russia is false. In all the surveys 1995-96 urbanites exceeded rural migrants, and the result is contrary to common belief about China’s overflowing “rural surplus labour”.

**Table 1-2 Registration Status under China's *Hukou* Registration System (Unit : number of stalls)**

	1995		1996	
	Pilot	Main survey	Pilot	Main survey
Urban	40	57	35	57
Rural	10	49	14	43
Total samples	50	106	49	100

However, nominal status may be misleading. The definition of China's urban population has been problematic, particularly since administrative changes to city and town boundaries in 1983. Furthermore, people may purchase urban status on the black market in China, without changing their main occupation. It is rather their occupation that matters. The non-agricultural population is a better indicator since it is more related to changes in types of activities and less affected by administrative changes to boundaries (Gar-on Y A and Xu X 1996 pp. 240 - 41). When the non-agricultural population was used as a basis, the surveys still indicated that urbanites working in non-farm jobs were the largest group and, in total, non-farm urban workers were the majority of the cases.

**Table 1-3 Registration Status and Occupation in China**

	1995		1996	
	Pilot	Main survey	Pilot	Main survey
<u>1. Urban</u>	43	57	35	57
Non-farm jobs	36	**51	16	31
Resting / unemployed	4	4	0	2
Farming jobs	1	2	1	3
Unknown	* 2	-	18	21
<u>2. Rural</u>	10	49	14	43
Non-farm jobs	4	12	7	3
Farming	6	***37	1	6
Unknown	-	-	6	34
<b>Total</b>	<b>50</b>	<b>106</b>	<b>49</b>	<b>100</b>
Farmworkers	7	39	2	8
Non-farmworkers	40	63	22	35
Unknown	2	0	25	55

N.B. : \* Unknown includes urbanites engaging in other work such as migratory wage workers

\*\* Of the 51 urban non-farm workers, 7 were employees in the state sector.

\*\*\* Of the 37 farming rural residents, 10 were employees in the state sector.

Turning to casualisation and tertiarisation, respondents were asked further what their

occupations were at home. Surprisingly, services occupied a substantial share of the total respondents' occupation in China. Here, transformation of the Chinese WMSS is relevant to the respondent's occupation. It can be argued that dismantling of the Chinese WMSS may be a more legitimate theory than "demographic pressure" to explain this phenomenon, immigration of traders into Vladivostok . Urbanites are working increasingly in the tertiary sector at non-state employment, and many of them may work in the RFE as an extension of such service jobs prevalent at home in China. With the rise of a consumer economy and the need for marketing and distribution, the tertiary sector may be growing rapidly (ibid. p. 248).

**Table 1-4 Details of Respondents' Occupation in China**

	Pilot survey 1996	Main survey 1996
<i>1. Urban Households</i>	35	57
<u>Services</u>	11	17
Manufacturing	5	9
Farming	1	2
Unemployed	0	2
<b>Others (no job in China)</b>	<b>18</b>	<b>20</b>
- Hawking business		
only in Russia	16	14
- Construction work		
only in Russia	1	4
- Fishery only in Russia	1	0
- Medical services		
only in Russia	0	2
Unknown	0	4
<i>2. Rural Households</i>	14	43
<u>Services</u>	5	1
Manufacturing	2	2
Farming	1	6
Unemployed	0	0
<b>Others (no job in China)</b>	<b>6</b>	<b>34</b>
- Hawking business		
only in Russia	5	12
- Construction work		
only in Russia	0	10
- Farming and fishery		
only in Russia	1	11
- Timber logging	0	1
Total samples	49	100

Thus, urbanites far exceeded rural migrants, contrary to the popular image of the “demographic pressure” of impoverished “rural migrants flocking to the RFE”. NEC’s transition is a mixed process of industrialisation with urbanisation of rural areas (increased farm and non-farm linkages) and the restructuring of the SOEs. Especially with regards to the latter aspect, there is a dearth of literature explaining “casualisation” of urban employment in state enterprises in the course of marketisation, which may be more relevant to cross-border movement of traders from NEC to the RFE. For example, McGee

T G (1991 pp. 3 - 26), Yixing Z (1991 pp. 89 - 112) and others discuss rural residents' often diverse income-generating activities, extending to both farm and non-farm activities. Similarly, Ueno K (1993 *passim*) and Wang M (1997 pp. 1 - 18) discuss the enhanced urban-rural spatial interaction in flow of labour, goods and capital. It is more essential to know its relevance to contextual change of systemic transformation (in the case of Northeast China's transition to a market economy). All these theories only deal with the issues of transforming rural occupation in economic development. They disregard relevant aspects of the post-socialist phenomenon - casualisation of urban employment. In this regard, discussion on the decline of a dismantling WMSS system best explains the origins of this phenomenon - i.e. the transformation with marketisation of the state sector, which had long been supported by subsidies under the state socialist system (Harris N and Lockwood D 1997b). Moreover, immigrants were found to be sojourners staying in Vladivostok for two to three years. They regarded the trade business as a temporary one, as a stepping stone to climb up "the social ladder" when reentering China or moving elsewhere in a few years' time. They were short-time sojourners, certainly not settlers, accumulating to dominate the Russians in Vladivostok, at the time of the surveys 1995.

**Table 5 The First Year when Traders Came to Vladivostok (Unit : number of cases )**

	Pilot 1995	Main survey, 1995
1990	1	0
1991	0	0
1992	4	3
1993	15	7
1994	12	39
1995	18	37

It is important to know what kind of qualitative changes are taking place in the systemic transformation to erode the former autarky in the RFE and NEC (at the macro level), and how the changes brought forth immigrant traders (at the micro level). Several sections which follow will present an explanation about analytical frameworks in detail : a transition from a WMSS to a "bazaar economy" in a path towards a market economy.

## [ 2 ] From a Militarised Economy to a “Bazaar Economy”

### 2 - 1. Introduction

This section argues that instead of a simplistic argument of “demographic pressure”, transition from a militarised economy to a “bazaar economy” better explains the movement of immigrant traders from China to Vladivostok.

During the Soviet regime, satisfaction of consumer demand was largely suppressed and dictated by the decisions of *Gosplan*. However, disengagement of the state (e.g. from the centralised provision of commodities, and maintenance of retail price stability) led to a revival of the consumer sector (Cook L 1993 pp. 1 - 18). From early 1992, decisions about how much and what kind of commodities and services should be produced was no longer made centrally by *Gosplan*, but was left to individual consumers' choice (Gaddy C 1996 pp. 105-7).

As of the late 1990s with the decline in the military's role, there has been a prolonged slump in the military industrial complex and its supporting civil industries in the RFE. Industrial managers and workers have siphoned off and transferred state resources from the factories into private commercial businesses. Vladivostok, a former military outpost is also in a state of “economic involution” - i.e. the state of an economy diverting resources into commerce at the expense of production, and redundant labour in the manufacturing sector has been diverted to the tertiary sector including casual services in bazaars (Burawoy M 1996 ; Bradshaw et al. 1998 pp. 150 - 58). To put it in other words, a growth in consumer services (often informal) compensated in part for income loss of employees registered in the state sector (Pine F and Bridger S 1998 p. 9).

Military-related manufacturing is being replaced by commercial services not only in the RFE but also in NEC. In NEC, however, the state economy has been restructured in a more subtle manner than in the RFE. The restructuring process has been somewhat softened by employment creation brought about by a continuous growth of industrial output and services. The less developed and more agricultural basis of its economy has left

more room for further growth and labour transfer to modern sectors (manufacturing or services). Although the painful restructuring of the state economy involves streamlining of the SOEs in heavy industry - phasing-out of the unwanted staff and obsolete state agencies - it still leaves more room for a smoother transition towards development of consumer manufacturing and services when compared with the transition in Russia. The main point of China's transition is that the state is expanding entrepreneurial activities in diverse areas, which in turn, to some extent, helps absorb the unwanted administrative staff or the laid-off of the SOEs into the new businesses, and compensates for financial losses being made by the state bureaux (Duckett J 1998 p. 142). Former state officials rush into new entrepreneurial activities in the consumer sector, especially light manufacturing and distribution, and this move also reflects China's departure from a militarised economy, where before Deng Xiaoping's reform, the government had systematically distorted its economic structure with investment priority in heavy manufacturing and little investment in the consumer sector, and also with the state's restriction of commercial autonomy. Low individual consumption and the neglect of private trade had been justified under the norm of collective consumption and an ideological commitment to an egalitarian access to goods and services via work-units (*danwei* in Chinese). In the pre-reform period service employment was particularly far below the heavy industrial employment (Davis D S 1995 pp. 72 - 73). With reform, the role of the state economy has been falling, yielding to more occupational flexibility of individuals. Individuals have been given more access to services and commodities, increasingly available outside the domain of the state economy. In 1987 private traders were permitted to buy and trade unlimited inventory directly from factories and other primary producers, and thereby started to encroach on the traditional channels of centralised distribution (Davis D S et al. 1995 p. 101). In the major cities of China retail and office districts were revived, somewhat similar to the situation before 1949 (Davis D S et al. 1995 passim). Private consumer services were revitalised and retail outlets mushroomed, inducing an entry of private traders and entrepreneurs into new businesses in cities, which transformed the former system of control - lifting the prohibition of in-

migration to cities, allowing the deregulation of the formerly restricted areas of business activities, and above all, changing the pre-reform work-unit system. It was the work-units through which the state used to distribute subsidies in kind to urban residents in order to augment their income and compensate for price hikes. Since consumer markets had been underdeveloped in the pre-reform period, scarce commodities and services had been distributed to urbanites through their work-units. Thus, formerly, the work-units were state agencies of control. Somewhat similar to the peoples' commune for rural peasants, labour-mobility had been controlled through their attachment to their work-units. Today the urbanites are no longer free from the market encroachment and deregulation of the former system. The former control is in danger of dismantlement, but an alternative has not yet been found to replace it. This causes an increasingly hybrid form of organisations between market and the state and between entrepreneurial activities and remnants of state manipulation.

However, with all the differences in transition process, the RFE and NEC both began to erode a similar system of collective consumption, distribution and production attached to registered workplaces at SOEs and separated the distribution function from the state entities. Erosion of the state economy, involving inter-enterprise debt and barter, led to a growth of an unofficial commercial economy extending to cross-border exchanges of stockpiled industrial inputs, consumer products and labour. Here lies a reason for an assumption applicable to the RFE and to some extent, to NEC, a transition from the dismantling of a WMSS to a "bazaar economy." (Burawoy M and Krotov P 1993 pp. 49-69).

## **2 - 2. From a WMSS to a "Bazaar Economy"**

In a WMSS, the state "has a paramount interest in not being dependent on supplies" from foreign countries in a quasi-war-footing and directs mobilisation of resources and labour (Harris and Lockwood D 1997b p. 605). Here, a WMSS is largely defined as a state in competition with other states, guiding a national economy along a path. It is both a "socialist state" in terms of provision of welfare to citizens and a "militant state",

maintaining a national security regime against competing states : (1) as a “socialist state”, in the field of social welfare, it is ideologically committed to demonstrating to competing states the superiority of its own system through such policies as : guarantees of full and secure employment, and provision of easy access for consumers to the essentials by stabilising prices with heavy subsidies (Cook L J 1993 pp. 1 - 81 ; Wong L 1998 pp. 143 - 203), and (2) it is also a “militant state”, the primary direction is towards building a firm foundation for “war-making” capacity against counter-revolutionary forces, with the government playing a dominant role in the national economy, controlling foreign trade and border contacts (Harris N 1990 p. 158). Hence, a “threat of war” provides here a powerful context to separate a national economy from the rest of the world (Harris N 1983 p. 234). In a WMSS autarky makes capital and labour subordinate to the interests of national security (Harris N et al. 1997b p. 3). A state manages its economy by tight restriction of capital mobility within its borders, control of its currency’s value, and regulation of external trade, and guides the centralised mobilisation, of labour as well as of economic resources, directed to a war economy (Harris N 1990 pp. 194 - 96). The Soviet state during Stalin’s regime and China under Mao were the two of the most typical WMSSs in this sense. Later, collapse of this system not surprisingly brought changes in their foreign trading activities, as will be discussed later.

A “bazaar economy” is defined as a fragmented, localised commercial economy, composed of commodity traders with little formal organisation, who engage in ad hoc exchanges in an unregulated market but conduct a large volume of transactions as a whole (Geertz C 1963 p. 28). A “bazaar economy” is contrasted with a “firm-centred economy”, where trade and manufacturing industry are developed by the impersonal operation of modern market institutions (ibid. pp. 28-9). This thesis will focus on the linkage of the “bazaar economy” with the declining state economy of the former centrally planned states. Bazaar traders are not only sales agents, subcontracted to wholesalers (often to subsidiaries of state enterprises), but they are also participants in a system of wider economic activities - from procuring inputs to processing, producing, marketing and

distribution to end-consumers (ibid. p. 32). A “bazaar economy” is characterised by : (1) economic activities of traders who rely primarily on particularistic and non-contractual networks of family, friends and co-ethnic solidarity, (2) an easy entry and exit for trade, causing a transitory flow of chain immigration, (3) appearing in an economy in transition, and flexibly adapting to systemic changes to take up the slack labour from the state sector, and (4) generally a negative attitude of the state towards its growth, which often results in removal or relocation of bazaars and deportation of traders (McGee T G 1971 p. 74).

In transition casual labour either replaced or supplemented formal state employment by absorbing the slack of the formal sector, and this produced “bazaar economy” interpenetration on the Russo-Chinese borderland. The Chinese market became important for the survival of declining military-related industries in the RFE when orders from Moscow plummeted (Meyer P F 1994 - 95 p. 504). With the abolition of the former socialist system some of the clerical staff and workers of the state apparatus became private traders and shopkeepers (Harris N 1990b p. 103). Likewise, in NEC with the post-Cold-War demilitarisation and a growth of financially-strapped SOEs, pauperisation of their employees forced them through income interruption or reduction to turn to various forms of casual business including transborder trade. Thus the people of the borderland have been linked with or their economic life has been interpenetrated by transborder contacts of traders, particularly through the networks of “Koreans”, given that the “Koreans” have a good access to both markets.

The common feature of the “service gap” in China and Russia - a state of underdevelopment in consumer services, as against heavy manufacturing - a great difference in light manufacturing - growth of production in China and decline in Russia - made the transborder transactions grow. The RFE, in the absence of developed consumer manufacturers and distributional services created an import demand for consumer products, and delivery services from China, many of which are provided by Chinese citizens.

Before *perestroika* the state distribution system was “deficient relative to demand”

(Schroeder G E 1987 p. 253). Harrison M (1986 p. 75) argues that,

Through receipt of wage incomes provided for by the excessive financing of industry, households too (are) ... overfinanced in relation to the consumer goods and services available ... The result is the unintended accumulation of household cash..., and ... illegal exchanges on the retail market.”

Later in the 1990s, however, these informal exchanges expanded beyond the border and alleviated the shortages in post-Soviet cities. Private traders became not only providers of goods but also providers of goods-related services (wholesaling / retail services). Their geographical movement as service providers fulfilled the links between production and delivery (Ghosh B 1997). Hence, the rise of private traders arose from the need to redress the long-neglected “service gap” in Russia. Bradshaw M J et al. (1998 p. 157) acknowledge that,

consumer ... services were particularly underdeveloped and the growth of such services may be expected to present many opportunities for employment creation... The development of small- and medium-sized enterprises is also expected to play a positive role by capturing intra-sectoral shifts in economic activity ... The small and medium-sized enterprises are frequently “spun-off” from failing state enterprises.

Resources - economic resources and labour - were redistributed, channelling from the state sector to the non-state sector, and from manufacturing to services. Seen in this light, the coming of Asian traders from China reflects the process of correcting the “service gap”, a process which started in the *perestroika* period.

## **2 - 3. “Tertiarisation” and “Casualisation”**

With demilitarisation labour was thus transferred from heavy manufacturing to service (“tertiarisation”) and from the state to the non-state sector (“casualisation”) in Vladivostok. In Russia in 1991-94 as a whole, output of light industry (textiles, clothes, shoes and leather, etc.) marked a 70 percent decline, in contradistinction to a growth in commercial business (Kuboniwa M 1995a pp. 190 - 200 ; Tselichev I S 1995 p. 74). The state sector’s share of employment decreased from 90.6 to 58.3 percent, while the non-state sector’s share increased from 1.4 to 41.7 percent during 1988 to 1993 (Mizobata S pp. 83 - 85).

Through “tertiarisation” and “casualisation” the RFE transformed itself into a “bazaar

economy” by forming external links with NEA for procurement of commodities and services. By the early 1990s shortages and malfunctioning distribution in Vladivostok eventually caused a diminished role for the state shops and an increased role for bazaars (French A 1995 pp. 109 - 18 ; Mukuguchi J et al. 1993 pp. 30 - 31). The number of stalls increased, widening the range of goods traded. Distribution was reorganised through networks of traditional family ties and friendships rather than by the impersonal operation of modern capitalist market institutions (Harole M 1996 p. 8). The rise of a “bazaar economy” reflected a readjustment of the distorted regional economy, and made the supply more responsive to local demand in the RFE (French A op.cit pp. 113-8).

As NEC is a region where much of China’s heavy manufacturing was concentrated, the region is gradually showing signs of reforms, dismantling the former system. As of the mid 1990s 20 - 30 million urban residents are in penury, and at the end of 1995, 61 million contract workers of the SOEs live under the threat of unemployment when their contract terminates (Zhu Q 1996).

## **2 - 4. To a Group of "Market-Facilitating Regions" (MFRs)**

By 1992 both subnational economic regions (NEC and the RFE) shifted away from the state monopoly to decentralisation in foreign trade, devolving responsibilities to local authorities. Both regions have been going through a transition from a limb of a WMSS to a “market-facilitating region” (MFR). The theory of the transformation of a WMSS to a MFR helps explain historical changes in cities in the RFE (French A 1995 op.cit. pp. 113 - 8 ; Scott A J 1998 pp. 104 - 5). Russia and China are in the process of being broken up into geographical groups of independent subnational economic units or a “collection of regional economies”. In the transition transport tariffs, wage supplements and other state subsidies, which used to unify a national economy, have been in many cases abolished. This helps bring about decomposition of a national economy into subunits (Krugman P 1991 pp. 84 - 87).

The RFE may be reorienting itself away from a militaristic, autarkic system to become a more economically independent “market-facilitating” subnational region, attempting to

integrate itself with NEA. But this transition is far from easy. With geopolitical concerns there are still strong forces resistant to change towards a loosely coordinated federal system of MFRs where an economic subunit is given entrepreneurial autonomy in decentralised foreign trade. NEC is probably given more autonomy in foreign trade than the RFE. The RFE is at present neither a part of a WMSS nor of a MFR. It is rather a regional economic unit in inter-regional competition with other regions, where each region competes with the others for fragments of shrinking central budget allocation in the intermediate phase - with neither a market nor centralised planning (Harris N and Lockwood D op.cit. p. 597). As discussed earlier, with the weakening of central control, the traditional *nomenklatura* and a larger section of society seek commercial benefits in less regulated regional trade in the periphery (op.cit. pp. 612-3). Manager groups of military-related industries and officials, one group of the *nomenklatura*, exploit the opportunities provided by privatisation of state property, (Gaddy op.cit. pp. 86 - 87 p. 99 p. 103).

### [ 3 ] Typology of States : a WMSS and MFR

#### 3 - 1. WMSS

The WMSS system was in its fullest vigour in NEC under Mao and the Soviet Far East under Stalin. But, here, primary reference is made to examples from the former Soviet Union. A WMSS is typified by the system of the Soviet Union when its militarised economy was in full swing from the late 1920s to the early 1990s (see Shanin 1986 op.cit. pp. 126 - 33, pp. 184 - 85 ; Gerschenkron A 1962a pp. 17 - 28 ; Gerschenkron A 1962b p. 16).<sup>4</sup> Its characteristics are :

##### (1) Constant preparedness for a war in peacetime

By central planning the state allocates and mobilises resources in constant readiness for war (Sokolovskiy V D 1968 pp. 28 - 29). Checinski M, a military economist writes :

(By the 1930s the) idea of a kind of permanent state of mobilisation was accepted, whereby

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<sup>4</sup> In this thesis we restrict ourselves to a narrower meaning : i.e., the war-economy of the Soviet regimes which persisted from the late 1920s to 1992.

all newly built factories and enterprises were designed so that they could immediately begin mass-production of military goods should the need arise (Checinski M 1983 pp. 152 - 53).

## (2) Comprehensive mobilisation of resources in the direction of a national economy

Although there are different views on degrees of coverage to incorporate various civilian sectors, the war economy in a centrally-planned system exerts control over civil and military production directly and indirectly (Davis C M 1990 p. 157 ; Gaddy C G 1996 pp. 22 - 24 ; Malleret T 1992 pp. 6 - 12).<sup>5</sup> The military and civil sectors are often intertwined to form one unified economy (Davis C M *ibid.* p. 156). Sokolovskiy argues that a WMSS has a capacity to redirect its economy, mobilising industry and transport, evacuating regions threatened by military attack, developing new industrial centres, redistributing industrial manpower and supply of essentials, rearranging foreign trade, issuing bonds, and levying additional taxes (Sokolovskiy V D *op.cit.* pp. 28-9).

A centrally-planned system was considered by Soviet authorities to be superior to a capitalist one in mobilising resources in the event of emergency and war. Sokolovskiy (1968 p. 29) argues,

The centralisation of economic administration in times of war makes it possible for military leadership to deal with only one responsible agency or organ... In the socialist state...public ownership of... production excludes all unhealthy competition... and permits all efforts to be concentrated on...the general aim of the state. The absence of private ownership... enables Soviet military strategy to be based exclusively on.. the nature of modern war.

In Mao's China also, by the mid 1950s, under a similar strategy of centralised resource mobilisation, industries were nationalised and organised into SOEs. Private commercial enterprises, many of which had been operated by family, kin ties and friends before the revolution, were transformed into public units (Lockett M 1988).

## (3) Subordination of civil economy under military drives

Civil sectors are subordinate to war preparation. A WMSS has a "heavy industrial bias", relegating the civil sector to secondary status and suppressing its demand (Harris N and

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<sup>5</sup> There is discussion about how far the war economy of the former Soviet Union covered the civilian sector. C. M. Davis sees a rather narrow coverage, including only employment in military services and war production. C. G. Gaddy, however, includes manpower employed in civilian sectors of defence-related production and services, estimated to be 15-18 percent of the total labour force of the former Soviet Union (10 - 12 million people). Here, we basically follow C. G. Gaddy.

Lockwood 1997b p. 605). Particularly in the Soviet Union, as a result of the heavy industry bias, supply of light industrial outputs and distributional services was insufficient relative to demand (Bradshaw et al. 1998 op.cit. p. 157). The state skimmed on allocation of labour and investment to the development of consumer services (e.g. retailing and wholesaling) (Schroeder G E 1987 pp. 240 - 60). Strangulation of civil consumption allows capital transfer for extensive industrialisation and militarisation (Jasny N 1961 p. 1). For example, in the period 1928-56, growth in output of cotton fabrics (double) in the Soviet Union was far lower than that of steel output (almost elevenfold) (ibid. p. 18 p. 28). Priority in transport is also placed on the military establishment (Harris N 1997 pp. 4 - 6). Foodstuffs and other items are supplied to a potential “war” front in order to enhance fighting capacity (Harris N and Lockwood D 1997 p. 605).

#### (4) Closed economy or minimum economic contact with hostile states

Borders are closed due to national security concerns, as N. Harris and D. Lockwood (ibid. p. 606) put it :

The phenomenal social stresses and strains of industrialisation in a militarily competitive context have required closure against the spiritual pollution of foreigners, most starkly in the case of Stalin’s Russia,... Mao’s China, North Korea...

The state is preoccupied with establishment of autarky, and hence the state and its political interests dominate markets with currencies controlled, external trade regulated (Harris N 1991 pp. 194-6). The state controls foreign trade through its monopoly. Enterprises are national institutions. The state subsidises production and distribution. Under vertical integration of various manufacturing functions, large enterprises control every phase of production from processing raw materials up to distribution in the domestic market. In the late 1920s and 1930s the Bolsheviks built up a war industry in order to defeat anticommunists and consolidate their political control. In the late 1930s with fears of war, counter-revolutionaries, patriotic nationalism and suspicion of Asiatic neighbours, the RFE became even more dependent on its ties to Moscow. The state discouraged any efforts of the RFE to develop independent external economic relations until its eventual abandonment of central planning at the end of 1991. During the Cold War the RFE’s

stunted lateral economic ties with NEA contrasted with its overwhelming dependence on western Russia.

(5) Territorial dispersion of military and other production facilities

Plants vital to military production must be geographically dispersed in the deep interior to defend against surprise attacks (Lagosky A N 1957 p. 108). Sokolovskiy (p. 322) also notes that "...viability (of military industry) must be ensured by compulsory dispersion, duplication of production."

During and after World War II, the Soviet state spatially dispersed and sustained enterprises east of the Urals, far from the most probable front in western Russia. Several industries were relocated to the Soviet Far East from central regions and the Ukraine, although the Far East was not the main locus for the industrial evacuation (Minakir P A and Freeze G L 1996 p. 62). The industrial relocation also reflected the need that the regional economy should be self-sustaining in the eastern theatre, should war break out (ibid. p. 62). A similar policy of spatial dispersion was also adopted in China. Kirkby R J R (1985 p. 17) notes a Chinese case of spatial dispersion of key industries from NEC (Manchuria) in the late 1960s and the early 1970s, after the border skirmishes with the Soviet Union.<sup>6</sup>

Despite the costs and economic irrationality of these practices, the Soviet state kept to this policy until the late 1980s (Gaddy C G op.cit. pp. 39 - 40 ; Checinski M 1984 op.cit. p. 39). Gaddy (1996 p. 40) puts it, quoting Kokoshin A :

Even as late as the 1980s, however, the Soviet Union continued to pursue and even aggravate this costly policy of dispersal of industry... Andrei Kokoshin noted that (expenditure) "went not only towards the modernisation and expansion of existing enterprises, but also toward the creation of new ones in, amongst other places, Siberia, the Transbaikal region, and the Far East, regions far from the potential zone of large-scale war in Europe"... economics took second place to strategy.

In regions east of the Urals ground forces, airfields and naval bases were deployed, together with social infrastructure, to accommodate military personnel and industrial manpower. Spatial industrial planning and military deployment were probably coordinated,

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<sup>6</sup> In fear of attack from the Soviet Union, strategic plants and institutes were uprooted from Manchuria and transferred to locations in the interior such as Suchuan.

affecting urbanisation and the formation of networks of settlements defending the border with China (Gelman H 1987 pp. 179 - 80).

Against this view J. Keep (1995 p. 147) argues, writing that “After 1958 the Chinese threat caused a shift of resources to eastern Siberia and the Far East, but the main focus of (the government’s) attention remained on what geographers term the “economic core region” - ... central European Russia, Ukraine and the Baltic states...” Here, Keep ignores the fact that settlements and industrial facilities in Siberia and the Far East were maintained as reserves for natural resources and as military outposts. It will suffice to point out that : (a) after World War II industrial capacity was dispersed at least to some extent away from the core to the peripheral regions (Dunmore T 1980 p. 40)<sup>7</sup> ; (b) the share of Siberia and the RFE in the Soviet Union’s total labour force almost doubled in the period 1940-50 (ibid. p. 73).<sup>8</sup>

(6) “Demographic engineering” of ethnic minorities in border regions

A WMSS strengthens the demographic presence of the dominant ethnic groups in strategically important areas and maintains it, with a “demographic engineering” policy -

<sup>7</sup> Despite disagreement by T. Dunmore, who denies the relationship between territorial distribution of industry and war, his Table 3.1 confirms dispersion of industrial output during the period 1940-50.

**The Impact of World War II on the Territorial Distribution of Industrial Output in the Soviet Union**

	Growth in Industrial Output	Share of the Soviet Union’s Total Industrial Output (%)	
	1940-45 (at 1940 = 100)	1940	1945
The Soviet Union	92	100	100
Russia	106	72.6	83.6
<u>(A) The Core region</u>	62	57.6	44.6
North	82		
North-west	92		
Centre	33		
North-Caucasus	41		
<u>(B) The Periphery</u>	199	15.0	39.0
Trans-Volga	181	2.8	5.5
Urals	305	6.6	21.9
Siberia	199	4.1	9.8
1) West Siberia	270	2.7	7.9
2) East Siberia	128	1.4	1.9
The RFE	112	1.5	1.8

Source : *Narodnoe Khozyaistvo RSFSR*, 1957, Moscow, pp. 109 - 11 ; *Narodnoe Khozyaistvo SSSR v 1972 gg.*, 1973, Moscow, p. 168 ; Yu. A. Prikhod’ko, *Voss. Ind.*, p. 181 and p. 217 ; *Dal’nego Vostoka v Gody Velikoi Otechestvennoi Voiny*, 1973, Nauka, Moscow, p. 39

<sup>8</sup> Quoted from table 4.4 T Dunmore (1980)

**Regional Distribution of the Soviet labour Force : 1940, 1945 and 1950** (Unit : percentage)

	1940	1945	1950
The All Soviet Union	100	100	100
All Russia	69.0	75.7	70.7
Siberia and the RFE	6.7	11.5	11.4

Source : *Trud v SSSR*, pp. 42-71 : Dokuchaev, 1941-5, p. 43 ; Dokuchaev, 1946-50, p. 48

the state-directed movement of ethnic minorities - in order to change and maintain a certain ethnic composition in the borderland and thereby to reduce foreign influences for security reasons. Its concern for the ethnic composition generates the state-directed engineering : settlements of dominant ethnic groups (e.g. Russians) as “state agents” in the regions, and relocation or expulsion of “hostile” minorities (McGary J 1998 pp. 613-38 ; Bookman M Z 1997 pp. 121-46). In fear of war, the state, being suspicious of the allegiance of some minorities, sees them as threats to the state’s security. Since the demographic policy of new settlement should deter external invasion or minimise foreign influence, the new settlers are likely to be soldiers or demobilised soldiers and dependents who function as “garrison people”. The “demographic engineering”, hence aims to break potential transnational ethnic links of “hostile” minorities, especially the ties between a perceived “enemy” ethnic group inside the territory and the “enemy” in its “homeland” (McGary *ibid.* pp. 616-7). According to J. McGary, the state draws new settlers to the borderland through various ways (*ibid.* p. 619) :

- (a) “free or heavily subsidised land expropriated from ‘enemy groups’”
- (b) “good houses or jobs which lure settlers”
- (c) “subsidised travel and exemption from military service and taxes”
- (d) transport links and “communication infrastructure which carry (state) agents to the site of settlements” in the border regions and strengthen their ties with the core regions
- (e) formation of a “linguistic environment” favourable to the dominant group, and
- (f) “military installations” to deter external threats and protect the territory.

A borderland is subject to such “demographic engineering”. The former Soviet Union assigned university graduates to the RFE. China encouraged Han Chinese to migrate to minority regions in the old Manchuria, bordering on Russia and Korea.

As for Russia’s case, this move is related to a rise of “National Bolshevism” in the late 1920s and 1930s. Bolsheviks, disillusioned with the prospects for world revolution with the fading of international socialism, were preoccupied with state-building and its legitimacy, and developed a state-oriented patriotic ideology - “National Bolshevism”.

This patriotic ideology eventually replaced that of world class struggles by the late 1930s (Brandenberger D L and Dubrovsky A M 1998 pp. 873 - 92). This point will be expanded later. Here, it will suffice to mention that in the great emergencies of those decades, fear of war produced a peculiar military security regime in the Soviet Union to justify “demographic engineering” in order to eliminate internal and external threats. Fear of war justified the “Moscow-centred state (russocentric statism) (as) the most effective way to unite” the Soviet citizens (ibid. p. 880). Hence, the Soviet state tried to eliminate the possibility of any intra-ethnic transborder collaboration by expelling Koreans and Han Chinese from the RFE and replacing them with Slav settlers.

The origin and development of “demographic engineering” in the Chinese WMSS are also of some relevance, here. As it is well-known, China in the early days of the PRC also had “demographic engineering” to create Han settlements in Xinjiang against the Uyghurs and Muslim population. In parallel to militarisation in the USSR, China enforced “Sinisation” in the frontiers under Mao, for example - in Xinjiang - by dispatching soldiers and their dependants. These measures undoubtedly increased the proportion of Han in frontiers. In fears of a political unrest, the Chinese state affirmed itself as a unitary state, condemning the separatism of these minorities (Freeberne M 1992 ; Freeberne M 1968 ; Freeberne M 1966). Furthermore, in a more peaceful context, later, once the Han settlements were consolidated before Deng Xiaoping’s reform, the state strictly controlled migration from countryside to cities and maintained the regional demographic conditions favourable to the regime (Gar-on Y and Xu X 1996 pp. 219 - 67).<sup>9</sup>

### **3 - 2. MFR**

The first substantive signs of change in the WMSS system came during Gorbachev’s *perestroika* in the late 1980s and in the mid 1990s in Yeltsin’s Russia in the following

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<sup>9</sup> China kept strict migration control under the *hukou* registration system prior to Deng Xiaoping. Before Deng Xiaoping’s 1978 reform, the *hukou* system was used to stop unauthorised migration from the countryside to cities. Through it the Chinese state maintained a dual spatial structure - urban and rural people. Without proper registration, rural residents had no access to cities. This policy was maintained because the central authorities needed to limit the availability of jobs and consumer goods in cities and thereby to reduce the cost of urbanisation and infrastructure. Food and consumer necessities were highly subsidised and often rationed (Gar-on Yeh A and Xu X 1996 pp. 219-67)

direction :

(1) From hypermilitarisation to a more balanced economic structure, accompanied by development of a long-neglected civil sector

Gorbachev's *perestroika* and the succeeding reform programmes threatened to erode the existing welfare system : e.g. full and secure employment in the state sector, relatively egalitarian wage policies, subsidised consumer prices, etc (Cook L op.cit. pp. 82-169). The retreat of the state from these areas provided the background for growth in civil economic areas.

The hypermilitarisation of the RFE became rather anachronistic in the late 1980s and, by the early 1990s, a persistent decline of the regional economy contrasted sharply with the development of East Asia. In a new military doctrine officially adopted in November 1993, Russia started to acknowledge the need to readjust its military goals in the broader context of economic and other non-military factors (Gaddy C op.cit. p. 73). In the face of political changes in NEA and economic crisis in Russia the state cut the defence budget and suspended orders for military production (Harada C 1997 p. 18). The decline of the military industrial complex hit the RFE hard. Military personnel and their families suffered from delayed payment of wages or even non-payment. In marketisation the formerly subordinated civil sector came to the fore, taking an informal form. Chaos in federal economic ministries led to the need for a more decentralised, civil economy in the RFE, accompanying growth in transactions and contacts with NEA.

(2) From a militarised territorial state towards non-geographical market factors

A WMSS has been traditionally associated with an extensive territory, a large population and strong military power, and underestimation of the role of civil economic viability and technological innovation in production. But, the great and increasing costs of sustaining a military security regime - by safeguarding the long borders and maintaining settlements in the Eurasian land mass, for example - became a burden on the state budget. There was a great change in the nature of competition by the late 1980s : especially, shifts in the unit of competition from the national to the subnational unit - a city or region rather than a whole

state, and intensive development rather than extensive development. Non-geographical factors became more important than mere size of territory (Verbitsky S I 1992 p. 41 ; Pleshakov K 1994 p. 25). In locational choice by global capital, the merit of mere geographical size (e.g. raw material endowments) have come to yield to much less tangible non-geographical elements in the world economy (e.g. management skill, marketing, quick and flexible response to changing demands of niche markets) (Harris N 1992 op.cit. p. 82). Private capital, in losing territorial attachment to individual countries, lost sectoral specificity and national identity, and thus passed beyond the control of any single territorial state. The private sector became incorporated in complex networks of transnational flows of capital and labour for production and distribution (Harris pp. 78-9 ; Kerr D 1995 pp. 980-1). In globalisation, firms dispersed plants, diversified use of capital and labour, specific to each region, and organised the distribution of assets between different territories and sectors in order to ensure total global returns (Harris N 1983 pp. 234-5).

### (3) Globalisation, local initiatives and autonomy in foreign trade

In the vertical disintegration of the centrally planned system in the early 1990s, large firms shed some functions to separate firms beyond the border. This change in the command economy is not independent of a change in the manufacturing system and a disintegration of national economies in the capitalist world : from an internalised vertical hierarchy to outsourcing networks of lean manufacturing ; and from relatively stable employment in the domestic labour market to more volatile employment in a competitive labour market under an open economy (Scott A J 1998 p. 106). Lean manufacturing, as represented by outsourcing of inputs and varied outputs in niche markets, rejects the old idea of stockpiling - hoarding inputs. Instead, firms use less of each input : less labour, less industrial materials, and less time lag in coordinating production activities and distribution (The Economist June 20th 1998). With the vertical disintegration of national economies in the 1990s a growing range of inputs are exchanged and shipped anywhere in the world. With a state's tendency to reduce public expenses, regional planning seems to be transformed from a means to the centralised redistribution of resources to backward

regions into proactive regional planning initiatives in self-help and adjustment of regional economies in response to changes in the global market (Scott A J op.cit., pp. 104-5).

To some extent, Russia and China share features in their reform of foreign trade, despite different manners of implementation and progress.<sup>10</sup> For example : (a) institutional devolution from state monopoly to local autonomy, although the state retained some control (e.g. retention of some hard currency earnings), (b) deregulation of tradable commodity items, i.e. withdrawal of certain commodities from centralised distribution, and less rigid administrative control over prices and commodity circulation, (c) restructuring of the formerly distorted system of domestic pricing, and (d) linking with the international economy through reform of the foreign exchange market - partial convertibility of local currencies to the US dollar at home, unification of multiple exchange rates to a single rate, etc (Bradshaw M J 1995 pp. 132-41 ; Bradshaw M J 1991 pp. 168-77 ; Bradshaw M J 1990 pp. 239-41 ; Smith A 1993 passim ; Hewett Ed. A and Gaddy C G 1992 pp. 60-71 ; Goldberg L 1993 pp. 852-64 ; Xiaoguang Z 1993 pp. 1-31 ; Womack B and Zhao G pp. 131-76).

In the case of the Soviet state, by the years 1989 to 1992 the autarkic system had become problematic with the globalisation just described. It became expensive for the Soviet WMSS to maintain an autarkic economy directed to purchase every input from within its border (Harris N and Lockwood D 1997b p. 608). Thus as discussed, local industrial managers discovered that they could make fortunes through external and commercial transactions.

#### (4) From fortified borders to a marketplace and revival of transnational ethnic networks

Borders were primarily established out of military concerns but, in the post-Cold War years, borders were transformed from mere buffer zones to junction points in the flow of commodities and services (Herzog L A 1991 pp. 13 - 32 ; Herzog L A 1990 pp. 519 - 33 ; Dobbs-Higginson M S 1995 pp. 393 - 416). In the early 1990s, it seemed that border cities in Russia were transforming themselves into market places where people could move

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<sup>10</sup> Russia probably intervenes more restrictively in regionalised trade than does China, with a narrower inventory for tradable commodities, a confiscatory tax regime, and a higher retention rate of earnings.

freely to exchange commodities, services and information. There was a reduction in the strictness of Russian monitoring and control of cross-border contacts in border regions. China and Russia decentralised foreign trade and permitted private traders to participate in trading business, and this led to an intertwining or mutual penetration of unofficial “bazaar economies”.

As a result of the economic interpenetration, NEC and the RFE have probably formed a more interdependent or even unified consumer market (Portyakov V Ya 1994). The self-contained urban networks along the border separating NEC and the RFE are being transformed into transnational urban networks. In early 1992 the Chinese State Council established transborder zones and permitted various enterprises to invest in Russia, and encouraged private traders to create networks of trade and establish wholesale and retail markets through extension of settlements and bazaars beyond the border (*Vostochny Ekspress* 1992 No. 13 p. 6 ; *Utro Rossii* 21 November 1992 ; Manezhev S 1993 p. 46). This helped produce several “diaspora” phenomena on the Russia’s eastern borderland regions, both Han Chinese and Korean.

However, because of a rapid interpenetration, stagnant Russian cities are in danger of becoming more dependent on China's cities with their fast-developing light industry and distribution (Rozman G 1995 p. 280).

## **Conclusion**

In the 1990s, NEC and the RFE came to share some common features. Dimensions of impact, as a result of the dismantlement of the former system, are as identified briefly in the Introduction Chapter : (i) decline of state control and relaxation of the former “demographic engineering policy”, i.e. more immigration and inter-regional migration loss to other regions in frontiers, (ii) a rise of multichannel distribution with the end of state monopoly in foreign economic relations, and (iii) a growth of non-state employment (Kerr D pp. 931 - 32 ; Tajima T 1993 pp. 145 - 48 ; Nibin G 1993 pp. 183 - 89). Reforms of the trade systems led in part to the demise of artificial ethnoterritories as well as casualisation

of centralised distribution and employment. In other words, transnationalisation encroached on the two regional economies to restructure and erode the formerly-protected socialist markets there. The state is no longer capable of supporting the livelihood of the local population in the periphery. In the RFE, it seems that the state's power to maintain the Slav demographic presence has significantly decreased, and at the same time, in order to ensure an easy access to essential commodities and services, its border with China must be open. This was not just in terms of access to goods and services, but also in terms of providing a safety valve for the unemployed and underemployed to generate survival businesses in their economic insecurity. With a rise of private trade in borderlands, groups having an access, networks, connections and information are likely to benefit at the expense of those who do not have them (Harloe M 1996 p. 7). This produced a background where private trading business is facilitated by some networks of perceived solidarity, including "ethnic community" - such as the "Korean Trading Diaspora" overarching the regions of the RFE and NEC (Hibovskaya E 1995 pp. 39 - 47).

As prepared in the diagram below, the three dimensions of the impact of the transitions are related each other in the frameworks of the system transformation from a WMSS to a MFR with an emerging "bazaar economy".

In demography, ethnic composition in military outposts may be exposed to more and more heterogeneity with increasing contacts with other countries due to the deregulation of the long-repressed border contacts. With the erosion of the former social control (e.g. military forces, border guard and police) the fortress and its settlements may be thus exposed to problems of governance in a multi-ethnic or -racial society. In NEC the tight migration control has been loosened while in the RFE the state's power to maintain the Slav demographic presence might be in jeopardy, since Moscow no longer has an enforcing power to carry out forced migrations nor the economic resources to provide incentives to volunteer settlers to the Far Eastern regions.

In the distribution aspect, distribution tends to be more decentralised, on horizontal basis of transaction networks (often unofficial) in the RFE and NEC. The former retail price

stability has been replaced by price liberalisation and inflation. Likewise, the former ideological norm of low private consumption is faced with the need of liberalisation. The deregulation of commercial business induced speculative resale business, in which immigrant traders also partake.

This recent move makes a contrast with the past, where the WMSSs monopolised distribution and stifled private participation. It discouraged horizontal private-to-private transactions between independent economic agents (Hodder R 1993 pp. 18 - 9).<sup>11</sup> Direct transactions linking producers and retailers were especially discouraged and kept to a minimum level (the *Kyokuto Kaigi Hokokusho* 1994 p. 35). It was the state that bought, sold and supplied goods, and retail trade was organised in an extremely centralised manner with a few large enterprises controlling distribution channels.

However, with reforms in import-export operation, private traders grew to complement or even overtake state distribution in foreign trade business (ibid. p. 76 ; the *Konkurent* July 1 - 7 1996). In a rise of multichannel distribution, private traders rose creating intertwined consumer businesses in NEC and the RFE. Traders infiltrated the vertical state distribution and transcended the border (Xi H H 1993 pp. 74 - 80).

China abolished the monopoly of the state retail system in economic reform under Deng Xiaoping. Urban underemployed and temporary rural migrants started to establish retail businesses. They increased their share of sales in total commodity distribution. After 1978 temporary migration to cities has been permitted with the change to a blurred mixture of central and market economies in China. People began to purchase and earn more outside the state system. Temporary migrants in cities started to purchase necessities in free markets, bypassing their workplaces of the *hukou* registration as non-registered temporary residents increased in Chinese cities and they further expanded trading business overseas (Gar-on and Xu op.cit. p. 256).

In Russia, with the abolition of the state monopoly over foreign trade, import demand grew in the consumer sector (Minakir P V 1991 p. 55 ; the *Jetro Chugoku Keizai* 1994

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<sup>11</sup> In this sense Russia's distribution situation seems similar to China's.

February p. 50 ; Hyer E 1993 pp. 8 - 11).<sup>12</sup> From the late 1980s the state distribution was decentralised to direct regional ties and cross-border transactions with neighbouring countries. Supply disruptions led managers and employees to seek alternative suppliers. In 1992 the border on the eastern periphery became fully open for private traders (Moltz J C 1996 pp. 175 - 94). With inter-enterprise debt and the narrow domestic market, local enterprises increased transactions with China and other NEA countries. The increasing prevalence of unofficial brokerage in commerce formed the context for ethnic minorities entries into border trade. In the undersupplied market of the RFE, unofficial arbitrageurs formed bazaars in cities (Hattori K 1994 pp. 346 - 62).<sup>13</sup> Direct private-to-private transactions increased in the RFE. The non-state channel of Russo-Chinese trade (the two-way imports / exports) increased from US\$ 1.57 to 2.3 billion between 1990 and 1991, in contrast to the decline of the state channel (the *Jetro Chugoku Keizai* February 1994 pp. 50-2 ; *Ekonomicheskii Ezhegodnik, Sotsial'no-ekonomicheskoe Razvitie Primorskogo Kraja : Itogi i Perspektivi - Analiticheskii Obzor* 1995 pp. 43 - 5). What was the composition by item of this direct exchange ? The share of non-foodstuffs in Primorskii Krai's imports from China rose rapidly during 1990-92.

A system transformation is observable in the RFE and NEC releasing a repressed consumer economy for a revival of consumer services. As China's WMSS restructures itself, the streamlining of SOEs in heavy manufacturing generates demand for material inputs from the former Soviet Union. In contrast to the long-suppressed demand and the retail price stability maintained by the regime, private consumption is released to satisfy a local demand. This, in turn causes a rise of private business in areas of commercial distribution, which is sustained in part by self-interest of networking groups.

In the employment aspect, with the demise of life tenure jobs in the state sector, the

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<sup>12</sup> According to Hyer, in 1993 the centralised trade channel accounted for 12 percent of the total, the non-state channel for 88 percent. Informal trade doubled from US\$ 0.85 to US\$ 1.7 billion during 1992 - 93.

<sup>13</sup> As unofficial transborder transactions increased, they brought such changes as : (1) geographical extension of markets on both sides of the Russo-Chinese border ; (2) diversification of forms of exchange from simple commodity exchange or barter to hard currency transactions, and (3) an increase in the number of tradable items and areas of cooperation to incorporate import of contract labour, tourism, foreign direct investment, co-development of transport infrastructure, etc.

people of the regions were increasingly exposed to economic turbulence and insecurity by casualisation of employment. People in NEC and the RFE were, probably in similar situations, needing to engage in moonlighting or job alteration for survival. In both regions the state decreased its role as sole employer (Tajima T 1993 pp. 145 - 8 ; Nibin G 1993 pp. 183 - 9). In parallel with the exposure of the regions to external economic transactions, workers in defence-related industries faced unemployment or underemployment with reduced employment in the formal sector. State enterprises were confronted with a lower demand for heavy industry due to budget cuts and cancellation of government orders. These situations promoted labour transfer from heavy manufacturing to the tertiary sector (Tselichtchev I S 1995 pp. 224 - 5).

Since the two regions had long been committed to full and stable employment in the state sector, it would have been politically costly for the authorities to abolish job security and the welfare system all at once. Instead, *de facto* labour transfer took diverse and subtle forms so that the underemployed might generate income without full-fledged employment. Many workers are now furloughed at half their salaries or no salary at all. In a situation of inter-enterprise debt and reduced wage payment, employees ventured into selling stockpiled products, and treated the proceeds as personal income. Thus casual income-generation absorbed some of the slack in employment in NEC and the RFE.

In NEC, the marginalisation seems probably to be ameliorated by growth of employment in light manufacturing and services, existence of overseas markets, and above all by “state entrepreneurialism”, where state entities are involved in transforming state agencies into a business cradle to cultivate new business activities in the private sector (Duckett J 1998 *passim*). In the RFE it seems less likely that they can find an alternative to absorb and pool the labour force transferred from the SOEs, except into the “bazaar economy” as reserves.

In NEC both production and distribution have been developing since the reform of 1979, whereas in the RFE there was readjustment only in distributional services, often producing a detrimental decrease in inputs to domestic production.

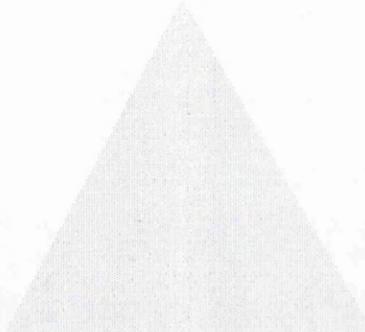
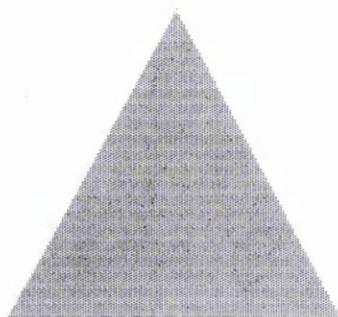
The RFE has still many remnants of the former system. Vladivostok embodies

characteristics of military outposts, although it has opened itself for entry of foreigners. Part II, consisting of five chapters, will explore the historical changes in demographic aspects and development of Vladivostok and the Russian Far East, in order to understand the present changes in the 1990s in historical context.

**Figure 2 Transformation of Dismantling WMSS to “Bazaar Economy” in MFRs**

***Dismantlement of WMSS***

***“Bazaar Economy” in MFRs***



**1. Demography**

- ethnic homogeneity
- discouragement of transborder contacts
- fortified settlements

- heterogeneous population (immigration from China and return migration from Central Asia)
- deregulation of transborder contacts
- A multi-ethnic society with porous border

**2. Distribution**

- centralised and vertically-integrated
- repressed demand with priority given to collective consumption (discouragement of private consumption)
- retail price stability
- non-monetary form of exchange between kin and friends

- horizontal and often unofficial transactions
- private access to consumer goods / services (tendency towards saturation of markets)
- high inflation
- monetised transactions but these involve kin friends

**3. Employment**

- bias towards heavy manufacturing
- life tenure
- ideological norm of full employment
- less labour mobility from state sector

- shifts to consumer economy (production and distribution), especially, employment related to light industry and services
- unemployment and underemployment
- temporary or casual jobs with greater occupational flexibility

## **PART II THE PAST**

## CHAPTER 2

### AN OVERVIEW OF VLADIVOSTOK AND THE RFE

#### Introduction

Part II is a historical study, focused on demographic aspects - a rise and fall of the WMSS system and Asian immigrants. In the late nineteenth century Asians settled in southern Primorskii Krai near the border of China and Korea. These Asians sustained Vladivostok by providing essential goods and manpower. They formed an immigrant economy in the city in contact with their homelands from the late nineteenth to the early twentieth century (Kotkin S and Wolff D 1995 p. 271 ; Shiga M 1994 pp. 84 - 6 ; Geogrievskii A P 1994 p. 186 ; Fujimoto W 1993).

The past and present patterns of Asian immigration seem similar on the surface since the number of Asians increased again in the city in the 1990s. But it cannot be assumed that Asian immigration in the 1990s is merely a repetition of the past. In general, history never repeats itself (except by the deliberate will of an individual or group). Probably the revival of Asian immigration is the result of a pendulum swing back from the former Stalinist “demographic engineering” of minorities (Tishkov V 1997 p. 43). Under the Soviet regime, ethno-territorial states were administratively formed and maintained. Once the ethno-territorial map was drawn, it was never revised until the *perestroika* liberalisation (ibid. p. 232). It was the retreat of the state’s control in foreign trade, migration and distribution that allowed the influx of Asian traders. Several theories may help explain the revival of Asian immigration and Russian xenophobia. Of these theories two, each of which attempts to explain one of these phenomena, will be outlined briefly.

First, the theory that Asian immigration is the legacy of “internal colonialism” and the “disintegration of the Soviet empire”. Colonial expansion on the periphery imposes a division of labour in relation to the core economy, and creates an ethnic stratification and spatial division of labour within the state. An internal colonial relationship develops within

within a multinational state between the culturally-dominant core and subordinate peripheral regions (Olzak S 1998 p. 199). Uneven industrialisation and the different cultural heritages of the regions lead to ethnic grievances, and relegation of minorities to the margins of urban society (ibid. p. 200).

The essence of internal colonialism is in the appropriation of surplus-value through unequal exchange between the modern (the core region) and the traditional sectors (the peripheral region), the elimination of cultural differences and the incorporation of minorities into the dominant economic system. Minorities are confined residentially and are forced to occupy a marginal position within the economic structure of an empire, probably in neglected sectors of the economy (Peled Y 1989 pp. 7 - 8). In the process of “decolonisation” the decline of an authoritarian regime leads to a rise of nationalism among minorities. In the “disintegration of the Soviet empire” view, the Soviet Union and its successor Russia were the last empire of the late twentieth century, an empire doomed to go through the inevitable process of decolonisation (Tishkov op.cit. pp. 24 -5). In reviving ethnicity issues, minorities use their ethnic identity to mobilise economic resources in order to seek a more equitable social status in its relation to a dominant group.

Second, the theory which explains Russian xenophobic reaction as based on Russian and non-Russian competition over distribution of resources. In the “competition theory” ethnic hostility arises when ethnically different groups compete in the same market for mobilisation of similar sets of economic and social resources (Olzak op.cit. p. 201). V. Tishkov sees rising nationalism as a political adjustment process in competition between Russians and non-Russians in Russia’s search for a new identity (political unity and cultural cohesion) as a multi-ethnic state (Tishkov op.cit. p. 24 - 5).

Part II will look at the rise and fall of Asian traders from both viewpoints. The WMSS system had eliminated ethnic quarters in Vladivostok, but the breakdown of the system revived an Asian immigrant community in the post-Soviet era and, subsequently, competition between Russian and Asian traders in bazaars for the meagre resources in Vladivostok’s economy (Sibley D 1998 pp. 379 - 80 ; Olzak S p. 201).

Vladivostok's economy (Sibley D 1998 pp. 379 - 80 ; Olzak S p. 201).

This chapter aims to fulfil the role of a general introduction to the account of the distinct historical stages of urban evolution, and the appearance and disappearance of Asian traders in relation to the rise and fall of the WMSS system in the chapters which follow. This chapter is an introduction to the detailed study of the other chapters in Part II. This historical outline will give us a background to the resurgence of an ethnic community in Vladivostok.

## **[ 1 ] A Historical Overview of Changes in the RFE**

Vladivostok has been a major military outpost for over a century. Throughout its history, the city has played the role of a commercial port and / or a fortress, depending on the political situation. Located in the RFE, it has oscillated in its external relations with NEA between the militarily-driven closed-door policy and relatively open economic transactions.

In the late nineteenth century the authorities populated the RFE with Cossacks, convicts and peasant migrants. Later on, during World War II, fears of German aggression on the western front and of a two-front war in Eurasia caused the state to intervene to redistribute plants and industrial manpower to the east of the Urals (de Souza P 1997 p. 194 ; Gelman 1987 pp. 213 - 4). After the war the Soviet regime continued to build up its military presence in the RFE (Souza P *ibid.* *idem*).

During the Cold War period NEA was an area of intense military confrontation for a long time. After the Korean War regional political alliances in NEA were long characterised by inter-state competition either in war preparation or economic growth. The ideological and political contest divided economically complementary partners in NEA. Markets were cut off from each other. Just as the RFE was treated as a geopolitically important fort, so was South Korea an outpost of the United State's containment strategy against communist influences. Vladivostok functioned as a fortress city - a patriotic defender of Soviet socialism in the Far East. With the state's geostrategic interests in the region, the state led the development of social infrastructure in order to sustain Russian settlements in the

interests in the region, the state led the development of social infrastructure in order to sustain Russian settlements in the region. Strategic confrontation was maintained with China until the mutual reduction of military forces in the late 1980s.

Diplomatic relations with the RFE's neighbours have gradually improved since Gorbachev's *perestroika*. State investment in the RFE declined from 4 to 1 billion rubles during the years 1987 to 1993 (Akaha T et al. 1997 p. 52). Military-related industry in the region reduced its output due to a shrinking of its former economic linkages with the central regions, with rising transport costs, cuts in the military budget and a drastic decrease in financial allocations to military-related industries (ibid. p. 53). Machinery production in Primorskii Krai dropped by 42 percent in 1994 and 27.3 percent in 1995 (idem).

From the late 1980s reforms had a liberalising impact on the functionally autarkic system of the state monopoly and the politically-tied inter-state economic relations with Eastern Europe. In the years around 1989-90 the CMEA (Council of Mutual Economic Assistance) - the system which coordinated the economic relations between the Soviet Union and Eastern Europe - collapsed, and Soviet trade with those countries dropped sharply. Later the Soviet Union cut off long-subsidised trade with Asian client states such as North Korea (Ivanov I V 1997 p. 142). The RFE's foreign trade started to be reoriented towards some NEA countries (ibid. p. 142). China emerged as the RFE's most important trading partner in 1993 (Akaha op.cit. p. 55). However, in 1994 this trade suffered a sudden drop, partly because of the introduction of a visa requirement for traders from China and tightened immigration control (idem).

After 1992 Vladivostok became one of the commercial business centres in Russia to take on a "gateway" role, and the main one linking Russia and NEA, particularly China (de Souza loc.cit. p. 194). The consumer market was opened to foreign business. With the demilitarisation on the border, a primitive bazaar-like economy emerged. However, caught between central budget restraints and the chaotic transition to a market, the RFE is currently not assured of the state investment which once sustained the region's

development. While free international transactions remained hindered by a licensing system and the rigidities of barter, individual entrepreneurs found niches in the unofficial trade and formed transborder economic relations by bypassing official channels (Kirchbach F 1997 pp. 63 - 4). A large number of Chinese citizens began to enter the city and the “yellow peril” and the “demographic pressure” have become a growing concern.

## **[ 2 ] Evolution of Settlements and Asians in Vladivostok**

### **2 - 1. Introduction**

A brief history of Asians in Vladivostok is as follows. The groundwork of the settlement was established by the Tsar’s state-sponsored colonisation, which required locally accessible labour from China and Korea. Han traders and labourers from China established Chinatowns. Koreans also settled and established communities in the city.

Under Stalin, however, the city was prohibited from autonomous trade with NEA. An “ethnic clearance” in 1937-38 swept away Asian residents from the city. Almost all East Asians, because they might be or might become Japanese spies, were removed either by relocation or deportation : Han Chinese were deported, and Koreans were forced to resettle in Central Asia. Under Stalin and his successors national security was a dominant policy concern. Borders, particularly the Soviet-Chinese, became militarised zones. This situation continued basically from Stalin up to Gorbachev’s diplomatic initiatives to restore relations with China and South Korea.

After the end of 1991 the city was reoriented towards NEA. Reunion of the deported Koreans became an explicit political agenda. The Russo-Chinese border became porous again. Reforms of foreign trade in China and Russia caused the beginning of growth of transborder contacts from the late 1980s. In the early 1990s, Vladivostok experienced a new wave of immigration from China. Korean residents in Central Asia pressed for their right to restore Korean communities in the city.

Thus, historically the city has changed its function more than once : first, a colonial city in a relatively open economy in Imperial Russia ; then a fortress city participating in the

closed centralised economy during the Soviet regime from Stalin onwards ; and, after 1992, an element in an open-border economy, showing signs of transformation into a junction point and a centre of trade. At present, in the late 1990s, the city seems to be reverting back to an open port (Editorial Office *Utro Rossii Starii Vladivostok* 1992 No. 162 - 3 ; Minakir P 1995 pp. 172 - 85 ; Editorial Office *Vladivostok* 1994 *Krai Rossii - Vladivostok* p. 50).

In general, when the need for national security retreats, the fortress function recedes and centralised distribution is deregulated to allow more horizontal transactions. A former fortress may then begin to function as a junction point, connecting the demand for and supply of goods and services. Accordingly, human traffic increases and flows of information grow (Herzog L 1990 p. 140 ; Duchacek I D 1986 pp. 260-1 ; Jacob J 1969 p. 126).

## **2 - 2. Historical Stages of Settlements**

Vladivostok City has gone through three stages of development, although to some extent one stage merges into another.

(1) **Pioneer settlement stage** (1860 to the late 1920s / early 1930s) : Capital of the colonising states in Europe moved out to the frontier in their colonies for railway construction, port installation and mineral prospecting. In the mid nineteenth century Britain and Russia were the two European powers in NEA that undermined China's feudal regime (Gillard D 1984 p. 87). Due to internal problems and the external pressure of foreign adversaries, China yielded to Russia's territorial claims (Moltz J C op.cit. p. 189). With an advance of the Russian frontier in the Far East region, forts were continuously established along the border with China which ultimately took on urban function. Russia established a fortress at Vladivostok in 1860. The city was brought into intensifying economic exchanges with the metropolis (European Russia), yet at the same time it had growing transactions with NEA out of logistical need. The Far East region was not yet fully incorporated into the national economy and thus a relatively open economy was necessary for Slav settlements in the frontier region. It was a stage of capital inflow from

from foreign investors and the state (LeDonne J P 1999 pp. 184 - 5 ; Hoogvelt A 1997 pp. 18 - 31). Foreign-owned trading enterprises coexisted with Russian enterprises and small-scale artisan units.

Following the territorial annexations, the state granted privileges to foreign investors in transit trade. To ensure supplies of necessities for the colonial settlers, the Tsarist government allowed cross-border transactions through Asian traders (Rieber A J 1982 pp. 40 - 1). The government carried out colonisation, giving support to some volunteer settlers (e.g., traders and peasants), and forcing others (military personnel and political exiles) to settle in the frontier region. The need to develop the frontier meant that labour, foodstuffs and other commodities were required to support the settlements, causing an import demand for labour and essential items from China and Korea, in order to lay the groundwork of the settlements. Since the precise border with China was still ambiguous, there was a free exchange of commodities and services across the border. With the support of the authorities the Slav traders competed with Asian traders. However, Asian traders took advantage of external networks linking them to their compatriots, and dominated distribution.

The pioneer stage includes the years of the mixed economy, partly under central planning and partly still market, under the New Economic Policy (NEP) in the late 1920s (Davies R W 1994 p. 1). In the NEP years peasants sold their products freely to cities, probably to Vladivostok as well. Retail trade continued under private ownership (Banerji A 1997 p. 149). Despite the Revolution and the state's gradual centralisation of foreign trade from 1923 onwards, unofficial transborder contacts continued well into the 1930s, and Asian traders continued to live in the city (Davies R W p. 8). Although the official economy was intended to embrace all economic activities, unofficial transborder transactions persisted and Asian traders continued to operate.

**(2) Consolidation stage** (the late 1930s to 1992) : The consolidation of the Slav settlements with the militarisation of the RFE up to the USSR's break-up. The city's economy came to rely on the core internally, and the state subjugated Asian communities

in the city entirely, removing in principle all except aboriginal tribal people (Moltz J C loc.cit. p. 189).

Due to Stalinism and military rivalry, border porosity declined greatly and the region was brought under the state monopoly of foreign trade, with the state's intensifying control of society under national security concerns (Stephan J J 1994 p. 197). Militarisation of the society began gradually as early as in the late 1920s. A set of Stalinist policies (e.g., the *propiska*, internal passport system and administrative territorial engineering of ethnic minorities) forced out ethnic enclaves in Vladivostok which had existed before the rise of Stalin. In the late 1920s and the 1930s the market was replaced by the central planning system. Capital investment and industrial production were administered through Soviet state controls, and inter-regional relations came to be administered under the federal system of economic linkages (Davies loc.cit. p. 8). The geostrategic importance of Vladivostok outweighed all other considerations for most of the rest of the Soviet era. The city was sustained by state financial intervention, as an important military base for projecting Soviet military power in East Asia, and its economy was probably given preferential treatment in transportation of necessities and construction of social infrastructure, and in budget allocations.

**(3) Break-up and reversion stage** (from 1992 to the present) : Reversion to an open border economy. The Russo-Chinese border was gradually normalised by the late 1980s and opened fully in 1992, together with deregulation of foreign trade in the same year. With the opening of the city commerce with NEA intensified. Border trade with China has flourished in Vladivostok (Moltz J C 1997 pp. 189 - 200). With the break-up of the Soviet state and restructuring of the supply linkages, the city turned to China in cash-free barter and unofficial trade to obtain inexpensive, essential items amidst the decline of its own industrial output. Primitive, bazaar-like markets have revived, which are similar to those in the pre-revolutionary period. The city developed spontaneous networks of lateral connections with Manchuria, bypassing Moscow. In the limbo of neither plan nor market, traders came to Vladivostok to exploit opportunities of foreign trade (ibid. p. 192).

Demand for labour has started to allow larger numbers of aliens into and out of this former fortress city. The issues of ethnicity and Russian unity and signs of separatism became subjects of political debate in the city.

In the three chapters which follow, the changes in the three stages, outlined briefly here, will be examine in more detail.

## CHAPTER 3

### THE PIONEER STAGE IN AN OPEN BORDER ECONOMY

#### Introduction

The pioneer stage involved migration from within and from outside the Russian Empire. This chapter will compare Slav migration with Asian immigration. The Asian communities, which were established by immigration in the Tsarist period, persisted in the 1920s and the 1930s even after the Russian Revolution. In the NEP (New Economic Policy) period state control was still incomplete and integration of the RFE into the national economy was slow (Smith G 1989 p. 22). In the early 1920s the Bolsheviks strengthened control over urban industrial development, but interfered little in rural areas (ibid. pp. 19 - 20). Each farming household produced what it liked for sale to cities, and contributed to the growth of urban commerce (ibid. p. 19). Private trade was tolerated by the authorities. However, by the late 1920s an anti-Asian trader attitude became strongly evident among Russian traders.

#### [ 1 ] Vladivostok in its Foundation

In the mid nineteenth century the RFE was developed into an anti-British outpost in the Far East (Dallin D J 1950 p. v). In 1858-60 Russia acquired territories equivalent in size to Germany and France combined (*Starii Vladivostok* 1992 pp. 20 - 1). It was thought that unless the acquired territories became a land well-populated by Slavs, the nearby Chinese population would settle in the territories, which would then lead to future demands by China for the return of her former possessions (Dallin op.cit. p. 24). To establish Russian settlement firmly, armies had to be stationed. Vladivostok served as the regional centre of the administrative and military machine.

Map 4 Territorial Acquisitions of the Russian Empire in the Nineteenth Century



Source : David J. Dallin, 1950, *The Rise of Russia in Asia*, Hollis & Carter, London, p. 21

On the 20th June 1860, the supply ship “Manchur” sent ashore 40 soldiers to build an outpost at Golden Horn Bay. This was the beginning of Vladivostok (Krushanova A I 1976 p. 24). Hara (1998 p. 87) says that there were at least 2,000 - 3,000 residents originating from China in Vladivostok and surrounding areas in 1860. The founding of Vladivostok was to “dominate the east” as its name proclaimed, and the city was to be a fortress protecting the Amur. Russian advance in the Far East region, as LeDonne J P points out (1997 p. 222), “to be successful (in its original purpose of establishing the fort), had to overcome a contradiction - the more (Slav) settlements there were (in the Russian eastern frontier), the more they would have to depend on outside support (in logistics of necessities).” This fort maintained the border separating Russia’s eastern territory from China and Korea. However, in order to ensure an adequate supply of necessities, the Law of 1861 allowed foreign traders to engage in foreign trade free of import tax. As a result, Vladivostok was open for foreign settlers as well as Slavs. The city was multi-ethnic in character (Krushanova A I p. 78 ; Hara T 1998 p. 110). Foreign investors established

trading houses (Krushanova p. 29). European merchants established large trading firms - Kunst & Alberse from Hamburg, Brenner from Switzerland one of whose grandchildren became a famous Hollywood movie star - Yul Brynner, Cooper H from the U.S. and another trading company from Britain (Hara T 1998 p. 93). Migration was encouraged by the state as early as 1862, but its efforts did not bear much fruit (ibid. pp. 25 - 6). In 1882 to promote colonial settlement the state gave material incentives to migrants in the form of a land provision of 15 *desiatins* per person (up to 100 *desiatins* per household) and, with the start of regular steamship services from Odessa in the same year, 48,000 migrated to the Southern Ussurisk region (now the southern part of Primorskii Krai) in 1883-99 (ibid p. 27). Gradually Russian settlement was formed on the eastern frontier. By 1900 Vladivostok's population had grown to 26,000 people (ibid. p. 29). With the completion of the Trans-Siberian Railway in 1904 the city came to experience commercial growth and attracted migrants (Kuvartzin V and Eshtokin 1985 pp. 8 - 13).

## [ 2 ] Vladivostok - A “Colonial City” of the Russian Empire

Political and military control of the periphery was one of the features of imperialism in the late nineteenth century. A system with an industrialised core depended on supplies of raw materials from its territorial possessions. The periphery sent raw materials to the metropolis in exchange for inshipped or imported industrial goods, and relied on external injection of capital, human resources and technology (King A D 1990 p. 6). Settlements were established by the dominant colonising power (ibid. p. 15). Colonisation was further facilitated by the development of transport links with the centre. Historically, the state played no small role in colonisation of the Far East region even in the the Tsarist period (Ribakovskii L L 1990 p. 16).

A “colonial city” is formed by policy-led migration to the frontier to defend territory against neighbours (Gorokhovskaya L G 1996 pp. 44 - 5 : Hart J G 1989 pp. 15 - 21). It is an instrument of colonisation - rule extended over an alien people (King A D p. 33). It is also the major link between core and peripheral economies in the flow of capital, people,

commodities and dominant cultural influence (ibid. p. 7). Its characteristics are as below :

- (1) it is a regional centre of colonial administration, backed by the power of the military, police and other social control of the state ;
- (2) it has a coastal location with railway links to the core ;
- (3) it has a dual economy, dominated by the non-indigenous inhabitants and the tertiary sector ;
- (4) it has racial segregation in separate quarters, and antagonistic relationships between different ethnic groups - vertical social segregation, occupational stratification and residential segregation along ethnic lines, and
- (5) there is an abundant supply of local labour, a relative absence of European women, and restrictions on the excessive entry of aliens or indigenous people to the city (ibid. pp. 17 - 9 ; Butlin R A pp. 222 - 4).

Vladivostok in the late nineteenth century was fairly typical in all the above points (Herzog L A 1190 pp. 13 - 32). The thesis is focused on the multi-ethnic character of the city.<sup>1</sup> In the pioneer stage the city was a European-style implantation (Ashworth G J 1991 p. 34). Settlements in the RFE were created in territorial expansion of the core, assimilating different ethnic groups into the dominant culture. Vladivostok was thus potentially a battleground of a latent cultural collision or a place of cultures resistant to colonising power, but, the signs of conflict were often suppressed by the might of the policing state (King A D p. 27). For the maintenance of internal security and order, institutions of social control (i.e. the police functions) had to be highly developed by the centralising state. As an imperial outpost, the city embodied a power structure designated to defend against any possible intrusion of “barbarian” Asian culture and peoples. The

<sup>1</sup> From the data of P. F. Unterberger, in particular the ethnic composition data, it is clear that Vladivostok, Khabarovsk and Nikolaevsk can be classified as “ colonial cities ”.

**Ethnic Composition of Cities in the RFE January 1 1898**

	Russian	Indigenous	Koreans	Han	Chinese	Japanese	Others	Total
Vladivostok	15,918	-	1,361	10,181	961	464	29,185	
Khabarovsk	11,067	33	127	3,614	187	27	15,082	
Nikolaevsk	4,353	8	131	1,109	94	31	5,726	

Source : P. F. Unterberger, 1900, *Primorskaya Oblast 1856-1898 gg.*, V. F. Kirshbauma, St. Petersburg, Appendix 1-a

characteristics of Vladivostok reflected those of the RFE region as a whole. L L

Ribakovskii (1990 p. 14) argues that :

(The RFE) ... was formed by (Asian) immigrants as well as emigrants from central Russia. The ethnocultural mixture made the region very special in its regional economy and politics. But, (later as Russia intensified the state-building process) a policy-directed in-migration from central Russia and territorial unity with the rest of the state helped protect and strengthen its regional ties with the central part of Russia. (Original text in Russian, translated by the writer of this thesis)

### [ 3 ] Asians in Vladivostok and Primorskii Krai

#### 3 - 1. Introduction

Russians were not a majority in the RFE prior to formal acquisition of the Maritime Territory (the present Primorskii Krai) (below).

**Table 3-1 Ethnic Population : Amur and \*Primorskii Oblast in 1858**

	Amur	Primorskii	the RFE in Total
Russian subjects	3,270	3,399	6,669
Chinese subjects	5,100	3,000	8,100

\*Primorskii Oblast is an old administrative unit in nineteenth-century Russia, which covers an area corresponding to approximately the present Primorskii Krai and Khabarovsk Krai.

Source : V. M. Kabuzan, 1985, *Dal'nevostochnii Krai v XII-Nachale XX v (1740-1917)*, Istoriko-Demographicheskii Ocherk, Institut Istorii Akademii Nauk, Moskva, p. 55

In the RFE commerce dominated the regional economy. Bazaars developed to attract Asian traders (*Starii Vladivostok* 1992 Photo No. 202). The lack of political leadership from the centre enabled Asians to form communities in the frontier region. Asians dominated petty businesses - retail and wholesale - in the newly-founded cities (Patsiorkovsky V et. al 1993 pp. 572 - 3). As in the next table showing demographic composition of the RFE, the presence of Slavs (Russians and Ukrainians) competed with aliens (mostly Han and Koreans).

**Table 3-2 Demographic Composition of the RFE : Comparison between Slavs and Asians**

	1850s	1869	1881	1892	1897	1912	1916
Russians & Ukrainians	*n.a.	43	67.7	135.6	244.3	662	748.3
Aliens	3.9	12.6	34.4	37.6	69.2	158.5	145.0
** Others	n.a.	n.a.	n.a.	18.2	7.9	17.2	15.9
Total	3.9	n.a.	n.a.	191.4	321.4	837.7	909.2

N.B. : (1) \*n.a. means that the data is not available ; (2) \*\*Others include many indigenous peoples of the region.

### 3 - 2. Asians in Vladivostok and Primorskii Krai

Commerce drew transitory residents - migrant traders (including Asians) to Vladivostok (Kabuzan V M 1985 p. 126). In Vladivostok migration had seasonal fluctuations - in summer there were more traders and workers than in other seasons (Shylk N L 1986 p. 114). The next table shows there were more Asians in the RFE among temporary residents engaged in seasonal labour (categorised as “aliens”) than in the permanent population (Kabuzan V M *op.cit.* p. 85).

**Table 3-3 The Change in Permanent and Temporary Population in the RFE**

(Unit : 1,000 people)

**(1) Permanent residents**

	1850	1869	1881
Settlers			
Han Chinese	*n.a.	7.5	23.2
Manchurian	**3.9	3.3	4.4
Dauri	*n.a.	2.0	1.7
Koreans	*n.a.	1.8	6.8
Russians	*n.a.	43.0	67.7
Others (indigenous)	11.7	10.3	13.2
Total	15.6	67.9	117.0

**(2) Temporary residents, present only in summertime**

	1850	1869	1881
Aliens	2.1	38.0	25.0
Russian and other Slavs	*n.a.	*n.a.	4.3
Others (nomadic indigenous people)	15.6	67.9	117.0
Total	17.7	105.9	146.3

N.B. : \*n.a. means that the data is not available ; (2) \*\*3.9 is the total of Han Chinese, Manchurian and Dauri settlers.

Source : V. M. Kabuzan, 1985, *ibid.*, p. 85

Brower D R (1990 pp. 77 - 9) describes the fluctuating Russian transient population in the late nineteenth century as the main factor making for a turbulent “migrant city”. As Vladivostok grew with the growth of its international commerce, the physical presence of Asians became more visible. In Vladivostok there were a large number of military personnel and Asian residents in the city’s population [table 3-4 (1)]. As seen in table 3-4

(2), especially in 1869 the number of foreigners in Primorskii Oblast rose suddenly when famine broke out in Korea producing refugees.

**Table 3-4 Occupational and Ethnic Composition : Vladivostok and Primorskii Oblast**

**(1) Occupational Composition and Foreigners in Vladivostok**

(Unit : people)

	<u>*Nobility</u>	<u>Priests</u>	<u>Merchants etc.</u>	<u>Peasants</u>	<u>Military</u>	<u>Cossacks</u>	<u>the Demobilised</u>	<u>Others</u>	<u>Foreigners</u>
									<u>Han / Korean</u>
1871	-	-	89	-	348	-	37	-	**36 (Jap. included)
1881	-	-	616	-	2,384	-	-	-	**3,456 (Jap. included)
1892	<u>*(12,283)</u>								4,449
(Nobility, priests, merchants, peasants, military, Cossacks combined)									
1893	<u>*(12,480)</u>								3,629
1894	<u>*(12,827)</u>								4,086
1896	<u>*(13,431)</u>								9,724
1898	<u>*(15,918)</u>								11,542
1912	<u>*(52,707)</u> (+ 535 Russian Korean and 985 aborigines included )								1,339 34,238
1914	1,821	78	22,720	38,144	20,743	2,494		1,571	912 28,109

N.B. : The slash bar (-) means that data is not available.

\* means the total number of nobility, priests, merchants, peasants, military, Cossacks, and retired servicemen.

\*\*Asians ” means the total of Han Chinese, Koreans and Japanese.

Source : V. M. Kabuzan, 1985, *ibid.*, pp. 222-5

**(2) Occupational Composition and Foreigners Among In-migrants in Primorskii Oblast**

(Unit : people)

	<u>Military</u>	<u>Cossacks</u>	<u>Peasants</u>	<u>Exiles</u>	<u>Foreigners</u>	<u>Total</u>
1850-4	2,975	-	-	-	-	2,975
1855	-	-	481	-	-	481
1858	-	1,371	-	-	-	1,371
1859	-	1,618	-	330	-	1,948
1860	2,914	-	1,654	748	-	5,326
1861	-	-	163	251	-	414
1862	-	2,412	-12	-	-	2,400
1863	-	-	9	-	-	9
1864	-	-	33	-	84	2,975
1865	-	-	12	94	265	371
1866	-104	-	424	-5	272	587
1867	1,104	-	120	-	500	1,724
1868	650	-	133	-34	-	749
1869	-513	-	157	754	6,000	6,398
1870	-	-	457	-	5,000	5,457
1871	-	-	78	-	-	78
1872	940	-	211	-	-	1,151
1873	-	-	13	-	-	13
1874	-	-	20	-	-	20
1875	-	-	40	-	-	40
1876	-	-	16	-	-	16
1877	-	-	61	-	-	61

1878	-	-	21	-	-	21
1879	-	-	12	-	-	12
1880	-	-	78	-	-	78
1881	-	-	82	-	-	82
1882	-	-	110	-	-	110
<b>1850-82</b>	<b>7,976</b>	<b>5,401</b>	<b>4,373</b>	<b>2,138</b>	<b>12,121</b>	<b>32,009</b>

N.B. : Slash bar (-) means that data is not available.  
Source : V. M. Kabuzan, 1985, *ibid.*, pp. 159-61

The number of Asians and occupational composition in Vladivostok are inadequately known because of the confused statistics and seasonal changes (Stephan J J 1994 p. 84 ; Shiga M 1994 p. 87).

Vladivostok in this stage had the typical characteristics of a “colonial city”.

First, in order to maintain the city as a Russian city, it had a large number of residents related to the military establishment - military migrants and their dependants (i.e. the total of navy and army personnel and their dependents). Thus Slav / Russian civilians, mainly traders and businessmen to supply goods and services to the garrison were fewer in number. Forsy J notes that the Slavs’ demographic majority was maintained over Han Chinese and Koreans by the military posting (1998 Jap. trans. p. 242). For example, in 1878 there were only 758 Russian civilians against 3,441 Asians, but there were 3,762 militarymen and dependants posted in the city (Hara T 1998 p. 101). A similar situation can be observed in the next year. In 1879 Russian demographic predominance was barely maintained by 4,088 military personnel - there were only 600 Russian civilians as against 3,970 Asians (3,470 Han Chinese and 500 Koreans) (Kolarz W 1954 p. 44). In 1886 the military comprised about 35 percent of the city’s population (Editorial Office *Vladivostok* 1993 p. 35). In 1892 the military was 42 percent of the population (6,150 military personnel and families, 3,250 civilians, as against 5,100 Asians) (Hara T 1998 p. 193).

Second, there were fewer female than male residents in the pioneer stage of the city. Therefore, the capacity of natural growth was still limited since the reproduction rate of the Slav was low. This is one of the reasons why the state encouraged Slav migration. In 1878 of 4,952 Slavs, there were only 789 women as against 4,163 men. Likewise in 1910,

there were 23,389 women as against 67,193 men (ibid. p. 101 and pp. 280 - 1).

Many Asians were servants of Russian settlers, bazaar traders and construction workers. They formed separate communities from the Slavs. The regional authorities frequently identified cholera widespread in the Asian quarters. In 1890 Asian communities were particularly badly hit by the epidemics, and the regional medical administration intervened in the communities for sanitary clean-ups in order to prevent any further spread. The officially identified number of patients who contracted cholera was - Russians (185 people ; 93 deaths), Han (132 ; 116), Koreans (46 ; 39) and Japanese (11 ; 11). The local hospital was open only to the Russian military, their dependants and some civilians, and a majority of Asians were outside the benefits of public medical care. In 1893 Asian quarters were targeted as the source of infection and were accused of causing the infectious disease by their poor method of sewage disposal. For public health control isolating patients with infectious disease, Asian communities gradually came under the grip of the regional authorities' residential restrictions. In 1893 the authorities demanded that Asian residents should be removed from the city centre : Han and Koreans were moved to the fringes of the city as a consequence (Hara T 1998 pp. 106 - 57).

The next table shows estimated percentages of Asians, calculated from the different sources of data available.

**Table 3-5 Asians in Vladivostok / Primorskii Oblast (Krai) (Unit : people)**

	<b>1878</b>	<b>1879</b>	<b>1886</b>	<b>1897</b>	<b>1902</b>
Total	8,393	8,837	13,000	29,185	44,200
Slavs	4,925	4,866	8,028	15,918	24,500* <sup>2</sup>
Asians	3,441	5,711 (Matveev:65%)* <sup>1</sup> 15,500 (42%)		12,503(43%)	19,700 (45%)
		3,972(Fyodrov:45%)	7,500 (57 %)* <sup>3</sup>		
Han Chinese	n.a	3,472 (39%)	-	10,181 (35%)	15,000 (34 %)
Koreans	n.a.	500 (5.7%)	-	1,361 (4.7%)	2,300 (5.2%)
	<b>1907</b>	<b>1910</b>	<b>1913</b>	<b>1914</b>	<b>1916*<sup>4</sup></b>
Total	67,226	150,582	95,000	120,000	97,509 (A) 88,576 (B)
Slavs	36,695	90,582	53,957		50,476
Asians	28,390	60,000	36,827 (R : 39%) 50,000 (J : 53 %)	-	47,035 (48%)
Han Chinese	24,345	50,000	26,787 (R : 28 %) 40,000 (J : 42 %)	24,770(21%)	39,187 (40%) 28,770 (33%)
Koreans	4,045	8,445	8,210 (R : 8.6%) 10,000 (J : 11 %)	-	4,180 (4%) 4,325 (5%)
	<b>1923*<sup>5</sup></b>	<b>1926</b>	<b>1932*<sup>7</sup></b>		
Total	525,986	104,547	837,500		
Slavs	385,398	75,065* <sup>6</sup>			
Asians	140,588 (27%)	29,482 (28%)	193,400 (23%)		
Han Chinese	37,608 (7%)	22,000 (21%)	32,600 (4 %)		
Koreans	101,938 (19.4%)	6,900 (7%)	160,800 (19%)		

N.B. : Slash bar (-) means that data is not available. R and J in parenthesis represent Russian and Japanese data sources. The city's population often fluctuates, due to the seasonal changes in flow and to problems with the statistics.

\*1. Matveev and Fyodrov give different data. Matveev's definition of the city population includes permanent settlers and sojourners. It is not clear whether Mayor Fyodrov's definition includes sojourners, especially migrant workers in summer time.

\*2. These 24,500 people include 11,500 civilians and 13,000 military personnel.

\*3. These 7,500 include 2,000 temporary migrants.

\*4. The sources of figures in 1916 are (A) *Perepis, Naseleniya* (Russian official figure), while (B) is Aleksei Buyakov, in the local newspaper, Vladivostok .

\*5. The data for 1923 is for Primorskii Krai.

\*6. The data given by Walter Kolarz was over 65,500 people.

\*7. The figure for 1932 is for Primorskii Krai.

Source : Saiken Mabuto, 1915, *Urajios tokku Jijo*, Tokyo. Quoted by Masaru Shiga, 1994, *Minzoku to Kokkyo*, p. 97 ; The Statistics of the City of Vladivostok, 1879 ; *Utro Rossii*, Feb. 15, 1995 ; *Perepis' Naseleniya Goroda Vladivostoka Year 1916, 1917*, Vladivostok No. 1, Statcheskoe Upravlenie, Quoted by Valeri Patsorkovsky, Stephen S. Fujita and David J. O'Brien in Research Note : "Asians in Small Business in the Russian Far East : A Historical Overview and Comparison with Asians on the American West Coast" in *IMR* , Vol. XXXIX, No. 2 , p. 3 ; Aleksei Buyakov, 1996, "Urolovnii Mir Vladivostoka" in *Vladivostok*, 17 May 1996 ; James Forsyth, 1998, *Shiberia Senjumin no Rekishi - Roshia no Hoppo Ajia Shokuminchi 1581-1990* (Japanese translation), Sairyusha, Tokyo, p. 220 and p. 323 (original English version - James Forsyth, 1992, *A History of the Peoples of Siberia : Russia's North Asian Colony 1581-1990* published by Cambridge University Press, Cambridge) ; John J. Stephan, 1987, "Siberia and the World Economy" in Alan Wood ed., *Siberia : Problems and Prospects for Regional Development*, Croom Helm, London, New York and Sydney, p. 217 ; Galina Sukhachova, 1994, "The Residents of Millionka" in *Rossia i ATR*, Vladivostok, English Version translated from No. 1 and No. 2, 1992 ; Walter Kolarz, 1954, *The Peoples of the Soviet Far East*, George Philip and Sons Limited, London, p. 45 ; Unterberger P F, 1900, *Primorskaya Oblast 1856-1898* gg., V. F. Kirshbauma, St. Petersburg, Appendix 1-a

The following two sections will examine and compare the migration of the Slavs and Asians.

#### [ 4 ] Slav In-migration

Eastward territorial expansion was accompanied by in-migration of Slavs. In-migration was an essential start in building the integrated state by assimilating the acquired regions into the Russian Empire (Kabuzan V M 1991 pp. 618 - 9). This section will outline major changes in in-migration trend in the period from the 1860s to the late 1920s

Reportedly, *de facto* Slav migration preceded the formal Russian occupation of Vladivostok in 1860 (Itoh M 1983). In 1861 the state encouraged migration to the city and the Ussuri River region (*Delovoi Mir* 26 Dec. 1994 - 1 Jan. 1995). The state announced, in the “Regulations for the Settlement of Russians and Foreigners in Amur and Primorskii Oblast”, economic incentives for voluntary migration : land provision, preferential loans and tax exemptions, etc (Kabuzan V M 1985 op.cit. p. 60 ; Kolarz W op.cit. pp. 13 - 22). Free plots of state land were to be allotted to all settlers in Amur and Primorskii Oblast for temporary possession or permanent ownership (Kabuzan V M 1991 op.cit. pp. 618 - 9). All migrants were freed from conscription and payment of some taxes. Although the privileges were great, the pace of in-migration was slow because of the long journey involved and a lack of safe transport links (Dallin 1950 op.cit. p. 24). As stated earlier, in the early years many migrants were military personnel, Cossacks and criminals, but there were not so many peasant migrants (Galliyamova L I 1996 ; Stephan J J pp. 13 - 22 and pp. 62 - 70).

With firm settlements the Tsarist administration wished to create a solid population belt stretching to the Pacific shore (Hauner M p. 135 ; Wada H 1987 p. 25). The population of the RFE grew from 15,000 (1860) to 65,000 (1867) and further to 108,000 (1879) (Dallin 1950 op.cit. p. 25). However, despite some demographic inflow, there were still very few migrants in the southern Ussuriskii region which included the present Vladivostok and its

surroundings. Hara T (1998 pp. 110 - 1) records the Slav settlers amounted to a mere 360 per annum in the present Primorskii Krai region during 1863-68, which was far below the government's expectation. The number of the Slav settlers even decreased to 117 during the period of 1869-82 (Hara *ibid.* p. 112). In June 1882, the authorities issued special regulations on "State Assisted Migration to the Southern Ussuriskii Region", which temporarily prohibited aliens from entering the RFE, and also tried to strengthen the Slav settlements with incentives to migrants such as a 10-year tax exemption (Hara T 1998 p. 112). In 1883-85, 4,198 migrated to the southern Ussuriskii region at state expense (Kabuzan V M 1991 p. 625). But, by 1891 peasant migrants had nearly ceased coming into the southern Ussuriskii region, whereas competing Chinese colonisation in Manchuria made steadier progress, together with an earlier influx of Korean peasants (Kabuzan V M 1985 p. 111 ; Dallin *loc.cit.* p. 25). In response, the state intervened further in colonisation. D. G. Anuchin, the Governor-General of Eastern Siberia recommended that the state should provide migrants with additional financial assistance, including the cost of transport (Kabuzan 1985 p. 121). From 1893 the state started to grant a travel allowance, and medical and subsistence aid. Transport links were improved in the 1880s, 1890s and early 1900s, first by regular steamer services (1883) and later by the completion of the Trans-Siberian Railway (1904). The construction of the railway in particular eased the long journey greatly. Transport extended links internally within the empire and externally with East Asia and with the world.<sup>2</sup> Railway links generated demand for international commerce and for labour. Construction workers came from NEA - Han Chinese and Koreans, while steel, rolling stock and bridge materials were supplied by British, German and American enterprises. Migrant labourers helped in urban construction, traders established distribution networks in foreign trade. The RFE gradually became one of the main target areas of Russian colonisation (Kabuzan V M 1991 p. 626).

Let us look at an aspect of state commitment to the colonisation. In the period prior to major state intervention and provision of transport links, during the years 1870-79, the

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<sup>2</sup> Railway networks were established linking the RFE, Manchuria and the centre of Russia with the Ussuri Railway (1891-1898), the Trans-Siberian Railway (1891-1904), and the Amur Railway (1906-1916).

number of migrants was relatively small in the two regions of the RFE : 1,700 in Amur Oblast and 1,900 people in Primorskii Oblast. Most of these were transitory migrants such as gold miners (ibid. p. 625). A state fund was established for railway construction in 1892. Railways were primarily built with this and foreign loans (Dallin 1950 op.cit. p. 35). From 14 million rubles in 1892 the state's financial assistance to the RFE grew at a pace of 3 - 4 millions a year (Stephan J J 1981 p. 216). With the state support programme, Russian and other Slav migration to the area grew rapidly (Dyachenko B et al. Editors of newspaper *Vladivostok* 1994 *Krai Rossii* pp. 54 - 5). The RFE received an impulse of economic growth around the years of the Russo-Japanese War (1904-5) and from subsequent agricultural reform under P. A. Stolypin (1906-14). The Trans-Siberian Railway accelerated in-migration to some extent, especially during and after the Russo-Japanese War. The demobilised military personnel and peasant migrants generated labour reserves for regional economic growth. Some argue that the proportion of Russians in the RFE population increased to 75 percent by 1917 (Ribakovskii L L 1990 p. 67 ; Lyashchenko P I 1970 p. 587). In the period 1892-1917, the urban population in Primorskii Oblast marked an elevenfold increase in absolute terms from 25,785 to 273,671 people (Kabuzan V M 1985 pp. 152 - 3).

Let us now take an overview of the Slav migration before the Revolution. In the next table Kabuzan notes a growth in direction of migration flows to Siberia and the RFE in 1897-1916, which was nearly half of all the migrants to the frontier regions in Russia. The population of Siberia and the RFE grew considerably - 5,758,800 (1897), 7,233,800 (1907), and 10,659,200 (1917) (Kabuzan V M 1991 p. 629). Russians became the largest ethnic group in the Far East region during the years 1897-1911 with an increase from 41 to 60 percent of the total population (Hausladen G 1990 pp. 19 - 20). The Amur and Primorskii Oblast areas along the Trans-Siberian Railway showed some growth. In the same period, the population of Vladivostok increased from 28,900 to 84,600 (ibid. p. 22).

**Table 3-6 Migration Flows to Siberia and the Far East Region, 1871 - 1916**

(Unit : people and percentage)

	1871-1896		1897-1916	
	Number	Percentage of all frontier regions	Number	Percentage of all frontier regions
Siberia and the Far East	1,148,700	30.1 percent	2,549,900	48.78 percent
The Far East	232,700	6.11 percent	367,200	7.03 percent
Primorskii Oblast	149,700	3.92 percent	225,000	4.3 percent

Source : V. M. Kabuzan, 1991, "The Settlement of Siberia and the Far East from the Late Eighteenth to the Early 20th Century (1795-1917)" in *Soviet Geography*, Vol. XXXII, No. 9, November 1991, Table 2, p. 626 : See also, L. L. Ribakovskii, 1990, *Naselenie Dal'nego Vostoka za 150 Let*, Nauka, Moskva, Academia Nauk, p. 68. Ribakovskii records more detailed data of a growing share of the RFE among all destinations of Russian migration as the following : 5-6 percent (1855-82), 6-7 percent (1883-99), 10-11 percent (1900-6) and 8-9 percent (1907-17).

The migration flow below during the period 1859-1908 [table 3-7] showed an increase in the number of in-migrants per year from the 1880s up to the early 1900s. In Primorskii Oblast population growth, migration played a major role in the late nineteenth century up to the years before the Russian Revolution - natural increase accounting for 117,227 and migration growth for 260,943 in 1883-1914 (Ribakovskii L L 1990 pp. 112 - 3).

**Table 3-7 The Slav Migration to the \*Priamur Region (Unit : people)**

	Amur (1)		Primorskii Oblast (2)		Total of the Priamur Region	
	In-migration	Per year	In-migration	Per year	In-migration	Per year
1* 1859-82	8,709	363	5,705	238	14,414	601
2* 1883-99	24,089	1,417	45,196	2,659	69,285	4,076
1900-08	42,106	4,678	130,356	14,484	172,462	19,161

N.B. : \*The Priamur region consists of the two regions above.

\*(1) The accurate number of Slav migration differs, depending on the sources of the data. According to the data of S. D. Anosov, Russian in-migration to the Ussuriskii area (an area which consists of Vladivostok, Ussurisk and other southern areas of Primorskii Krai, i.e. an area smaller than Primorskii Oblast) amounted to 5,186 during the period of 1860-82. However, we can roughly estimate the in-migration at 5,000 -5,700 in Primorskii Oblast.

\*(2) According to the data of S. D. Anosov, Russian in-migration to the Ussuriskii area amounted to 66,065 during the period of 1884-1901. However, we can roughly estimate the in-migration at 45,000-66,000 in these years.

Source : Derber Pyotor Yakovlevich and Sher M. L., 1927, *Ocherki Khozyaistvennoi Zhizni Dal'nego Vostoka* (Essays on Agricultural Life of the Russian Far East), Gosudarstvennoe Izdatel'stvo, Moskva and Leningrad, p. 30 : S. D. Anosov, 1928, *Koreitsi v Ussuriskom Krae*, Knizhnoe Delo, Khabarovsk and Vladivostok, pp. 5-6

The outbreak of the First World War, the revolution, foreign intervention in Siberia and the Far East caused turmoil and disruption of economic ties with western Russia. Migration data are scarce in these years. After the revolution, the Bolsheviks followed the Tsarist settlement policy. Unfortunately, however, due to lack of statistics, there are no

data available on in-migration after the revolution for the 1920s and the 1930s. P. A. Minakir notes that by 1928 the RFE's economy had been largely restored and rebuilt ready for centralisation in subsequent years. What is only known is that the tendency to state-led migration was strengthened during the period of the late 1920s and 1930s by relocation of military personnel and recruitment and job assignment of *Komsomol*, as well as by provision of various economic incentives.

By 1926 the number of Russians and other Slavs had increased to over 80 percent of the total population in the region (Hausladen G p. 26). Fortunately, G. Hausladen's data sheds some light on a rapid increase of urban population in the RFE during the period 1911-39. The following are the available data in the 1910s, 1920s and 1930s [table 3-8].

**Table 3-8 Urban Growth in the RFE, 1911-39** (Unit : 1,000 people ; percentage)

	Absolute Population Increase		Relative Increase	
	1911-26	1926-39	1911-26	1926-39
The RFE				
Total	448	1,396	40	88
Urban	114	1,008	43	267
Russia / USSR				
Total	7,715	23,529	6	16
Urban	1,494	29,811	6	113

Source : Quoted by G. Hausladen, 1990, Chapter 2 : "Settling the Far East : Russian Conquest and Consolidation" in Allan Rodgers ed., *the Soviet Far East : Geographical Perspectives on Development*, Routledge, London and New York, Table 2-3, p. 25 ; *Aziatskaya Rossia Vol. 1*, 1974, pp. 241-2 and p. 350 ; E. N. Pertsik, 1980, *Gorod v Sibiri*, Moskva, p. 84 ; *Itogi Vsesoyuznoi Perepis' Naseleniya, 1959 Goda*, 1963, Moskva, pp. 24-9 ; F. Lorimer, 1946, *Populations of the Soviet Union*, Geneva, pp. 69-70

## [ 5 ] Asian Immigration

### 5 - 1. Asian Immigrants

In the pioneer stage Asians slipped across the border in the absence of strong border control (Larin V L 1995 p. 296). Business opportunities in the RFE attracted Asian immigrants. Despite fluctuations of Asian population, lack of data, and if the data exist, some doubts about reliability of Russian statistics, Tkhacheva G A (1993 p. 80) argues that by 1916 Asians - here, Koreans and Han Chinese - were 48.3 percent of Vladivostok's total population. During the Inter-War period, the Asian population might have continued to grow since then onwards.

Korean immigrants were virtually all single prior to 1863 but, after that they started to migrate in families (Solovieva N A 1993 p. 100). In 1863 13 families of Korean farmers crossed the Tumen River and settled in the Pos'et area (Hakjoon K 1995 p. 304). In 1864 60 families moved to the southern part of the Ussuriskii area. From then on, each year, Korean immigrants grew in number and gradually formed a number of segregated settlements (Solovieva loc.cit.). In 1869-70, when famine broke out in northern Korea, 6,500 Koreans refugees settled in the southern Ussuriskii area. In 1884, 9,000 Koreans (1,845 families) immigrated to the RFE (Anosov S D 1928 p. 6). The population of Koreans in the RFE increased until 1900 as in the table below.

**Table 3-9 Koreans in the Total Population of the RFE**

	1869	1881	1896	1897	1898	1899	1900
Koreans	1.7	4.65	3.77	6.2	5.56	7.66	8.31

(Unit : percentage)

N.B. : The number of Koreans (cumulative) differs, depending on sources. Ribakovskii notes a growth of Koreans in Primorskii Oblast from 10,100 to 27,700 during the years between 1882 and 1899 : 10,100 (1882), 16,500 (1892), 24,500(1897), 23,000(1898), 27,700 (1899). S. D. Anosov records an increase of Koreans in southern Ussuriskii area as 23,000 (1897), 27,000 (1899) and 322,298 (1901).

Source : V. M. Kabuzan, 1985, op.cit., p. 95 and p. 103 : See also, L. L. Ribakovskii, 1990, *Naselenie Dal'nego Vostoka za 150 Let*, Nauka, Institut Sotsiologii, Academia Nauk, Moskva, pp. 54-5 : S. D. Anosov, 1928, *Koreitsi v Ussuriskom Krae*, Knizhnoe Delo, Khabarovsk and Vladivostok, p. 7

In the 1910s Korean immigration to the RFE grew as part of a general increase in refugees from Japan's colonial rule in the Korean Peninsula (Ban B Y 1996 p. 44). Ribakovskii records a continued increase in the number of Koreans in the RFE up to 1917 : 34,400 (1906), 54,100 (1910), 64,300 (1914) and 60,000 - 80,000 (1917) (Ribakovskii op.cit. pp. 54 - 5). In the area of the present Primorskii Krai the number of Koreans also increased : from 1,800 (1868) to 12,000 (the early 1880s), 23,000 (1898), 24,000 (1900), and to 52,000 (1910) (Stephan J J 1994 p. 75 ; Kolarz W 1954 pp. 33 - 4 ; Pak B D 1990 p. 57 ; Kabuzan 1985 op.cit. p. 102).<sup>3</sup>

After the Revolution, Korean immigration still continued. In the 1920s the number of Koreans in the RFE is estimated to have increased to between 110,000 - 150,000. Ribakovskii notes that the number doubled in 1917-27. Of the total number, two-thirds were settlers, and the remaining third were temporary immigrants (Ribakovskii L L 1990

<sup>3</sup> A Japanese source also notes growth in the number of Korean households : 60 (1864), 100 (1866), 165 (1868), 1,164 (1884), 32,100 (1902) and further to 45,397 (1904).

op.cit. pp. 77 - 8). By 1926 the number of Koreans in the RFE had reached 132,997 (Weiner M 1994 pp. 44 - 5).

The numbers of Han Chinese in Primorskii Oblast are inadequately known. Kabuzan's estimates below show an increase in Han Chinese, with a growth of the RFE population from 13.4 to 25.1 percent in 1881 - 97 (Kabuzan 1985 op.cit. p. 134).

**Table 3-10 Estimated Number of Han Chinese in the Southern RFE (Unit : 1,000 people)**

	1850s	Late 1860s	1870s	1881	1897	1907	1908	1909	1910	1911	1912	1916
	*2.9	*12.8	50.0	54.3	*43.0	69.3	85.7	85.4	98.1	92.4	91.3	78.2
Primorskii Oblast	-	-	-	-	-	47.4	69.3	68.6	65.4	60.6	-	47.4
Amur	-	-	-	-	-	13.00	16.4	17.0	32.7	31.9	-	30.8

N.B. : Slash bar (-) means that data is not available.

(1) \*2.9 in the 1850s is made up of 900 Chinese settlers and 2,000 seasonal workers in summertime.

(2) \*12.8 is an estimate taken from Kabuzan's figure - an population increase from 3,900 to 12,800

Chinese in the 1860s.

(3) Ribakovskii records the population of Han Chinese in Primorskii Oblast as around 30,000 in 1897. He mentions a different figure from data cited by V. M. Kabuzan, noting that there were 30,700 Han and 14,000 Manchurian in the Oblast in 1897. However, Kabuzan's data is perhaps not far from the real number, since Ribakovskii also admits the number of Han Chinese in the RFE as 40,000-45,000.

Source : V. M. Kabuzan, 1985, op.cit., p. 84, p. 93, p. 134 and pp. 155-6 : see also, L. L. Ribakovskii, 1990, *ibid.*, p. 55

V L Larin (1995 pp. 296 - 7) gives a far larger figure than Kabuzan's, saying that in the years from 1905 to 1910, Han Chinese in the Ussuriskii region numbered 345,000, including traders, workers, farm labourers, etc. Of these only 80,000 - 90,000 were settled in one place. The differences in the figures may partly stem from the way of counting - either counting only settlers or including temporary seasonal labour in the figures. The number of Han after the revolution varies with the writer. Ribakovskii notes that following an increase in the latter half of the 1920s, Han gradually decreased from 66,900 to 47,800 in 1931 to 1933, and had finally disappeared from the Soviet Union some time in the late 1930s (Ribakovskii L L 1990 op.cit. pp. 78 - 100).

Koreans and Han Chinese comprised a majority of immigrants in the RFE in the years after the Revolution (*ibid.* p. 77).<sup>4</sup> By 1937-38, the estimated number of Asians in Primorskii Krai - both Han Chinese and Koreans - reached about 19,000 and 165,000 respectively (Stephan J J 1994 op.cit. pp. 212 - 3).

<sup>4</sup> For example in the mid 1920s, the ethnic composition was : Koreans 57.8 percent ; Han 41.3 percent ; Japanese 0.5 percent ; and miscellaneous 0.4 percent.

## 5 - 2. Background of Asian Immigration

Asian immigrants are categorised into contract workers and traders.

### (1) Workers

In the pioneer stage, the authorities tried in vain to fill the labour supply gaps in the RFE with Slav in-migrants from western Russia (Arseniev V K 1994 pp. 5 - 6 and p. 193). In some jobs Asian labour was price competitive (Larin V L 1995 p. 296 ; Pak B D 1994 pp. 103 - 33). Until 1910 Asian manpower, especially Han Chinese, was almost exclusively used for all public works commissioned by the Russian authorities (Kolarz op.cit. p. 44). In 1916 only 7 percent of the gold-miners in the RFE were Russians, all the rest being Asians (*idem*). The percentage of Asian workers must have been large, but accurate numbers are not known (Larin 1995 op.cit. p. 297).<sup>5</sup>

### (2) Traders

To ensure the provision of essential items to the local population, Russia concluded a trade agreement with China in 1862. The trade was conducted in commodity exchanges by overland routes (Lyashchenko P I pp. 597 - 8). In 1862 Witte established a 38-mile free economic zone along the Russo-Chinese border - the so-called *Port Franco* - to promote border trade, above all to import Chinese goods tax-free into undersupplied markets of the new settlements (Kwan L 1995 pp. 83 - 4 ; Slavinskii B N 1986 pp. 43 - 4). As a result, cities thrived on both sides of the border. Asian traders from China and Korea made good use of the privileges of *Port Franco* (Stephan J J 1994 p. 72), and private trade thrived in Vladivostok. The state also encouraged foreign investment in the borderland in order to lessen the financial burdens of infrastructure development (Kwan L 1995 p. 83). Goods imported from Manchuria were much cheaper than those from western Russia (for example, flour was four times cheaper than that from European Russia) (Romanova G N 1987 p. 67). With the establishment of trade routes between Harbin and Vladivostok, Manchuria became a major supplier of consumer goods and labour. As can be seen in the

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<sup>5</sup> V. L. Larin reports the fluctuating share of Asian labourers in the RFE labour market, falling from 51 (1903) to 11 percent (1913) and rising again to 33 percent (1915).

next table the RFE had an import demand for Chinese goods, especially purchase of grain by the Russian military and gold-mining enterprises.

**Table 3-11 Russia's Trade with China across the Eastern Border****(1) Imports of Grains from Manchuria (unit : million rubles)**

	1887	1888	1889	1890	1891	1892	1893	1894	1895
Purchase by the military	44.3	49.0	18.6	-	37.8	16.3	56.2	1.9	-
Purchase by gold-mining companies	250.0	52.4	88.0	31.7	77.1	64.8	23.8	311.8	219
Total	294.3	101.4	106.6	31.7	114.9	81.2	79.9	313.7	219

**(2) Trade across the Eastern Border (unit : million rubles)**

	1899	1900	1901	1902	1903
Export	0.98	0.59	0.21	0.77	13.71
Import	22.54	17.54	12.35	12.29	22.91

Source : G. N. Romanova, *Ekonomicheskoe Otnosheniye Rossii i Kitaya na Dal'nem Vostoke : XIX - Nachalo V.* , Nauka, Moskva, p. 134-6, Table. 7 and 11

Vladivostok served as a transshipment port for cargo and passengers travelling between Europe and East Asia. In the late nineteenth century it was the Russian commercial strategy to build railway networks and connect transshipment ports (Map 5) (Nishizawa Y 1996 pp. 18 - 20). Finance Minister Witte called upon consular officials to assist the efforts of Russian businessmen in exploring overseas markets in the Far East as a trade partner. The railway also played a strategic role in integrating the RFE into the Russian national economy (Romanova G N pp. 128 - 9).

Map 5 Russian Commercial Strategy and Railway Networks in the RFE and Manchuria



In 1909 Vladivostok was designated as a naval port. According to Ribakovskii's figure, Vladivostok increased its population from 31,200 to 118,000 in just five years from 1902-1907 (Ribakovskii L L 1990 p. 62). By 1911 it had become the largest city in the RFE (Hausladen G p. 22). Militarisation of the city began slowly. In 1913 Russia abrogated the trade treaty with China, and the border was closed at the Tumen River (Kwan L p. 84). *Port Franco* was abandoned in part : imports of cotton products, grain, beer and other industrial goods became subject to duty, whereas vegetables, fruit and salt remained tax exempt (Hara T 1998 p. 269). Prices of some goods increased by about 10 percent per annum in the RFE, compared with modest price rises of 1 - 1.5 percent annually in western Russia. For the three years 1913 to 1916 prices continued to rise (*Vladivostok* May 31

1996). However, overall, with the outbreak of World War I in 1914, despite an overall decrease in trade volume and value, Vladivostok increased its share within Russia's foreign trade (Hara T 1998 pp. 293 - 4). Traders still flowed in unofficially, though in reduced numbers. Despite *Port Franco* being abandoned, geographical proximity made unofficial contact relatively easy. There was even a "symbiotic relationship" between border guards and Asian traders (Stephan J J 1994 p. 162). The former relied on the bribes from Asian smugglers, while the latter found an outlet in smuggling with little interference (ibid. p. 73 and p. 162).

Clothing and textiles were one of the commodities in cross-border trade. Until the early 1930s cheap Russian textiles were exported from western Russia to China via Vladivostok. They were shipped all the way from western Russia to Manzhouli, and reexported from Harbin via Vladivostok to Shanghai and other Chinese cities until around 1929-33. However, Russian textile exports were being driven out of markets in Manchuria and north China by NEA rivals. Exports of Russian textiles to China declined from 2.48 million to 0.84 million rubles between 1929 and 1933 (Conolly V 1935 pp. 173 - 77). This is in part, because after the defeat in the Russo-Japanese War, Russia ceded most of the South Manchurian Railway to Japan from Kuen-cheng (near Changchun) to Port Arthur (near Dalian). Later, with growing economic influence of Japan over Korea and NEA, Japan's use of the Southern Manchurian Railway began to threaten Russia's economic and political hegemony in NEA, and hence, it reduced the competitiveness of Vladivostok in international commerce and freight (leDonne J P 1997 pp. 212 - 3). Harbin became a centre of more thriving commercial activities, the economic hub in the Russo-Chinese borderland. Contrary to Russia's expectation in the global commercial strategy, Harbin did not gravitate toward Vladivostok, but Vladivostok was increasingly absorbed into Harbin (ibid. p. 217).

In the 1920s the growing clothing and textile industry in NEA not only drove out Russian exports in Manchuria, but also penetrated the RFE market, and supported smuggling activities of Asian traders in Vladivostok. The growth of exports from NEA was partly

because of Japan's intervention in the development of Korea's textile and clothing industry (what B. Cumings called an example of "developmental colonialism"). Subsidies were given to a fledgling textile industry in Korea in order to increase exports, in response to demand for cotton textile goods in NEA. Outputs were distributed not only in northern Korea and Manchuria but also probably to the RFE (Cumings B 1997 pp. 165 - 6 ; Castley R 1997 p. 227).<sup>6</sup>

Frontier porosity persisted well into the 1930s, although retail and wholesale trade were gradually nationalised after 1917 (Stephan J J 1994 p. 196). In 1918 an initial step was taken towards the system of centralised state distribution. Shops were taken over by the state and converted into state outlets. However, the NEP policy served to legitimise private trade as complementary to nationalised enterprises (Yugow A 1941 p. 97 and pp. 104 - 5). By the mid 1930s individual traders disappeared. Private trading business was labelled as against the interests of society (Hubbard L E 1938 pp. 9 - 15).

### **5 - 3. Asian Communities**

In Vladivostok there were ethnic quarters : a Chinatown and a Korean district, and in other parts of Primorskii Krai a separate Korean community.

#### **(1) "Millionka" ( Chinatown )**

Han Chinese engaged in street vending in Vladivostok (Stephan 1994 op.cit. p. 72). They lived in a Chinatown, called the "*Millionka*", which existed from the late nineteenth century (*Krai Rossii - Vladivostok* 1994 p. 187). G. A. Sukhachova (1993 Russian ; 1994 English version) writes,

*"Millionka" grew together with the city... At the beginning of 1893, the number of (the Han) Chinese immigrants increased at a rate of 10,000-11,000 people annually (Sukhachova G 1993 p. 62). In 1910-1911, there were 50,000 inhabitants in "Millionka", of whom one third were unregistered illegal immigrants. And over 40,000 had no permanent address (p. 111 English version). (Many of them) were from Manchuria, Shandong, etc (p. 64).*

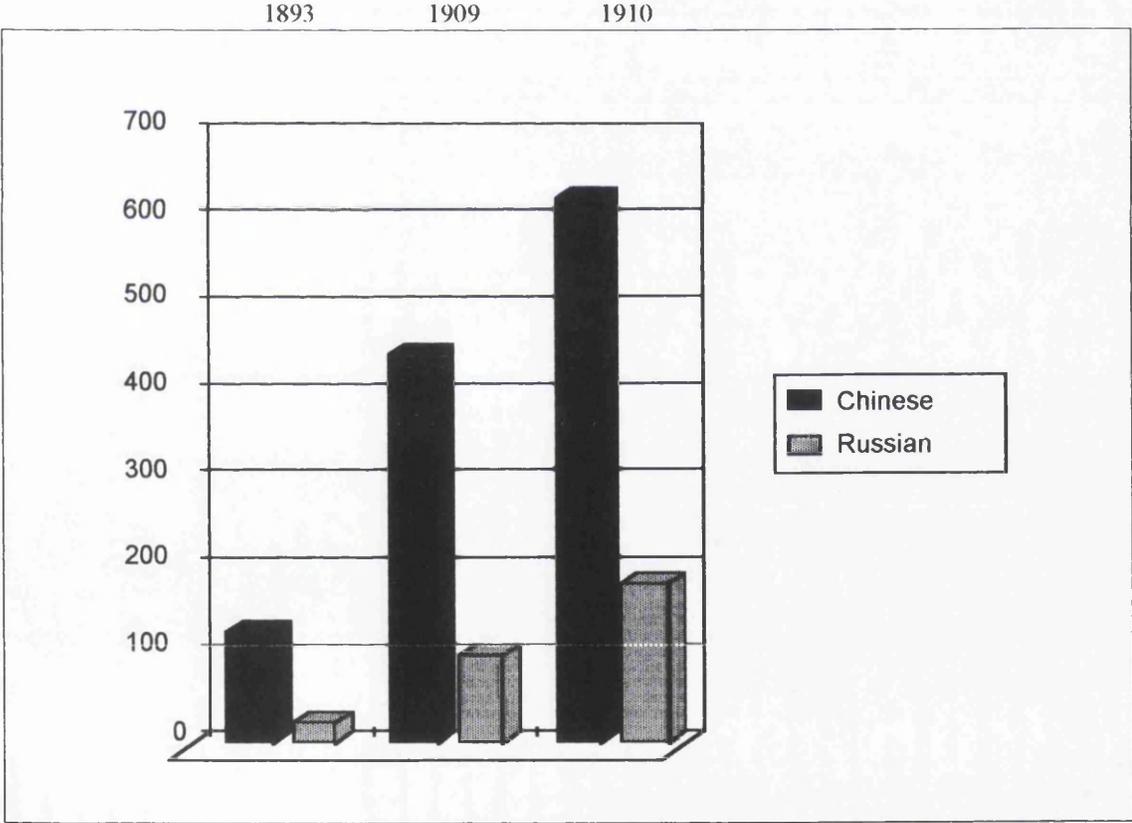
Residence in "*Millionka*" was temporary in nature - inhabitants living there only for

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<sup>6</sup> This can be seen as a prototype of the " flying geese pattern of development ". Korea's textile industry was established during Japan's colonial administration by Japanese enterprises. By 1940 Korea became a major producer of yarns, fabric and knitted goods which were largely export for mainly to Japan and Manchuria.

seasonal work (ibid. 1993 p. 65). The Asian traders reaped commercial advantages, and the prosperity of their business cut deeply into the share of domestic traders - Russian traders. Fears of a surge of imports and domination of foreign traders produced xenophobia among Russian traders and a political petition to the state for protection of the local market. With the rise of the idea of national economic self-sufficiency, import protection and xenophobic feeling intensified gradually in the NEP period (Rieber A J 1982 pp. 52 - 79 ; Owen T C 1981 p. 52 p. 207 ; Kier J D 1995 pp. 450-5). In Vladivostok retail services were in the hands of Han Chinese traders, who had more retail shops than did the Russians (chart 3-1) (*Starii Vladivostok* op.cit. Photo No. 87 ; Bird I translated by Tokioka K 1998 p. 282).

**Chart 3-1 Chinese-owned vs. Russian-owned Shops (Unit : number of shops)**



Sources : Galina Sukhachova, 1993, "Obitateli Millionki i Drigie : Deyatel'nost' Tainikh Kitaiskikh Obshestvo vo Vladivostoke v Kontse XIX - Nachale XX Veka" in *Rossia i ATR.*, June 1993, p. 66 : Eng. Version , " Residents of - Millionka " - , *Rossia i ATR.* 1994, p. 117 ; *Vladivostok.* 15 July , 1994.

**( 2 ) "Koreiskaya Slobodka" ( Korean district )**

In Vladivostok there was also a Korean community, the so-called "Korean District"

(“*Koreiskaya Slobodka*” in Russian). It was formed in the northwestern outskirts in 1893, and was one of the poorest areas in the city for a long time (Hara T 1987 p. 3 ; Hara T 1998 pp. 283 - 5 ; Kang J 1992 pp. 124 - 5 ; Kolarz op.cit. pp. 36 - 9 ; Dudko V A 1985 pp. 41 - 7). Groups of huts and shacks gradually became an ethnically segregated community (Kim S K 1965 pp. 53 - 61). In 1905-07 there were no fewer than 5,000 Koreans living in this district. But, Ban B Y (p. 336) records 20,000 Korean residents in the city in 1919. There were political refugees as well as traders, gold miners and construction workers (Kim S K pp. 53 - 61). By the end of 1922, the number of Koreans in the district had grown to about 62,000 (Lee Aeliah 1997 p. 29). However, at some stage Koreans disappeared from Vladivostok although it is not known exactly when. Slav migrants to the RFE occupied the evacuated houses, and made the ethnic composition of the district more Russian-dominant (Dudko V A 1985 pp. 46 - 7).

Koreans settled rather than sojourned (Stephan 1994 op.cit. p. 75). Many Koreans engaged in trade although their number is inadequately known (idem ; Pak B D 1995 p. 121 ; Anosov S D 1928 p. 58)<sup>7</sup> Pak B. D. (1981 pp. 6 - 7) writes : “as Korean immigrants increased, so did Russo-Korean trade by overland routes”, mobilising Korean traders in Korea, Manchuria and the RFE. Koreans kept external contacts with those living in Korea and elsewhere (see also Pak B D 1995 p. 45 ; Stephan 1994 op.cit. p. 75). Bird I L ( Jap. trans. 1998 p. 292) wrote that Korean traders engaged in distribution of meat, grains and vegetables, and particularly the supply of vegetables was in their hands. The community had its own administration and raised funds, and had an employment bureau for Koreans, who sent remittances to families and relatives in Korea (Stephan 1994 op.cit. pp. 2 - 5).

Vladivostok was the political centre of the Korean national liberation movement against Japanese colonial rule (Ban op.cit. pp. 2 - 5). And, especially after the Revolution in 1917, political changes in Russia stimulated a Korean national liberation movement. The new Soviet regime also needed the Korean support to resist foreign intervention (Aeliah L

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<sup>7</sup> In 1910 there were 210 Korean traders recorded as living in Vladivostok. Another source states that in 1925 there were 3,010 in the southern Ussuriskii region and, in 1926, 5,424 (Kim Sin Khva, 1965, op.cit., p. 38 and Stephan J J 1994 p. 75)

1997 p. 27). The Bolsheviks initially supported the national self-determination of minorities in Russia (Harris N 1990 p. 84). Korean nationalists were fascinated with the idea of Bolshevism but their pursuit of national liberation struggle later became mixed with ideas of Marxist-Leninist class struggles (Ban B Y pp. 68 - 77).<sup>8</sup> Supported by the new regime, the Union of Korean Socialists was established in Vladivostok in April 1918 - the first revolutionary organisation for Koreans living in Soviet Russia (Pak B D 1990 p. 64). But, as Dallin D J (1971 p. 52) puts it, the interest of Koreans was “not a class front, not even a people’s front”, but a “national front” to “rally all Koreans for a fight against Japanese colonialism.” (Dallin idem ; Besedovskii Gregori 1931 pp. 114 - 6 ; Mitchell R 1967 p. 25). As mentioned earlier, under the banner of anti-colonialism there was a mingling of the ideas of Korean nationalists and communists (Cumings B op.cit. p. 158). A Korean nationalist, Shin Ch’ae-ho, set up “another exile government” in Vladivostok in 1923 (ibid. p. 156). The city functioned as a part of Korean resistance in exile. In the city some wealthy Korean merchants organised a patriotic organisation, published a Korean newspaper, the *Haejo Sinmun* (Vladivostok Korean), and spread their influence mainly through non-military means such as educational and cultural activities to gain support for Korea’s independence. The Korean merchantry were opposed to the military struggle since border conflicts hindered their commerce (Kim S K pp. 67 - 8 ; Ban B Y pp. 114 - 5 p. 507). Koreans in the city were split between a militant group in favour of armed struggle against Japan and the merchantry who urged non-military struggle (Cumings B p. 158). It was only after Japan’s occupation of the RFE during the Civil War (1918-22) that the Korean merchantry became more active in the anti-Japanese nationalist movement. Japanese military forces occupied the RFE and threatened the livelihood of these Korean traders with the Japanese attacks on the *Koreiskaya Slobodka*. The city was also an operational base of the militant resistance “Vyī Ben”. From here, guerrillas carried out

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<sup>8</sup> Some argue that Lenin compromised in Korea’s case between class struggle and national liberation. Byung Yool Ban quotes notes of Han Hyong-gwon, who met and recorded Lenin’s statement, saying : “ ... without destroying imperialistic and militaristic Japan, there will be no freedom and happiness for the Asian peoples. And in Korea a proletarian social revolution is not necessary at this time. It is the time for only national liberation, that is an independence movement. Therefore, we (the Bolsheviks) will support the Korean Independence Movement with all of our strength.” (p. 434).

regular raids on Japanese forts in Manchuria and Korea (Kim op.cit. pp. 67 - 70 ; Cumings op.cit. p. 146). Members of the Korean Righteous Army and anti-Japanese political activists entered the *Koreiskaya Slobodka* and kept close contact with comrades in Hamgyong and Phyongan in northern Korea and Manchuria (Kang J E 1992 pp. 124 - 5). Some of the groups later gave birth to the post-World War II parties and armies in Korea (Dallin D J 1971 pp. 256 - 7).

### ***( 3 ) Korean community in Pos'et***

Korean immigrants established a separate ethnic community at Pos'et near the Russo-Korean border at the Tumen River. In 1927 they proposed the establishment of “an autonomous” Korean *raion* (district), reflecting the political climate at the time, when the Bolsheviks still supported national liberation of non-Russian peoples, viewing them as allies in the struggle against imperialism (Tishkov V 1997 p. 29 ; Polutov and Buyatov A p. 44). This evoked an enthusiastic response from the Korean nationalists in the RFE (Tishkov ibid. p. 29). In 1928 they established “a Korean *raion* executive committee” at Pos'et, which lasted until the deportation in 1937 (Gnam C 1991 pp. 15 - 20). In the mid 1930s, 90 percent of the population of Pos'et were Koreans (ibid. p. 20 ; Pak B D 1994 p. 116). Within this community, many landless peasants, seasonal workers and traders lived and worked. The community frequently received newcomers from Korea in such jobs as housing construction and farming (Pak 1991 p. 117).

## **Conclusion**

In the nineteenth century Vladivostok had a multiracial society. Bird I L (Jap. trans. 1998 p. 283) notes that 700 Slav households came to settle in the city each year, and at the same time, about 8,000 - 10,000 migrant labourers came to work from Shandong, China. Goods brought in from China by Asian traders were much cheaper than those produced in Russia. In the beginning the Tsar's colonial policy required Asian immigrants both as cheap labour and as suppliers of essential commodities. Later on, however, the Soviet Union's “internal

colonial” foundation became more firm, and migration of the Slav settlers began to be encouraged primarily by state intervention. The process of formation of the Slav settlements was accompanied by discouragement of Asian residents, and later even accusations against them (Kim S K 1965 pp. 40 - 1). Retail traders became a visible target for the Russian working population, being accused of unfair speculation particularly, if they were Asian. The Bolsheviks were initially an advocate of solidarity with the working class and the exploited in NEA, and the Revolution was to lead to an anti-colonial uprising against imperialism (Hauner M 1990 pp. 26 - 7). However, once the Bolsheviks had consolidated their power, they proceeded to eliminate ethnic nationalists in the RFE on the principle of “socialist federalism” (Tishkov 1997 op.cit. pp. 29 - 35). Asians became increasingly vulnerable as targets for ethno-territorial engineering. We will return to this issue in the consolidation stage under Stalin and his successors in the next chapter.

## CHAPTER 4

# THE CONSOLIDATION STAGE IN A CLOSED ECONOMY : WARS AND STALINIST DEMOGRAPHIC ENGINEERING POLICY

### Introduction

In the pioneer stage transborder trade thrived and a multiethnic society grew up in Vladivostok. However, in the consolidation stage the Slav settlers increased, especially under Stalin's rapid industrialisation (Ribakovskii L L 1990 p. 130 pp. 162 - 3). In the 1930s the Soviet state was pursuing its military buildup as a countermeasure against Japan's establishment of Manchukuo in NEC. The police control of Asian residents became firmer than in the pioneer stage under the militarisation of the city, and "aliens" or "outsiders" (Asians) were eliminated. The system of the Soviet WMSS was fully completed in 1937 by the deportation of Koreans and elimination of Han Chinese.

Fears of war and the urgency of rapid industrialisation led the Bolsheviks to justify state intervention in various aspects of Vladivostok's economy and society (Carrere d'Encausse H 1992 p. 217). This chapter, after outlining the main characteristics of this stage, will examine the rise of the military security regime, ethnic clearance and autarky in the first section. The second section examines the concept of a "fortress city", typified by Vladivostok. It will then discuss in chronological order : (1) encroaching centralisation in the late 1920s, (2) militarisation and the isolation of the city from the economy of NEA, and (3) the increasing military-strategic importance of the city after World War II. The issue of state intervention in migration will be also discussed, and finally the discussions will be summarised. The consolidation stage is characterised by state-building, incorporation of Vladivostok's economy into the centralised economy, and mobilisation of resources (capital, labour force, commodities and industrial material inputs) under the justification of defending Soviet socialism. Outbreaks of various border conflicts, and wars both before and after World War II furthered this tendency up until 1992. Thus the Soviet

WMSS system continued to form the basic structure of the city, even after the death of Stalin (Hara T 1998 pp. 317 - 21).

## **[ 1 ] A National Security Regime, Ethnic Clearance and Autarky**

### **1 - 1. A State-Building and an Ethnic Clearance**

As mentioned above, despite some minor modifications after Stalin, the main features of a WMSS persisted in the Soviet Union up to 1992 and the national security factor had a great influence in development of the city over the many decades which saw confrontation with Japan before and during World War II, superpower rivalry and the arms race after the war, and the Sino-Soviet ideological split and border clashes in the late 1960s (Kotkin S 1991 pp. 241 - 7). The beginning of this stage can be also characterised by state-building and “demographic engineering”. In Vladivostok the Soviet state pursued an ethnic clearance policy and maintained it in order to make the city’s population more Russian and homogeneous (Brubakers R 1995 p. 194).

The Russian Revolution started as a rejection of the capitalist state system. However, with the Treaty of Rappallo, the Soviet Union formally inaugurated the state system (Harris N 1997a). Fears of war - the Civil War, foreign intervention in Siberia and the RFE, and the increasing danger of World War II - were very real but the ideal of world proletarian revolution was so remote from realisation (Harris N 1990b p. 114). By the latter half of the 1920s, a territorial state had displaced the idea of world proletarian revolution (ibid. p. 127).

Private traders, typically classified as “petty bourgeoisie” by the Bolsheviks, were considered to have intrigued with foreign capitalists in the borderland. Nationalists in the minorities were silenced and central control was imposed (ibid. pp. 114 - 5). A rising national security regime threatened the existence of Asian society in the RFE. Militarisation sharply accelerated the centralisation of the economy of the RFE and Vladivostok. The local market was subjected to the state system of procurement and distribution, and economic resources were concentrated into military-related industries

through redistribution of funds and the state-controlled inter-regional exchanges (Minakir P A and Freeze G L 1996 p. 63). Establishment of an autarkic economy in the RFE gradually set obstacles in the way of transborder contacts with “hostile” states in NEA.

The state-building process of the new Soviet state required a “re-imagining” of Russia as a socialist federation of nationalities. In the state-building process ethnic groups were geographically relocated in accordance with ethno-territorial categories, which ethnographers and geographers worked out under Stalin. Ethnic mapping artificially demarcated ethno-territorial regions in the years from 1923 throughout the 1930s. By the late 1930s the new Soviet state was transformed into a federation of officially recognised nationalities. The Soviet administration worked to legitimise the “creation” of some ethnicities and “elimination” of others (Hirsch F 1997 p. 257 ; Smith J 1999 pp. 66 - 107). By 1937 nationality was embedded in the administrative structure of the whole union. In 1937-38 the central government carried out military and civilian purges in the Far Eastern Republic (FER), which had enjoyed a relative local autonomy until the early 1930s, and the purges effectively brought the RFE under Stalin’s control and the FER as a political entity was finally dissolved in 1938 (Hausladen G 1990 p. 23). The cosmopolitan nature of Vladivostok worried Stalin and led to the purges and ethnic clearance (ibid. pp. 30 - 1). In the state-building process minorities without their own national-territorial units, who might wish to unite under some cultural affinity, were carefully subdivided between different regions and were combined with groups of other cultural and ethnic origins (Shaw D J B 1999 p. 53). These minorities without official homeland ceased to be recognised and lost social status in the 1930s within the administrative hierarchy (Shaw ibid p. 61). By the “demographic engineering” Koreans were deported to Central Asia, together with other peasants deported there in the collectivisation of agriculture (Smith G 1989 p. 27).<sup>1</sup> Han Chinese fled home (Tkacheva G A 1993 p. 84). Han Chinese and Korean theatres were closed down, oriental-language newspapers and books could no longer be published (Forsyth J 1992 ; Jap. translation 1998 p. 351). By the early 1930s, the number of

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<sup>1</sup> Central Asia was one of the most extensively collectivised regions. Various ethnic minorities were relocated to compensate for the loss of agricultural manpower in Central Asia.

officially recognised nationalities was reduced to a final minimum. In the consolidation stage, in order to promote the homogenisation of the RFE region, the RFE's Asian communities (especially the Koreans) were eliminated, and Slavs were resettled there to reinforce the basis of the garrison settlements for the purpose of demographic protection from the influx of Asians. Between 1924 and 1930 147,300 Slav migrants moved into the RFE (Ribakovskii L L 1990 pp. 74 - 5). Homogenisation of Vladivostok was fully complete with the expulsion of all remaining Asians from the Asian quarters in 1937 (Hara T 1998 pp. 316 - 8)

## **1 - 2. An Autarky**

The state's control of foreign trade precluded any RFE autonomy in trade with NEA (Stephan J J 1987 p. 224 ; Kirby E S 1971 p. 6 ; Bradshaw M J 1990 pp. 239 - 43). In the period of the late 1920s and the early 1930s the Soviet state launched an attack on economic individualism throughout the society. Private trade was no exception. In addition, foreign trade as a whole was treated as secondary to domestic inter-regional transactions, and its proportion of the total national income declined from 3.5 to 0.5 percent in 1930-37 (Smith G 1989 p. 32). Import-export operation was incorporated into national economic plans in the state-building process, and centralised allocation and utilisation of resources all reinforced the RFE's dependency upon the central state, while trading operations of each enterprise were managed more and more by the national economic plan (Chichikanov V P and Minakir P A 1986 p. 99). The inconvertibility of the ruble also cut the links between domestic and foreign prices.

Border trade between the Soviet Far East and NEA was also administered by a foreign trade organisation under the Ministry of Foreign Trade - Da'lintorg. Dal'ntorg prevented direct transborder contacts and controlled the import-export operation through buying and selling in bulk as one lump package, in order to insulate Soviet enterprises from international market. Transactions were conducted on a barter basis and individual enterprises had little or no contact with foreign business partners. Dal'ntorg controlled which tradable commodities were exported and to whom. The volume of transactions

played only a modest role in Soviet foreign trade as a whole, although imports through this channel did provide somewhat decentralised access for commodities to the RFE without having recourse to central government organs in Moscow (Bradshaw M J 1990 pp. 239 - 8 pp. 263 - 4). In order to preserve the regional balance sheet of foreign trade, export earnings were allocated to purchase imports, which satisfied the local demand for consumption (Manezhev S 1993 p. 33). Thus, even though it was a decentralised system to meet the local consumption, direct contacts and transactions were prohibited, and the trading system in the Far East region was closed from direct economic contact. These measures of the Soviet WMSS system minimised contacts in the borderlands, and eliminated the danger of revival of transborder private trade, by severing potential links between some ethnic groups inside and foreign partners outside (Lavigne M 1995 pp. 65 - 70).

### **1 - 3. War and Rapid Industrialisation**

Stalin regarded rapid industrialisation and agricultural collectivisation as vital to catch up with advanced capitalist countries (Smith G 1989 p. 23). He enforced a near monopoly, purchasing agricultural products through fixed terms of trade between industrial and agricultural sectors (*idem.*). Forced redistribution transferred surpluses from agriculture to heavy manufacturing through the system of price relativity and the state monopoly on commodity exchanges (*ibid.* p. 22). Heavy manufacturing played a major role in rapid industrialisation. Between 1928 and 1937 the share of heavy manufacturing in total manufacturing output more than doubled from 31 to 63 percent (*ibid.* p. 25). Extractive industries in the RFE were sustained by investment funds from the centre.

The farming sector in the mechanisation process shed labour that contributed to urban industrial growth (Smith *loc.cit.* ; Harris N 1990a p. 175). Urbanisation continued, nearly doubling the urban population in the Soviet Far East in 1926-39 (table 4 - 1) with the establishment of new factories and mines. Expansion of state enterprises absorbed workers. In the nationalisation of the regional economy an extensive development of new

government institutions also increased the number of employees in the planning, regulating, distributing and administering bodies of various state organs (Yugow A 1941 pp. 171 - 2). Stalin terminated the NEP's mixed economy and completed nationalisation process to embrace private trade, and introduced the command economy (Shaw op.cit. p. 38).

**Table 4-1 Urbanisation in the Soviet Far East**

**(1) Percentage of Urban Population in the Soviet Far East Compared with Russia / USSR**

	1911	1926	1939
The Soviet Far East	23.0 percent	24.0 percent	47.0 percent
Russia / USSR	18.0 percent	18.0 percent	33.0 percent

Source : Quoted by Gary Hausladen, 1990, op.cit. p. 27. *Aziatskaya Rossiya* Vol. 1 (Reprint, 1974, Oriental Research Partners, Cambridge, MA) pp. 241-42 and p. 350 : E. N. Perptsik, 1980, *Gorod v Sibiri*, Moskva, p. 84 : *Itogi Vsesoyuznoi Perepis' Naseleniya 1959 Goda*, 1963, Moskva pp. 24-9 ; F. Lorimer, 1946, *Population of the Soviet Union*, Geneva, pp. 69-70. David J. Dallin also notes that the combined population of the two provinces in the Far East (Primorskii Krai and Khabarovsk Krai) grew from 1,240,000 to 2,338,000 during 1926-39, an 88 percent increase as against 16 percent for the whole of the Soviet Union. The urban population east of Lake Baikal grew from 530,000 to 1,856,000 in the same period. David J. Dallin, 1971, *Soviet Russia and the Far East*, Archon Books, London, pp. 372-3

**(2) Growth of Major Cities in Primorskii Krai, 1926-39**

	Population (unit : 1,000 people)		Increase (unit : 1,000 people)	Relative increase
	1926	1939	1926-39	1926-39
Vladivostok	108	206	98	91 percent
Ussurisk	35	72	37	106 percent

Source : *Itogi Vsesoyuznoi Perepis' Naseleniya 1959 Goda*, 1963, Moskva, p. 38 : Harris, Chancy, 1970, *Cities of the Soviet Union*, Chicago, American Association of Geographers, pp. 256-67

The urban population in the RFE increased as a whole with state investment and subsidies to the region. Despite a smaller increase, Vladivostok's population nearly doubled in 1926-39 (the table above(2)). Labour demands required an inflow of settlers from other parts of the Soviet state, and the settlements once formed required a supply of essential goods and services. The development of the Far East region continued after Stalin's death. But the extensive state-led development showed a decline by the late 1970s or the early 1980s.

**[ 2 ] Vladivostok as a "Fortress City" of a WMSS**

Vladivostok was transformed from a "colonial city" to a "fortress city". The former allows a multi-ethnic population, while the latter, being less tolerant of multi-ethnic

society, eliminates “hostile” foreign elements. Development of a “fortress city” is subject to the strategic need of the central state, and decisions are made externally in the national capital (Ashworth G J 1991 p. 34 p. 64). The central state bears the costs of military fortifications, social infrastructure, and provision of various subsidies (ibid. pp. 52 - 4). Vladivostok in the Soviet WMSS period can be classified as a “fortress city”. The city in this stage had to be linked with extra-regional supplies from western Russia in order to reduce contacts with other capitalist and revisionist regimes in NEA.

The next three sections (sections from 3 to 5) will look at changes in the RFE chronologically.

### [ 3 ] Encroaching Centralisation in the Late 1920s

After the experiences of the civil war and the foreign intervention, vigilance required a strong authority and discipline, which in turn led to the beginnings of large public bureaucracies. As early as 1923 the state was already trying to incorporate Vladivostok and the RFE region (Hausladen G 1990 pp. 23 - 4).<sup>2</sup> N. L. Shlyk (1986) writes similarly,

During the (1920s), regional commerce gradually shed its dependence on foreign capital. The institution of a state monopoly over external commerce constituted a decisive step in this direction. In 1923, a Bureau of Licenses was established in Vladivostok, regulating local organs of the People’s Commissariats of Foreign Trade (pp. 116 - 7).

From the mid 1920s the principle of the NEP was steadily eroded. Free trade was curtailed. Private trade decreased its share in total retail sales of the Soviet Union in value from 78 percent (1922-23) to 57 percent (1923-24), to 42.3 percent (1925-26) and further down to 36.9 percent (1926-27). The number of private traders rapidly decreased (Hughes J 1991 p. 109 ; Nove A 1992 p. 99 ; Wegren S K 1994 pp. 197 - 8). From the late 1920s or the early 1930s the state system of order and procurement precluded private trade for almost all products (Wegren S K ibid. p. 198). The table below shows a relative decline of the private trade channel in the Soviet Union as a whole, in contrast to a rise in the state channel. Although these figures do not reflect the actual changes of shares in channels of

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<sup>2</sup> In 1923 the Far Eastern Republic (the FER) came under the control of the newly established USSR. The FER existed until 1938.

retail trade because of the sharp price fluctuations behind the volume of retail trade, the figures at least suggest the declining tendency of private traders.

**Table 4-2 Volume of Soviet Retail Trade by Distributive Channels**

Channels	(Unit : billions rubles)							
	1922-3	1926-7	1928-9	1932	1935	1938	1940	1947
State	0.5	2.4	3.0	14.5	63.1	99.9	128.5	251.6
Private	2.7	5.2	2.7	-	-	-	-	-

N. B. Slash bar (-) means insignificant or nonexistent.

Source : *Narodnoye Khozyaistvo SSSR*, p. 315 ; Lifits, *Sovetskaya Torgovlya*, p. 33 ; *Pravda*, April 21, 1947 ; quoted from table 45, Harry Schwartz, *Russia's Soviet Economy*, Jonathan Cape, London, p. 381

The Soviet state saw private traders as unbeaten remnants of “parasites” taking refuge in illegal trade and tending to engage in speculation (Yugow A 1941 p. 191). By the early 1930s the Soviet state discouraged private trading enterprises by resorting to tax levers and state loans. Private trade was officially outlawed by the middle of the decade (Wegren S K 1994 p. 206). Petitions by the Chinese government to obtain for its nationals exemption from nationalisation of trade were to no avail (Larin A G 1998 pp. 294 - 5). Accused of smuggling, illegal border crossing and espionage, Asian traders became a target for deportation and ethnic clearance. By the late 1930s, the number of Asians in the RFE was drastically reduced (ibid. pp. 296 - 7).

Advocating the right of national self-determination, Lenin was against the Russian Empire’s colonial relationship of Russian dominance over non-Russians, although he left some room for the solution of nationalities’ problems by centralisation. Ideally, the newly-founded Soviet Union was to serve an anti-imperial mission as an alternative to imperialism and a colonial empire (Chinn J and Kaiser R 1996 p. 65). However, the idea of territorial national autonomy was later transformed into administrative engineering of ethnoterritories as a compromise between national self-determination and stopping secession - a means of settling inter-ethnic relations under the centralisation of the state. Through centralisation and administrative engineering of minorities the Soviet Union was to provide for the political and juridical equality between ethnic groups (Lenin V 1913 pp. 38 - 42 ; Chinn J and Kaiser R pp. 69 - 70). In contrast to Lenin’s utopian vision - the

state withering away and being replaced by a universal community of proletarian solidarity - J. Stalin gradually transformed the idea of a loose ethno-cultural federation into one of centralised state control over the nominally “autonomous” member nations (Hauner M 1990 p. 62). Under Stalin, Lenin’s idea of the nationalities’ question was changed in essence to a Russocentric hegemonic state with “demographic engineering” and creation of titular ethnic groups, which were allowed only nominal independence (Chinn J and Kaiser R pp. 70 - 3).

Korean settlers were considered to be more dangerous than Han Chinese sojourners. In 1928 the land management authority in Vladivostok proposed that land provision, especially to Koreans, should be stopped (Pak B D 1995 p. 207). In August 1929 the Far East Executive Committee saw it as necessary to ban Korean immigrants and repopulate evacuated lands with Russian migrants (Pak *ibid.* pp. 208 - 9). Deportation of Koreans began gradually from the late 1920s. From 1928 to 1933, 87,749 Koreans were relocated from Primorskii Krai to other areas (table 4 - 3) (*ibid.* pp. 211 - 6). The deportation is attributable in part to conflict between the Soviet state and Manchukuo under Japan’s rule.

**Table 4-3 Koreans Relocated from Southern Primorskii Krai during 1928-1933 (Unit : people)**

Year	1928-1929	1929-1930	1930-1931	1931-1932	1932-1933	Total
Koreans	1,229	5,000	19,297	28,619	33,604	87,749

Source : *Plan Rasseleniya Koreiskogo Naseleniya iz Vladivostokogo Okrug v Chitivyortie* 1930 - 1933 - RGIA DV. Fond P- 2441. Opic 1 Delo 511. List 14 ob. ; Quoted by B. D. Pak , *Koreitsi V Sovietskoi Rossii*, 1995 , p. 211

Manchukuo, Japan’s puppet regime, was established in 1932. Korea and Manchukuo pursued the policy of economic autarky and industrial self-sufficiency within the NEA regional bloc - “Greater East Asia Coprosperity Sphere”- controlled by Japan. Followed by the Japanese migration into the Korean Peninsula, Korean emigrants were displaced to settle in Manchuria for several decades from 1920 up to the mid 1940s (The Association of Chinese Korean Youth - *Chugoku Chosenzoku Seinen Gakkai* 1998 pp. 252 - 8). When the Manchukuo regime was established, Manchuria became a place of opportunity for Korean emigrants - rice farmers, administrators and soldiers, policemen and merchants (Cumings B 1997 pp. 167 - 9). In the mid 1930s Japan’s militarisation and development of

heavy industry embraced the colonies in Korea and Manchuria. Japan located heavy industry in its colonies, using labour and raw materials locally available (ibid. p. 175). Koreans migrated to Manchuria under Japan's policy-led mobilisation of labour. Many Korean farmers and workers were attracted into new fields of activity in Manchuria (ibid. pp. 175 - 7). Under Japan's "developmental colonialism" in Korea and Manchuria, Koreans became useful mobile labour for the development of Manchukuo. In 1934 they became formally subject to the mobilisation of labour under the Japanese colonial administration (Takasaki S 1996 p. 25). In 1936 their peasant migration to Manchuria was especially encouraged by the colonial authorities in order to secure food supply within NEA (idem). Cumings B (1997) notes that "although some peasants were attracted by the hope of better jobs and higher wages in earlier years, by 1937 the mobilisation of labour was coming from above ... to serve the war effort" (in Manchuria and perhaps to engage in military espionage in the Soviet Union) (words in parenthesis added) (p. 176). He also notes that "Koreans were ... used fairly widely as police in Manchukuo" (ibid. pp. 178 - 9). By 1940 1.5 million Koreans had settled in Manchuria (ibid. p. 169).

With heightening tensions in the border with Manchukuo and security consciousness that perceived enemies were encircling the regime, Stalin believed that some elements among Korean residents in the Soviet Far East were plotting with Japan to detach Primorskii Krai from the Soviet Union. In 1934-35, 18,000 Koreans fled from Primorskii Krai to Manchuria (Duning (or Dongning), Mishan, Hulin, etc), where after World War II they formed settlements which still exist in present-day NEC and, as it will be shown in this research, from where many temporary movements of traders to Vladivostok originated after 1992 (Takasaki S 1996 p. 170). Thus caught between the two great powers, Japan and the Soviet Union, Korean residents in the RFE were victims of deportation from the Soviet Far East and also a target of labour mobilisation under Japan's "developmental colonialism".

By 1937, 2,500 Koreans had been arrested, and 171,781 Korean residents (36,442 families) in the Soviet Far East had been forced to resettle in Central Asia, 76,525 (16,272

families) in Uzbekistan and 95,256 (20,170 families) in Kazakhstan (Pak B D p. 235 ; *Utro Rossii* 25 June 1993). Some Han and Koreans, who had sensed the imminence of ethnic clearance prior to the deportation, fled to their relatives and friends in NEC. The former chief of NKVD administration in the Far East region recalled an ethnic clearance operation of Asians from the RFE :

There were around 9,000 people from both the city (Vladivostok) and the countryside.. who were arrested simply on suspicion of being a member of a conspiratorial group in the Far East. Besides this, 11,000 Chinese were arrested and 8,000 exiled, 180,000 Koreans were expelled by force and 2,500 were arrested. Additionally, 1,000 people (from Harbin)... were arrested... In the Far East area around 60,000 were arrested altogether and about 190,000 expelled by force (Song Moo Kho 1987 p. 30).

The Han Chinese (6,300) disappeared from the local history record, and about their fate the published literature has maintained silence ever since (Forsyth J 1992 ; Jap. translation 1998 p. 351). As a replacement for the loss of Asian dwellers, the Slav migrants took over the places evacuated by the Han and Koreans. The Slav migrants were encouraged to settle in Vladivostok with an exceptional inducements being presented such as a ten-year tax exemption and full free travelling costs borne by the state (Jung D 1998 pp. 124 - 5).

#### **[ 4 ] Militarisation and Isolation of the RFE from NEA Economy**

With the formation of the Japanese-German alliance, the dangers of a two-front war became pressing. As mentioned earlier, around this time, Stalin prohibited the RFE from foreign contact. In case of sudden and simultaneous attacks from both flanks, the Soviet state would not be able to shift a part of her European resources immediately to the Far Eastern front. Thus for defence on the eastern flank, the RFE had, to some extent, to have an independent industrial base, logistical system and armaments, sufficient for war preparation in this theatre (Dallin D J 1950 p. 11).

In 1932 the Soviet Pacific Fleet was established. In the 1930s, border clashes became more frequent and fierce (the next table) (Krushanova A V 1976 p. 85 ; Dudko V A 1985 p. 12). Transit trade to Europe, which had been the source of prosperity in Vladivostok from the 1900s until the early 1930s, moved to other cities in China (Conolly V 1935 p.

29). In 1933 railway traffic was stopped between Manchuria and the Soviet Far East (Dallin D J 1971 p. 18). As a result, Vladivostok was cut off from its economic relations with Manchuria and confined primarily to domestic trade within the Soviet Union (Conolly V p. 31). The Soviet army was greatly increased in 1934-35 (Aeliah L 1997 p. 38). Access to border zones was denied to nearly all private cross-border traffic. With Soviet-Manchukuo border clashes on Changkufeng Hill near Lake Khanka in 1938, the city was put under general mobilisation for military preparation (Wu A K 1967 p. 274).

**Table 4-4 Border Conflicts** (Unit : frequency per year / period)

1932-34	1935	1936	1937	1938	1939
152 times	176 times	152 times	113 times	166 times	159 times

Source : Masaru Shiga, 1985, "Chuo Ajia he Owareta Hitobito" in *Kikan Sanzenri* No. 44. Quoted by Lee Aeliah, 1997, "The Problems of Korean Migration in Russia" in *Ritsumeikan Kokusai Chiiki Kenkyu*, No. 11, June 1997, p. 33

The party and state intensified a commitment to strengthen military power in the RFE. All cross-border private trade came to be suppressed and was almost abolished in the 1930s. At the same time, the state system of domestic trade, *Torgi*, eventually replaced private trade (Hubbard L 1938 p. 81). In the late 1930s the system of railway freight charges from western Russia was tapered off over long distances to as little as 25-30 percent per ton-kilometer of the short-distance rate in order to encourage the industrialisation of remote areas and promote domestic inter-regional economic ties within the Soviet Union (Hutchings R 1971 p. 206).

With militarised industrialisation, particularly from 1933 to 1940, the RFE received high priority in capital investment despite its small share of the USSR population (Kim W B 1994 p. 1066). State investment was channelled to the RFE and, with fast regional economic growth in the years 1913 to 1940, industrial output increased seventeen-fold (Galiyamova L I 1994 pp. 225 - 6 ; Chichikanov V P and Minakir P A 1986 p. 98). After the revolution, particularly from 1928, the Soviet regime stressed industrial relocation and urban settlement in the Five-Year Plans. The state investment rose rapidly in the first three Five-Year Plans. In the First Five-Year Plan, the Far East was allocated 2.5 percent of the

state budget for new investments (414 million rubles), half of which was spent on establishing new enterprises. Growth in output was foreseen : a doubling in coal mining, a tripling in cement, 2.6 times in forestry and a tripling in fishery (Krushanova A V 1976 pp. 80 - 3 ; Dallin J D 1950 p. 9 ; Dallin J D 1971 p. 377). New plants were built : an electricity generating power station, canning factories, ship-repair facilities, and a fishery complex in Vladivostok (Krushanova A V ibid. p. 85). The First Five-Year Plan (1928-32) proposed to settle 780,000 people in Siberia and the Far East (Dibb A 1971 pp. 373 - 6). Existing cities grew and new cities were founded. In the Second Five-Year Plan (1934-8), 4.1 percent of budget was allocated to the Far East region (Dallin J D 1971 p. 377). The Plan was formulated after Japan had seized Manchuria and the Soviet state gave increased strategic attention to economic development in and migration to the RFE (Dallin J D 1950 p. 10). Growth in industrial output was enthusiastically targeted : 3.3 times in coal mining, 5.3 times in power stations, 7.7 times in cement, etc. (Krushanova A V pp. 86 - 91). In the Third Five-Year Plan the importance of the region was reflected in the fact that 10 percent of the state investment budget was allocated to it (Dallin J D 1971 p. 377). Moscow encouraged industrial development in the Far East and built up Vladivostok as a fortress in East Asia. In the process of militarisation the city nearly doubled its population in 1926 - 39 (Shlyk N L pp. 116 - 7). The government promoted Soviet migration with monetary incentives, forced labour and movement of military staff. The state bore high labour and transport costs to attract labour to the remote region (idem.).

In the 1930s defence of major cities and logistically nodal points became increasingly important. Civilians contributed to the defence of cities in the RFE. Over 1 million people per day were mobilised for civil defence in Primorskii Krai - for construction of shelters and fortification of cities. More than 100 enterprises and factories in Vladivostok engaged in production of armaments. *Dal'zabod*, a major ship-building factory in the city, produced trench mortars, shells and ammunition. Demand for military production led to a rise of new factories, growth of a raw materials extraction industry, and in-shipment of food and consumer items to supply the military (Krushanova A V p. 99). By the late 1930s the RFE

had become more isolated from the world economy, and the ratio of the military to civilians in the region increased to 10 military personnel for every 25 civilians (Ribakovskii L L 1990 p. 96). The RFE's foreign trade showed a sharp reduction. The Slav immigration increased. Between 1939 and 1959, 2.5 million people migrated from European Russia to Siberia and the Far East, which contributed to the population growth in the two regions (Hosaka T 1998 p. 70). As is clear in the table below, the population increased more rapidly in the Far East than in the central regions throughout the consolidation stage, but the pace of the growth slowed down in the late 1970s.

**Table 4-5 The Population Growth of the Far East Region : 1939, 1959 and 1970**

	Population Change in the Period (unit: percent)	
	1939 - 59	1959 - 70
<u>Central regions</u>		
North, North West	102.6	111.9
Centre	98.0	107.5
Volga	95.0	101.2
<u>The Far East</u>	169.7	119.6

Source : Khorev B S and Chapek V N, 1978, *Problemi Izucheniya Migratsii Naseleniya*, pp. 157 - 8. Quoted by Hosaka T, 1998, *Sorenpo Keizai Hokai to Rodohryoku Mondai*, Bunrikaku, Kyoto, pp. 81 - 2

What is a factor of the regional population growth in the Far East ? The answer is a system of forced labour migration to the region under the Soviet WMSS system, but the forced labour does not necessarily mean that they are all political convicts and exiles who were sent to gulags. Probably, more mundane posting and mass labour allocation also contributed largely to the regional population growth in the Far East. *Orgnabor* (the Soviet term for organised migration) and demand for resource prospecting due to the development of heavy industry contributed to the population growth in the Far East. According to Minakir et al. (1996 p. 43), in 1926-39 the population of the Far East increased by 89.3 percent, while the population increased only by 16 percent in the Soviet Union as a whole (Minakir P A and Freeze G L p. 43). By 1939 the population of the RFE had increased to 1,097,000, of which migration accounted for 82 percent (899,000) (Dallin D J 1950 p. 10). Vladivostok grew from 108,000 to 206,000 in the same period (1926-39) (Kolarz W 1954 p. 20 ; Dibb P 1972 p. 171). The population of the RFE

marked a further 80 percent growth in 1940-68 (*Rotobo* 1982 p. 72).

After World War II the state-led development of heavy industry caused urbanisation, but was not accompanied by commensurate growth of the consumer sector (*idem*). Thus it caused a logistical problem, with supply even more dependent on western Russia (*Dibb P* pp. 68 - 71). The state brought Soviet industry nearer to its bases of raw materials and power generation on the one hand, and dispersed consumer markets to be served on the other. With the various measures, the Soviet state tried to “make long-distance transport not unattractive” as R. Hutchings (1971 p. 206) puts it. The Far East procured items far off instead of producing consumer goods in the region. Thus heavy burdens were placed on the railways and other transport (*idem*).

## **[ 5 ] The End of World War II, The Beginning of the Cold War and the Strategic Importance of the RFE**

### **5 - 1. Introduction**

After World War II Vladivostok’s geostrategic role grew even further with the military buildup to resist the U.S., and its international links with South Korea and China withered even further in the face of the Cold War. With the Cold War, the Soviet Union and the U.S. formed their own allowances with client states in NEA. The U.S. pursued a policy of containment to prevent the Soviet expansionism by surrounding the fortress base of the Soviet Union on “all sides by a policy of siege through military bases and allies friendly to the U.S. (*Shaw D J B* 1999 p. 272). The Korean Peninsula was a focus of potential conflicts. North Korea was supported by Stalin, while South Korea was developed as a strong front-line anti-communist state, depending heavily upon the U.S. and its allies for economic support (*Lee C and Bradshaw M J* 1997 p. 462). The Korean War, the Sino-Soviet ideological split, the Vietnam War and South Korea’s emergence as an American ally all reinforced the RFE’s economic isolation from international markets. The city was made a military port, closed to the international economy and to free foreign commercial

traffic (Stephan J J 1981 p. 220 ; Krushanova 1976 p. 138). It became an important fortress against any Chinese aggression (Bradshaw M J 1988 pp. 368 - 70 ; Dudko V A pp. 13 - 4).

In 1945 forty divisions of ground forces were redeployed and three new corps were established in the RFE, making a total deployment of no less than a million personnel in the region. By the end of the war military personnel and their families accounted for 25 percent of the RFE's total population. Some servicemen stayed as military reserves in the region even after their demobilisation and took up work in state-owned enterprises (SOEs), *kolkhozes* and other jobs. In the latter half of the 1940s, assignment of demobilised servicemen and their families became a source of growth of labour supply in the RFE (Ribakovskii L L 1990 pp. 86 - 97). According to Ribakovskii, in the RFE the demobilised servicemen comprised 17-18 percent of the male working population during the 1940s and 1950s (ibid. pp. 97 - 112).<sup>3</sup> Various migration incentives were given to them : financial aid with their living expenses, discounts on foodstuffs, tax exemption, discounts on fuel and electricity, etc (ibid. pp. 76 - 112).

The Soviet-Chinese border was heavily militarised after 1969 with the ideological split (Rozman G 1995 p. 275 ; Swearingen R 1987 p. 226). Population increased by 48 percent on the Soviet side in the Far East between 1959 and 1982 (Forsyth J 1992 ; Morimoto K 1998 p. 386). Mao Tse-tung publicly challenged the legitimacy of the Soviet border. Khrushchev and his successors reacted to China with military reinforcements along the border to underline the "inviolability" of the Soviet frontier (Gelman H 1987 pp. 213 - 4). In 1969, *Pravda* published the article, "Yellow Peril" and anti-Chinese warnings, which raised the spectre of racial war (Hauner M 1990 p. 30).

Vladivostok's population grew by 25 percent in 1970-79 (Howe G M 1983 p. 415). The city functioned as a socially privileged area due to its special status as a closed military district (Kirkow P and Hanson P 1994 p. 66 ; Kolarz W 1954 pp. 15 - 20). Its development and social welfare for the inhabitants were given high priority for the sake of

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<sup>3</sup> In Primorskii Krai 12,000 families migrated and took jobs in *kolkhozes* in 1946-7. In 1948-50 5,900 families migrated for jobs in *kolkhozes*.

servicing the needs of national security. New apartments, houses, schools, hospitals, theaters, etc. were built. For example, during the Seventh Five-Year-Plan (1959-65), more than 200 enterprises and factories were established or reconstructed in Primorskii Krai, energy production grew 3.5 times, metal processing and machine building doubled and the workforce in construction quadrupled (Krushanova A V 1976 pp. 116 - 20). The state kept the price of consumer goods stable. Local employment was also maintained.

The RFE continued to be the recipient of central funding of various kinds. Kim W B (1994b) wrote,

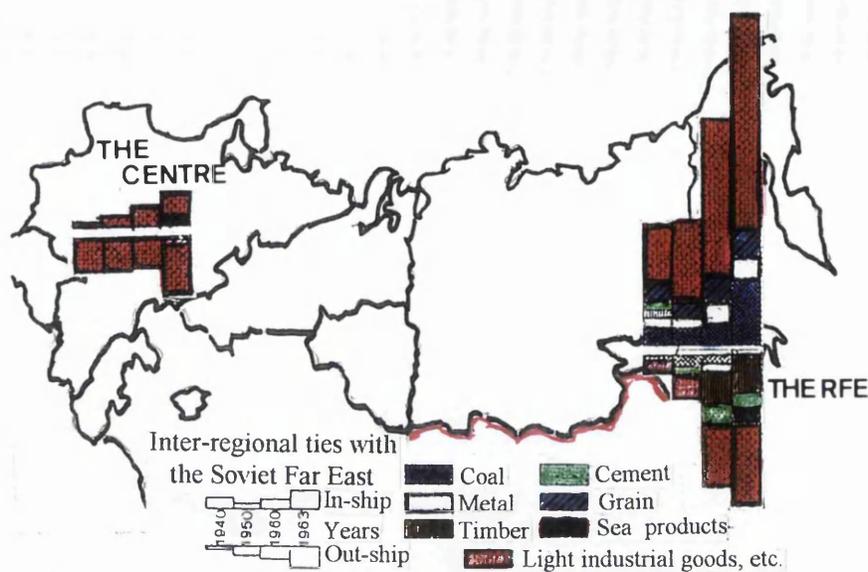
A large net transfer of funds was made to the region for the support of military personnel and production of military hardware...Taxes collected in the rest of Russia were sent to the RFE...Many jobs in the military and related activities, with their higher wages, drew migrants from the rest of Russia and caused the RFE to grow (p. 1066).

With establishment or expansion of factories, the state-led capital investment in the RFE was kept at 4.0 - 4.8 percent during the 1946 - 75 period (*Gosstaizdat* 1961 pp. 114 - 5). State investment in Vladivostok increased 2.7 times in 1959 - 63 (Kirby E S 1971 p. 157). However, by the late 1970s despite attempts at reforms and relatively large state investments in the region, the rate of growth may have begun to decline, but the detailed data are unavailable (Minakir P A and Gregory L Freeze 1996 pp. 64 - 5).

Primorskii Krai was supported by the state in various areas :

(1) For procurement of essential items for the local population, the state subsidised prices of consumer goods, including transportation cost. For example, 50 percent of staple foodstuffs and 70 percent of other consumer goods were provided from other regions of the Soviet Union by the centralised supply system (Kirkow P and Hanson P 1994 p. 69). And 75 percent of textile fabrics, clothing and footwear were transported from western Russia with the support of transport subsidies (figure 3) (Rodgers A 1990 p. 230).

Figure 3 Economic Linkages of the RFE and Moscow



(2) For some sectors the state provided financial support from various sources. Of the construction work in the region, 40 - 50 percent was financed by the federal state budget (Kirkow P and Hanson P 1994 p. 68 ; Rodgers A 1983 pp. 192 - 3). Annual state subsidies of about 2 billion rubles (1991 prices) were provided every year for agriculture (Kirkow and Hanson idem.). As mentioned, financial assistance for the development of social infrastructure was provided in the form of redistribution of taxes collected in the centre to the region (Minakir P A 1995 p. 178). Thus almost all jobs in enterprises in the Krai were dependent in one way or another on the Soviet Union and Russian Republic subsidies and grants (Kirkow P and Hanson P 1994 pp. 63 - 88 ; Dienes L 1987 pp. 89 - 90).

## 5 - 2. Population Growth in the RFE

As discussed earlier, the RFE's population increased faster than the average of all Russia and that of the former USSR, as shown below.

Table 4-6 Population Change in the RFE

(Unit : 1,000 people; growth rate (%) in parenthesis)

	1939	1959	1970	1979
The Far East	2,976	4,834 (62.4)	5,780 (19.6)	6,819 (17.9)
All Russia	108,377	117,534 (8.4)	130,079 (10.6)	137,552 (5.7)
All former USSR	190,678	208,827 (9.5)	241,720 (15.7)	262,442 (8.5)

N. B. Growth rate indicates percentage change compared with the last year mentioned : 1959 compared with 1939, 1970 compared with 1959, etc.

Source : Japan Association for Trade with Soviet Union & Socialist Countries of Europe, 1980, "*Shiberia Kyokuto no Jinkou Dotai to Rodohryokuido Yoin*" in *Soren Tooh Boeki Chosa Geppo* (Monthly , Bulletin on Trade with USSR & East Europe), March 1980, p. 95

Unfortunately, a continuous series of detailed, separate data for natural growth and migration increase is not available from the 1920s to the 1980s.<sup>4</sup>

As an alternative, the following will be examined independently - (1) natural growth, and (2) migration increase.

### **( 1 ) Natural growth**

The RFE marked positive natural growth until 1989, at a rate faster than the average for Russia as a whole ; this situation continued well into the 1960s and 1970s (Rotobo ed. *Soren Toh Chosa Geppo* March 1980 p. 95 ; Sallnow J 1989 p. 670). In 1959 - 89 the population of the RFE increased by 64 percent (higher than the average population growth in Russia and the former Soviet Union as a whole, 25.4 and 37.3 percent), raising the RFE's share in the population of the Russian Republic from 4.1 to 5.5 percent (Sallnow idem.).

### **( 2 ) Migration**

Ribakovskii's sampling survey in 1964 - 65 gives an interesting insight into types of migration to the RFE. His diagram (figure 4) divides migration into four types : (1)

<sup>4</sup> According to the data cited by P. A. Minakir, the annual rate of the population growth in the RFE was greater than that of Russia as a whole until 1990.

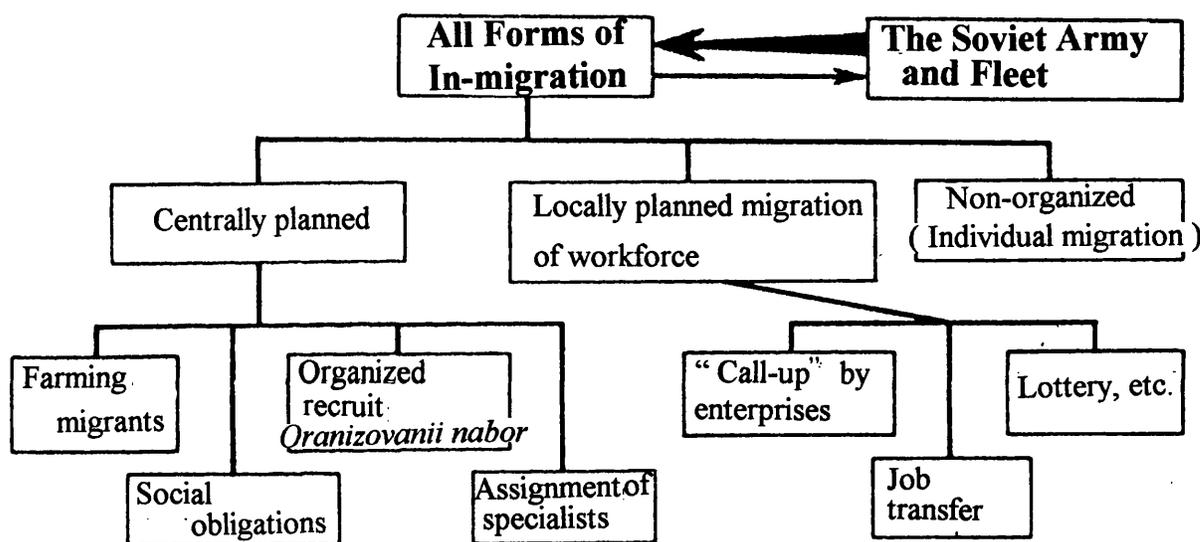
**Average annual rate of the population growth in the RFE (Unit : percentage)**

	Russia	The Far East
1926-39	1.4	7.4
1940-58	0.4	3.3
1959-70	1.0	2.1
including :		
1961-65	1.1	2.2
1966-70	0.6	1.5
1971-90	0.7	1.9
including :		
1971-75	0.6	2.0
1976-80	0.6	1.7
1981-85	0.5	1.7
1986-90	0.7	1.2
1990	0.3	0.6
1991	0.1	-0.3
1992	-0.1	-1.7
1993	-0.2	-1.4

Source : quoted by P. A. Minakir and Gregory L. Freeze, 1996, table 3-1, p. 44

compulsory work assignments of university graduates, in which the RFE was singled out as a preferred destination by the central authorities, (2) *organizovanii nabor*, such as *Komsomol* and other “social” organisations sponsoring of migrant workers for construction projects and work in extractive industries in the Far East region, (3) agricultural resettlement programme, and (4) independent migration, facilitated by such incentives as wage supplements, regional coefficients and other monetary advantages (Helgeson A C 1990 pp. 66 - 70). Interestingly, he acknowledges the importance of demobilised servicemen and their dependents as a reservoir for local labour supply.

Figure 4 L. L. Ribakovskii’s Migration Typology



Source : L. L. Ribakovskii, 1990, Figure 2 : Klassifikatsiya Osnovnikh Pereselenii na Sovietskii Dal'nii Vostok, *Naselenie Dal'nego Vostoka za 150 Let*, Nauka, Moskva, Akademii Nauk, p. 93

As mentioned above, the Soviet state intervened in creation and consolidation of a more homogenised demography in the Far East, i.e. consolidating Russified or Slavic settlements in the region by various means, including both forced migration and provision of economic incentives for voluntary migration (Ribakovskii L L 1990 pp. 114 - 5).<sup>5</sup> The years before, during and after World War II helped mobilise labour on a mass scale in a burst of war - time patriotism in the Far East region. Firstly, through three - year compulsory work assignments of university graduates students were preferentially allocated jobs in the Far East under agreements between universities and enterprises. In job assignments and

<sup>5</sup> Ribakovskii L L (1990 pp. 114-5) writes : “In socialism (migration) incentives are not only an important means to realise territorial redistribution of human resources, but also to establish a favourable long-term social structure for regional economic development.”

placements for these university graduates, the authorities targeted areas distant from Moscow. Secondly, through *orgnabor* (organised migration or planned migration), the Five-Year-Plans and rapid industrialisation mobilised labour. *Komsomol* social appeal is included as one of the *orgnabor* categories in a broad sense - i.e. planned migration (the narrow definition of *orgnabor* is forced migration under the *Gosplan*). The young people of the *Komsomol* were assigned to construction projects in Magadan, and others to construction brigades and railway construction gangs in the Far East. The *Komsomol* appeal helped found some social infrastructure and, to some extent, promoted industrialisation in the peripheral regions (Solnick S L 1998 pp. 64 - 75 pp. 201 - 4). *Orgnabor* started as a form of group employment and posting, in order to hire groups of labourers from collectivised farming brigades in the 1930s and 1940s (Barber J 1986 pp. 50 - 63). No individual job hunting was permitted under *orgnabor*, and once “recruited”, the labour was redeployed to distant regions such as Siberia and the Far East. Hosaka T (1998 p. 31) argues that the *orgnabor* was a means of labour redistribution to peripheral regions in the former Soviet Union connected with the national aim of rapid industrialisation and prospecting for natural resources. In the period of 1951-69, one third of the *orgnabor* labour was destined for Siberia and the Far East regions, and its percentage of the regions out of the total *orgnabor* increased even more to 49 percent in 1974. This “organised labour allocation” prevented expansion of slums, ghettos and mass urban poverty in Soviet cities (*idem*). According to Hosaka (*ibid.* p. 32), majority of the workers dispatched to Siberia and the Far East were more or less related to the military industries (*ibid.* pp. 31 - 2). Another form of “organised migration” was typical forced labour - i.e. redistribution of convicts, juvenile delinquents, workers recently released from prisons, demobilised soldiers and officers, etc. Labour Bureaux mediated between the demand and supply, and operated as posting agencies for these types of workers (*ibid.* pp. 34 - 6). Thirdly, through the agricultural resettlement programme, the state had intended to relocate farming migrants to regions with inadequate food production, but this programme had little success, since many peasants eventually abandoned their posts and

then left the regions to which they had been posted (Maslova I 1991 p. 134).

In Primorskii Krai, according to the results of Ribakovskii's sample survey 1964 - 5 below, migration was split half and half between organised (*organizovanie pereseleniya*) and voluntary migration (the organised migration was slightly higher than the individual migration). On the other hand, migration to the less developed regions such as Kamchatkii Oblast was almost entirely undertaken under government planning initiatives. This shows that in Primorskii Krai there were already some informal job markets, which had been formed in the mid 1960s.

**Table 4-7 Composition of Different Migration Types in the In-migration Flows to the RFE**

(Unit : percentage)

	<u>Organised Migration (<i>organizovanie pereseleniya</i>)</u>			Subtotal	<u>Individually motivated</u>
	Organised call-up ( <i>orgnabor</i> )	Peasant resettlement programme	Internal posting within enterprises / ministries (transfer, summons, etc.)		( <i>Pereselenie samotekom</i> )
Primorskii Krai	8.6	9.5	21.3	50.7	49.3
Khabarovsk Krai	17.3	10.3	13.7	53.5	46.5
Amurskii Oblast	5.0	7.3	17.9	38.4	61.6
Kamchatkii Oblast	58.0	0.6	19.0	86.1	13.9

Source : L. L. Ribakovskii, 1990, *Naselenie Dal'nego Vostoka za 150 Let*, Nauka, Moskva, p. 94

But what is a more crucial point relevant to the WMSS system is that the state's demographic engineering power clearly declined in the RFE in the period from the 1930s to 1960s. As the next table shows, during the 1920s to 1960s administrative means of settlement formation (*organizovanie pereseleniya*) became less important in the RFE relative to the growth of individually-motivated migration through economic incentives. What does this mean ? It means that as the Stalinist WMSS system gradually declined, so did the state's power to enforce labour allocation, but the gradual disintegration of the WMSS system had begun already much earlier than the end of the cold war. Thus, it is concluded that the system was retained to maintain the state's "demographic engineering" power rather than the sudden and dramatic collapse of the system, destroyed it all at once at the end of 1991. Hosaka T (1998 p. 126) notes that in the 1950s a growth of in-migrant workers contributed the two thirds of urban population growth in Siberia and the

Soviet Far East, because European Russia remained a sufficient source of labour supply, giving an outflow to peripheral regions until the early 1970s. But, from the late 1970s onwards, the regional labour supply situation became acute, as the source of supply began to dry up.

**Table 4-8 Different Types of Migration to the RFE in the 1920s to 1960s (Unit : percentage)**

	<u>Organised Migration (organizovanie pereseleniya)</u>			Subtotal	<u>Individually motivated * Others</u> (Pereselenie samotekom)	
	Organised call-up (orgnabor)	Peasant resettlement programme	Internal posting within enterprises / ministries (transfer, summons, etc.)			
1920s	8.4	18.0	7.2	34.5	55.9	9.6
1930s	27.5	9.0	13.5	51.9	37.9	10.2
1940s	21.8	6.6	16.0	48.7	39.6	11.7
1950s	14.4	3.6	24.2	45.8	44.7	9.7
1960s	10.5	2.3	24.9	43.8	51.8	4.4

N.B. : \*Ribakovskii's typology includes a fifth category - "others" - about which he gives no details.

Source : L. L. Ribakovskii, 1990, *Naselenie Dal'nego Vostoka za 150 Let*, Nauka, Moskva., p. 97

Thus, in the late 1960s and the early 1970s, the RFE still marked a higher net migration inflow than the Russian or the USSR average (the next table).

**Table 4-9 Inter-regional Net Migration Flow in 1967-74**

(Unit : people - migration growth per 1,000 people)

	1967	1970	1973	1974
The Far East	12.1	18.7	19.1	17.7
All Russia	10.3	12.5	13.3	13.2
The USSR	11.6	13.7	12.9	12.5

Source : Japan Association for Trade with Soviet Union & Socialist Countries of Europe (Rotobo), 1980, "*Shiberia Kyokuto no Jinko Dotai to Rohdoryokuido no Yoin*" in *Soren To'h Boeki Chosa Geppo* (Monthly Bulletin on Trade with USSR & East Europe), March 1980, p. 91

The urban population of Primorskii Krai continued to increase as a proportion of the total population until the late 1980s. It rose from 69 percent (1959) to 74 percent (1972), and further to 77 percent (1989) (Galliyamova L 1994 pp. 236 - 7). The data below helps show the urbanisation of Primorskii Krai.

**Table 4-10 Urbanisation in Primorskii Krai in the Consolidation Stage**

**(1) Changes in the Proportion of the Urban and Rural Population in Primorskii Krai**

	1959	1972	1989
Urban	69 percent	74 percent	77 percent
Rural	31 percent	26 percent	23 percent

Source : Narodnoye Khozyaistvo SSSR 1922-1972 : Moscow 1972 ; Pravda April 29 1989, p. 2. Quoted by J. Sallnow, 1989, "The Soviet Far East : A Report on Urban and Rural Settlement and Population Change, 1966-1989" in Soviet Geography, Vol. 30 No. 9 November 1989, Table 3, p. 676 : Japan Association for Trade with Soviet Union & Socialist Countries of Europe, "*Soren Kyokuto Chiku no Jinkou Dotai*", 1984, *Soren To'h Boeki Chosa Geppo* (Monthly Bulletin on Trade with USSR & East Europe), October 1984, pp. 16-7

**(2) Helgeson's Estimate of Net Migration, 1926-89**

(Unit : 1,000 people)

	1926-39	1939-59	1959-70	1970-79	1979-89
<b>Primorskii Krai</b>					
Urban	228	433	180	137	113
Rural	-166	-24	-58	-28	-14
<b>The Soviet Far East</b>					
Urban	908	1,748	351	594	470
Rural	29	-173	-168	-52	21

N.B. : Helgeson notes that the rapid net migration growth of the 1939-59 period was connected with wartime evacuations of population and industry, military activities themselves, and the post-war reconstruction period.

Source : Ann C. Helgeson, 1990, Chapter 4 : "Population and Labour Force" in Allan Rodgers ed., The Soviet Far East : Geographical Perspectives on Development, Routledge, pp. 64-5

Major cities in the Krai exhibited steady growth until the end of the 1980s as in the next table (Sallnow J 1989 pp. 675 - 6 ; Rotobo *Soren To'h Boeki Chosa Geppo* p. 85). In 1959-80 the two major cities in the Krai displayed a growth pattern : Vladivostok 1.52, Ussurisk 1.23 times in 1959-70 ; and Vladivostok 1.27, Ussurisk 1.16 times in 1970-80 (Shimamura S 1984 p. 16 in *Soren To'h Boeki Chosa Geppo*). During the decade 1979-89, the growth slowed, but still continued : Vladivostok grew 1.18, Ussurisk 1.10 times (Sallnow J 1989 p. 677).

**Table 4-11 Growth of Major Cities in Primorskii Krai (Unit : 1,000 people )**

	1929	1959	1970	1976	1979	1980	1984	1985	1986	1987	1989
Vladivostok	114.8	290	440	526	550	558	590	600	608	615	648
Ussurisk	-	104	128	-	147	148	156	156	157	158	162

Source : Narodnoye Khozyaistvo SSSR, various years : Shabad, 1985, Pravda April 29, 1989, p. 2. Quoted by J. Sallnow, 1989, "The Soviet Far East : A Report on Urban and Rural Settlement and Population Change, 1966-1989" in Soviet Geography, Vo. 30 No. 9 November 1989, Table 4, p. 677 ; V. A. Dudko, 1985, *Vladivostok : Shtrikhi k Portretu*, Vladivostok, Dal'nevostochnoe Knizhnoe Izdatel'stvo, p. 235 : Shiro Shimamura, 1984, "*Soren Kyokutoh Chiku no Jinkou Dotai*" in *Soren To'h Boeki Chosa Geppo* (Monthly Bulletin on Trade with USSR & Eastern Europe), pp. 16 - 7

Finally, before concluding this chapter, the chapter will touch on the debate concerning

state intervention in migration, more specifically - to what extent the state actually controlled the movement of people. Stalin and his successors tried to control population inflow into major cities through a system of internal passports and resident permit. Under the resident permit system - *propiska* - it was illegal to reside at an address outside the areas listed on the permit, and the internal passport system made migration subject to official approval. In Vladivostok the passport system was introduced at a relatively early stage. It was politically and socially necessary for the Soviet state to register, control and monitor the population and restrict migration flows, partly for military security. The *propiska* was also related to entitlement to access to urban distribution networks of commodities and services.

Possible counter arguments may be, as Shaw D J B (1999 p. 162) and Buckley C (1995 pp. 896 - 916) argue that “much of the urbanisation was spontaneous and outside the control” of the state because : (1) relatively free migration did occur even during the former Soviet Union since *propiska* was obtained through semi-legal or illegal means, and (2) high demand for casual labour in the underground economy created migration opportunities without formal urban registration. In Vladivostok’s case, although ordinary Soviet citizens were forbidden to enter the city, seasonal labour demand for fishermen may have caused at least temporary in-migration. But, due to lack of detailed data, it is not clear how much such informal migration contributed to population increase. As table 4-8 suggested, the proportion of informal migration may have increased, due to the tendency of the informal job market in the RFE to grow. However, more detailed discussion and analysis are beyond the scope of this thesis. Although the internal passport and the *propiska* did not entirely stop informal temporary in-migration, restricted access to urban centres may have substantially reduced overt growth in the in-migrant population and helped to curtail consumer demand during the consolidation period when the WMSS still functioned.

## Conclusion

This chapter examined how Vladivostok was brought under centralised control in the state-building process, and how Asian minorities were targeted in “demographic engineering” policy. As a consequence, ethno-cultural, economic and political activities were curtailed in the borderland. With the continuous military buildup and industrialisation, and with national security at stake, the city grew on the basis of state support. The Soviet WMSS system generated spatial spread of cities in the Soviet Far East, which were sustained by the militarised industrialisation and the increasing exploitation of remote territories for demand of natural resources (Shaw D J B 1999 pp. 39 - 40). The “Soviet state tried to exploit the Far East, rich natural resources ; and to take advantage of the territory’s geographical location by developing its defensive and military capabilities (ibid. p. 212). During the Soviet regime, an ideal city was conceived - i.e., a socialist city without unorganised migration, where migration was controlled by the internal passport system and *propiska*. In the early 1990s, the image of a Soviet fortress city started to be transformed. The next chapter will examine some aspects of the transformation.

## CHAPTER 5

### THE STAGE OF REVERSION TO AN OPEN BORDER ECONOMY

#### **Introduction : Changes after the Collapse of the Soviet Union**

The last chapter discussed how Stalin and his followers had eliminated the Asian ethnic quarters almost entirely from Vladivostok for security reasons. However, with a transition to a market economy, the Russian Federation reduced the military presence in the RFE, reduced production of the military-related industry, retreated subsidies to the region, and rose transportation tariffs (Shaw D J B 1999 p. 158). By the end of 1992 almost one third of the troops in the RFE had returned elsewhere, and a reduction of the Pacific Fleet by 70 percent by the end of the twentieth century was reportedly under consideration (FEER 1992 November 26). Economic reform in 1992 imposed regional self-financing on the RFE (Minakir P A 1995a p. 178). Moscow halted subsidies to the RFE (idem). Net inter-regional capital transfer declined. The development of cities in the RFE is now less a matter of national security than it was in the past. Defence budget cuts resulted in a decline in machinery production in nearly all defence-related industries in the RFE (Minakir P A 1992 p. 75). Factories and military bases were caught in a squeeze. Meanwhile, the development of a long-neglected consumer economy came to the forefront. From 1992 the RFE, with little agricultural or civil industrial development, turned to external sources in NEA for foodstuffs and manufactures : supply disruptions drove Vladivostok to turn to China as a source of essential items and labour. But in the confusion of transition to a market economy Russia had no time to work out plans for customs offices and border controls. Declining regional industrial output and rising goods shortages produced increases in retail prices (Minakir 1995a loc.cit. p. 178). A system of guaranteed employment, low rent and state welfare, which “prevented people from descending into poverty”, has been rapidly dismantled (Shaw op.cit. p. 169). People sought work in new businesses supplementing incomes in the second economy. A new

economic situation encouraged forms of private business. This allowed many commodities and people to cross the borders. In March 1991 an All-Union law was passed, allowing individuals and enterprises to take goods across the borders (Chandler A 1998 p. 93). Survival of wage-constrained households by exchange of basic items led to a burgeoning informal economy in Vladivostok with a rise of illegal and semi-legal businesses (*Nichiro Bijinesu Nyusu No. 12 1993 p. 5*). Ethnic minorities reappeared in the city, and used their connections with their countries of kinship to obtain access to commodities for private trade. The military engaged in unofficial business. Corruption, embezzlement and theft in the defence industry increased in step with economic difficulties (*Nichiro Bijinesu Nyusu No. 5 1993 p. 4*). Assets of military-related SOEs (state-owned enterprises) also underwrote more lucrative alternative business in commerce engaged in by their employees. With the correction of the heavy industry bias and the erosion of social welfare attached to SOEs, the long-neglected consumer sector grew rapidly, in response to the need of households to survive (Bradshaw et al. 1998 pp. 157 - 8). The former *nomenklature* and better off also found ways of profiting in private sector (Shaw loc.cit p. 169). Industrial managers and workers siphoned off and transferred resources from factories into commercial services, instead of maintaining or increasing the level of manufacturing production (Burawoy M 1996 pp. 1109 - 15). With the dismantling of the militarised economy in an open border economy, ethnic quarters and ghettos reappeared.

This chapter will explore the relationships between the dismantling of the militarised economy and the “influx” of Asian traders, and the effects on the demilitarised former fortress city - Vladivostok after 1992. In order to see the macro context of the post-Cold War, this chapter will look at the impact of reforms in the RFE as a whole, as seen in demography, distribution and employment :

- (1) demography (a decline in the state’s “demographic engineering” power - a decline in the Slav population in the RFE and importation of foreign labour from China, and a rise of the “Korean diaspora”),
- (2) distribution (an increase in international trade), and

(3) employment (an increase in unemployment) and occupational flexibility.

And then, finally, the conclusion will summarise the discussion.

## [ 1 ] Impact of Reforms ( 1 ) : Demography

### 1 - 1. Decline of Population in the RFE

Before the 1980s, the labour shortage was compensated for by a high natural population growth and in-migration. However, the growth rate of the labour force declined from 1.15 to -0.2 percent in the RFE between the beginning of the 1980s and 1991 (Olenicheva M R et al. 1992a pp. 234 - 5 ; Olenicheva M R et al. 1992b pp. 80 - 7 ; Heleniak T 1997 pp. 81 - 104). Reflecting a failure of dispersed development, the number of cities with declining population in Russia as a whole increased almost threefold from the period 1959-89 to 1989-93 (Rowland R H 1995 p. 437). The net growth in population declined in the RFE from 1985 (table 5 - 1).

**Table 5-1 Decrease in the RFE Population**

(Unit : 1,000 people)

	1975	1980	1985	1989	1990	1991
Natural increase	69.7	67.4	75.3	69.1	58.1	42.1
Migration	52.2	105.6	43.5	3.4	-9.7	-66.1
Net increase	121.9	173.0	118.8	72.5	48.4	-24.0

Source: The Institute of Economic Research, Khabarovsk, Russian Academy of Science, 1994, *Roshia Kyokuto Keizai Soran*, Toyokeizai Shimpo Sha, Tokyo, p. 22.

The dissolution of the vertical industrial structure caused a collapse in the industrial sector in the RFE and *de facto* unemployment. It also caused a change in the internal supply of labour (Cole J P and Filatochev I V 1992 p. 450). The transition brought changes in the local labour market. With the state budget crisis and the declining legitimacy of the WMSS, the state's power to intervene in inter-regional migration has been reduced (ibid. p. 445). Wage incentives for in-migrants from other regions declined (Institute of Economic Forecasting 1994 p. 378). People had more freedom and an individual choice to move to places that offer better employment opportunities. As the previous chapter discussed, in the 1960s, 1970s and 1980s, the rate of population growth

in the RFE exceeded the all-Russia average. Until the mid 1970s, the RFE was one of the destinations for inter-regional Slav migration (Heleniak T 1997 p. 83). In the 1980s, however, the Soviet migration pattern started to change from an increase in in-migration to rapid decreases in in-migration (ibid. p. 82). By the late 1980s the population of the RFE began to decrease, and in 1992 it started to fall even more rapidly (Motrich E L 1991 p. 28 ; Olenicheva M R et al. 1992a p. 232). The RFE's population fell largely due to a net out-migration (Heleniak T 1997a pp. 84 - 92).

Population growth comprises natural increase and migration. In 1991 migration had a negative impact on the RFE, exceeding the positive natural growth, and migration loss contributed to the net population decline (Cole J P and Filatochev I V 1992 p. 450). In this year the net population growth rates became negative in all territories of the region ( *Narodnoye Khozyaistvo Rossiiskoi Federatsii* 1992 p. 607). As the table below shows, fewer migrants tended to stay in the region than used to in the 1970s.

**Table 5-2 Ratio of Russian Migrants Staying for Permanent Residence and Leaving the RFE**

1971-1975	Late 1980s
1 : 5 - 6	1 : More than 20

N.B. : The data does not make clear whether the figures above mean ratios within 1 year or within the given period above.

Source : Olenicheva M R, Motrich E L, Telushkina E N & Shkurkin in A M "Soviet Far East Problems of Demography and Labour Resources" in *Studies on Soviet Economic Development*, Vol. 3 No. 3 1992, p. 232 ; Discussion among Olenicheva M R, Ribakovskii L L and Motrich E L on in-migration in the Russian Far East, "Migratsiya i Problemi Trudovikh Resursov Dal'nego Vostoka" in *Sotsial'noe Issledovanie*, 1992 No. 5 , pp. 80 - 7

Primorskii Krai began to experience loss in both natural growth and migration inflow by 1993 (table 5 - 3). The natural growth in the Krai declined from 3.1 (1991) to -3.4 persons per 1,000 (1993) (*Rossiiskaya Federatsia v 1992 Godu, Staticheski Ezhegodnik*, 1993 p. 653 ; Kirkow P and Hanson P 1994 p. 66). And with a net out-migration in 1991-93 the Krai lost population, most of which flowed out to central regions in western Russia. Many Ukrainian and Belorussian citizens left for their newly independent ancestral homelands. Among in-migrants some came from the northern regions of the RFE and from Central Asia (*Sotsial'no - Ekonomicheskoe Razvitie Primorskogo Kraya - Itogi Perspektivi* pp. 53 - 54).

**Table 5-3 Population Decline in Primorskii Krai (1) (Unit : net growth per 1,000 People)**

<u>Natural growth (A)</u>	<u>1980</u>	<u>1985</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Primorskii Krai	8.7	7.8	5.6	3.1	0.2	- 3.4
The RFE	9.7	10	7.3	5.1	2.2	- 1.3
All Russia	4.9	5.3	2.2	0.7	- 1.5	- 5.1
<u>Migration (B)</u>	<u>1981-85</u>	<u>1986-90</u>	<u>1991-93</u>		<u>1993</u>	
Primorskii Krai	5.4	5.3	- 1.9		- 3.1	
The RFE	5.6	2.1	-13.3		-12.9	
All Russia	1.2	1.4	1.5		2.9	

N.B. : In Primorskii Krai, the natural growth started to decline as early as the 1970s, but detailed data are not available. The natural growth per 1,000 people declined from 8.7 to 5.6 in 1980 - 90. Migration growth also declined from an average of 45,600 people per annum in 1970 - 78 to 33,300 in 1979 - 88. Migration growth per 1,000 people declined from 5.4 in 1981 - 85 to -1.9 in 1991 - 93. The number of in-migrants to the RFE seeking permanent residence declined. The ratio of those staying to those leaving the RFE fell.

Source : Susumu Nomura, 1996, "Saikin ni okeru Roshia Kyokuto no Jinkou Dotai Bunseki : Kyokuto Jinko no Shizengensho to Jinko Ryushutsu no Kento" in *Kaigai Jijo*, No. 30 1996, Institute of World Studies, Takushoku University, No. 30, 1996, pp. 69- 87 : E. Motrich, 1991, op.cit, p. 28

As discussed briefly in the last chapter, the declining power of Soviet institutions to enforce or direct movement of labour by distant posting may have contributed to the loss of in-migration to the Far East by the early 1990s. For example, the *Komsomol* - formerly a powerful institution to mobilise and distribute young labourers on a mass scale for construction projects in labour-deficient regions - was dismantled by the abandonment of compulsory enrolment and cuts in subsidies from the centre, job assignments for university graduates stopped with an increase in direct university - enterprise contacts, and furthermore, the nationwide military draft was greatly undermined by an increasing noncompliance with conscription (Solnick S L 1998 Chapter 4 - 6). Official statistics for the Krai show a sharp decline of population by -10,000 to -15,000 people annually during the period 1993-95. Of the total decline in the Krai's population in 1995, negative net natural population increase accounted for two thirds and out-migration for one third (*Roshia Kyokuto Keizai Soran* 1992 p. 384).

As the next table shows, migration loss reduced the total population of the RFE and Primorskii Krai in the period 1989-96 (Heleniak T 1997a p. 103).

**Table 5-4 Population Decline in Primorskii Krai (2)**

**(A) Primorskii Krai and the RFE in the years 1989-96**

	Total population		Percentage change			Absolute change		
	(unit : 1,000 people)		1989-96 (unit : %)			1989-96 (unit : 1,000 people)		
	1989	1996	Total	Natural	Migration	Total	Natural	Migration
					Increase			Increase
Primorskii Krai	2,258	2,239	-0.9	0.1	-0.9	-19	2	-21
The RFE	7,941	7,421	-6.5	1.6	-8.1	-520	126	-646

N . B. For referencing, see Heleniak's Projected Decline in the RFE in 1995-2006 (unit : 1,000 people)

	Total population		Population change			Population change	
	1995	2006	Percent	Total	Natural	Migration	Total
						Increase	Percent
The RFE	7,635	6,997	-8.4	-638	-394	-227	-11.9

Source : Timothy Heleniak, 1997, "Internal Migration in Russia During the Economic Transition" Post-Soviet Geography and Economics, p. 88 and p. 102, Table 2 and Table 4

**(B) Primorskii Krai during 1992 and 1996**

	1992	1993	1994	1995	1996
Natural increase	0.4	-7.6	-8.4	-8.3	-9.7
Migration	-7.9	-7.0	-5.4	-4.3	-4.3
Total	-7.5	-14.8	-13.8	-12.6	-14.0

Source : Latkin A P, 1997, Primorskii Krai : Uroki Rynochnikh Reform, Izdatel'stvo Dal'nevostochnogo Vostoka, Vladivostok, p. 58

As discussed in the last chapter, the past pattern of inter-regional migration showed that central regions (Western Russia) supplied the RFE with in-migrant workers. During the three decades of 1960-90, migrants came over to the RFE to work from the central regions (Volga-Vyatka, Central Chenozem and Ural regions). And indeed, until the mid 1970s the RFE had one of the highest rates of in-migration in Russia. But, later during the period of 1989-January 1997, the inter-regional migration was reversed with population decline in the peripheral regions in Russia as a whole. The RFE declined from the region with the third-highest rate of net in-migration (4.5 persons per 1,000 people in 1979-88) to the region with the highest rate of out-migration (-8.2 persons per 1,000 people in 1989-93). Because the past in-migration was of temporary inflow, the reversal process was also quick (Heleniak T *ibid.* p. 92). With the demilitarisation in 1993, inter-city migration as well as rural-urban migration was reduced to one third of the 1989 level in Russia as a whole (Tishkov V A 1996 p. 18). In and after 1992 due to deregulation and a high rise in

shipping raw materials from the RFE and sources of material inputs necessary for the regional industrial production. This caused a severance of the RFE from the formerly- united national economic space in Russia. Kamchatka and Magadan Oblast lost population - by 7 percent and 15 percent of each region's population in 1993 - 4 (ibid. p. 21).

**Table 5-5 Net Inter-regional Migration in 1993 (unit : 1,000 people)**

	Within Russia	With CIS and Baltic	Total Inter-regional Migration
The RFE	- 78.0	- 27.3	-105.3
Centre	10.4	87.1	97.5
Volga-Vyatskii region	6.2	18.5	24.7
Povolshskii region	30.7	98.3	129.0
North Kavkskii region	35.3	90.1	125.4
Central Chernozemnii region	23.2	65.2	88.4

Source : *Demograficheskii Ezhegodnik Rossiiskoi Federatsii*, 1993 M., 1994, pp. 384 - 99. Quoted by Tishkov V A (1996) *Migratsii i Novie Diaspori v Postsovetskikh Gosdarstvakh*, Institut Etnologii i Antropologii Rossiiskoi Akademii Nauk, Moskva, p. 22

## **1 - 2. An Increasing Number of “Declining Towns” in Russia**

Until the mid-1970s core regions in western Russia was a net inter-regional exporter, but after the late 1970s the centre reduced out-migration (Shaw D J B 1999 p. 159). Rowland R H (1995 p. 444) argues that there are an increasing number of “declining towns” throughout Russia. It will suffice to remark that this trend might reflect a deceleration or reversal of the urban development process in some borderland fortress cities, led in part by the state’s retreat from financial commitment. Collapse of support from the state spurred this process. However, detailed research is required to fully prove this. The number of “declining” cities in Russia has increased threefold between the periods 1979-89 and 1989-93. But the RFE’s contribution to the loss was not as great as that of other regions due to its smaller number of cities of over 100,000.

**Table 5-6 Regional Distribution of Declining Cities in Russia, 1959-93**

	Number				Distribution (percentage)				Number of cities
	'59-'70	'70-'79	'79-'89	'89-'93	'59-'70	'70-'79	'79-'89	'89-'93	(More than 100,000 as of '89)
Northwest	8	9	9	41	7.8	7.3	8.3	14.9	6
centre	5	26	22	88	4.9	21.0	20.4	32.0	16
Urals	35	33	20	60	34.3	26.6	18.5	21.8	7
West Siberia	21	21	8	17	20.6	16.9	7.4	6.2	10
East Siberia	15	10	12	22	14.7	8.1	11.1	8.0	1
The RFE	8	4	6	16	7.8	3.2	5.6	5.8	2
All Russia	102	124	108	275	99.9	100	100	99.9	49

Source : Rowland R H, 1995, "Declining Towns in Russia, 1989-1993", *Post-Soviet Geography* Vol. 36 No. 7, p. 438 Table 1

### 1 - 3. Increase in Importation of Foreign Labour

There was almost no immigration to the RFE until the late 1980s (Tishkov V A 1996 p. 7). However, a law permitting the importation of unskilled labour was passed in the late 1980s, opening the door to foreign workers in the region (Kim W B 1994a p. 21 and pp. 41 - 2 ; Kim W B 1994b p. 1065).

In order to alleviate the manpower shortage in specific sectors (e.g. construction and agriculture), Primorskii Krai began to import labour from China (Minakir P A 1995b p. 63 ; Manezhev S 1993 p. 8). During 1988-93 Russia and China signed 1,302 labour contracts and 76,000 workers entered Russia under these contracts (Kerr D 1996 p. 950 ; Wang Z 1994 p. 42). In 1992 alone there was a rapid increase in the number of foreign contract workers in Primorskii Krai, from 4,000 at the beginning of the year to 10,000 by the end of the year (Manezhev loc.cit.).

There is no thorough data on the breakdown by nationality of contract workers in Primorskii Krai. In 1992-93 China accounted for the great majority in the nationalities of foreign workers in the Krai.<sup>1</sup> Although the data differ, depending on the sources and some fluctuations, PRC (the People's Republic of China) citizens were still considered to be the

<sup>1</sup> Interviews with Dr. Baklanov Pyotor Yakovlevich, Director of Institute of Geography, Academy of Science, far Eastern Branch, Russian Academy of Science, 15th August 1996. In Baklanov's data, Chinese citizens were the majority of foreign contract workers in Primorskii Krai. In 1992, there were 7,090 foreign contract workers in Primorskii Krai (6,004 from the PRC, 220 from Vietnam, 786 from North Korea, 10 from Mongolia and 70 from the former Yugoslavia). In 1993 the total number of foreign workers was 7,618 (6,516 from PRC, 48 from Vietnam, 964 from North Korea, 0 from Mongolia, 90 from the former Yugoslavia).

that the share of Chinese citizens in contract workers increased greatly in 1992, and fell somewhat in 1995 : 30 percent (1989) ; 85 percent (1992) ; 85 percent (1993) ; and 65 percent (1995).

Estimated numbers of registered contract workers in Primorskii Krai are as below, according to A V Aleksandrov's and other data.

**Table 5-7 The Number of Contract Workers from China : 1988 - 91 (Unit : people)**

1988	1989	1990	1991	1992	1993
1,660	2,741	6,920	12,376	*7,426	*8,291

\*N.B. : The data differ, depending on the source. In the Far Eastern State University report by A. V. Aleksandrov, the number of contract workers was 7,426 in 1992, while Baklanov cited 7,090. Likewise, the number of contract workers from China in 1993 was, in Aleksandrov's estimation, 8,291, in Baklanov's, 7,618.

Figures were also given by an original interviews with Dr. Baklanov P Ya, Director of Tikho Okeanskii Institut Geographii, Dal'nevostochnoe Otdelenie, Academia Nauk Rossii, Vladivostok. In both figures, 1,660 people (1988), 2,741 (1989), 6,920 (1990), 12,376 (1991), 6,002 (1992 ; Aleksandrov) or 6,004 (1992) ; Baklanov, 8,291 (10 months in 1993 ; Aleksandrov) or 6,516 (Baklanov) ; 1,971 (1994)

Source : Aleksandrov A V, 1994, Gosudarstvennii Komitet po Visshei Shkole Rossiiskoi Federatsii, Dal'nevostochnii Gosudarstvennii Universitet, Vostochno-Rossiskii Analiticheskii Tsentr "Tikho Okeanskaya Era", *Grazhdane KNR na Territorii Primorskogo Kraya v Period s 1988 po 1994 gg.*, Vladivostok, p. 25 and pp. 44-5

The contract workers from China were concentrated in the construction and farming sectors (see below).

**Table 5-8 Occupations of Contract Labour from China (Units : people ; percentage)**

	1st July, 1992	1st Oct. 1993	1st Jan. 1994
Construction workers	2,518 (42 %)	3,708 (45 %)	964 (49 %)
Farmers growing vegetables	2,586 (43%)	3,440 (42 %)	69 (3.5 %)
Clerks	511 (8 %)	-	-
Chefs	62 (1 %)	-	-
Entrepreneurs (Business Managers)	226 (4 %)	-	-
Translators	99 (2 %)	-	-
*Others	14 (0 %)	*1,143 (13 %)	* 938 (47.5 %)

Sources : Aleksandrov A V et al., 1994, *ibid.*, pp. 45 - 48

\*N.B. : Data on "others" include in 1993 and 1994 : 639 and 550 people in manufacturing ; 143 and 107 in trade ; 361 and 281 in miscellaneous. These numbers are lumped together as "others" due to inconsistency in the categorisation.

Other data also show a similar picture, confirming that the majority are engaged in construction and farming (80 percent of the total number of workers officially dispatched from China), and the rest in light manufacturing (20 percent) (Kim W B 1994b p. 1069).

#### **1 - 4. Decline of "Demographic Engineering" and Issues of Ethnicity**

As discussed in the last chapter, the demographic presence of the Slavs in the RFE was a

elimination of Asians (Patsiorkovsky et al. pp. 566 - 75).<sup>2</sup> In the former Soviet Union, the system of budget transfer, investment funds and various migration incentives were used to maintain the demographic presence of the Slav in the Far East. The state had played a major role to sustain garrison settlements and maintain a certain ethnic composition in borderlands for reasons of national security. In the mid 1990s with the demise of the WMSS, the state's power to maintain ethnoterritories created under Stalin and his successors weakened. Seen in this light, the reappearance of ethnic quarters in Vladivostok is related to the erosion of the whole system and the decline of the state's power to maintain the Slav-dominant ethnic composition in the city.

The Ministry of Interior, Federal Migration Service and other sources report that in Russia as a whole there were between 300,000 and 500,000 foreign residents in 1993. In Moscow and surrounding regions there were no less than 50,000 Chinese citizens and Vietnamese, engaged in retail trade. An "influx" of refugees fleeing from regions affected by war or civil strife entered cities in the central regions of Russia from Angola, Somalia, Ethiopia, from Afghanistan, etc. (Tishkov V A p. 42). Russian cities gradually formed a multi-ethnic society and ghettos. These transient migrants to cities amounted to nearly 1 million. But, as discussed, no detailed and accurate data are available (ibid. pp. 42 - 3).

Ethnic minorities without official homelands such as Germans and Koreans in Kazakhstan started to return to a land prior to the rise of Stalin in the late 1920s (Shaw op.cit. pp. 244 - 46). After 1992 historical nostalgia became popular, with the revival of ethnonationalism among minorities and the return of ethnic "expatriates" to ancestral homelands (Cole J P and Filatochev I V pp. 439 - 45). The rising ethnonationalism among minorities is in part a result of the recent interactive process and relationships of antagonism between Russians and certain ethnic groups (e.g. the Kazakh in Kazakhstan). Therefore, the emergence of ethnic quarters in Vladivostok is not just a separate or an isolated event, confined to the local situation, but it is related to the broader context of the decline of the former WMSS. Until the late 1980s out-migration of the Slavs to the borderland regions had united the

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<sup>2</sup>They acknowledge that Asians have historically played a critical role in the development of petty business such as private trading in the RFE.

borderland regions had united the Far East region with the rest of the Soviet Union as an inseparable subunit of the national economy. Thus, it is no surprise that the disengagement of the state commitments and decrease of the Slav population caused xenophobia, producing fears of “declining” ethnic homogeneity and “increasing” foreign influences on the borderlands (such as the case of Vladivostok). As newly independent Central Asian states (including Kazakhstan) started to engage in state-building, titular ethnic groups strived to make “their” nation and ethnically homogeneous state, which placed non-titular members at a disadvantage. This situation is seen in the out-migrations of the Germans, the Crimean Tatars and the Koreans in Kazakhstan and Uzbekistan, who had been deported in the late 1930s under Stalin. On the eastern borderlands the return migration of formerly-deported ethnic groups and recent out-migration of Slavs aroused fears that the change in ethnic composition might eventually lead to “Asiatic barbarian domination” (Heleniak T 1997b pp. 355 - 6).

Koreans are victims of this antagonistic relationship between Russians and ethnic nationalists in Central Asia. The newly independent states have increasingly been dominated by negative inter-ethnic relationships, with hegemony-seeking ethnic nationalists pursuing policies of exclusion of minorities on the one hand, and Russians resisting their new, more subordinate status in those states on the other. In building their national “homeland” in Central Asia, the nationalists are pursuing “their” unitary nation-state despite the fact that their claimed territory contains multi-ethnic populations. This, in turn, has led to the out-migration of other minorities (Chinn J and Kaiser R 1996 pp. 278).

With the decline of the state’s demographic engineering, transborder contacts have increased in the RFE. Transborder trade is carried out via middleman activities of a particular network of some ethnic groups, which emerged under a decline of autarkic demographic regime and a rise of the post-Soviet migration in Russia (Cole J P and Filatochev I V pp. 432 - 51 ; Aleksandrov *passim.* ; Kan K 1995 pp. 249 - 51). Relevant to the rise of ethnic networks is the “Korean diaspora”, to which the research will turn in Chapter 8. Although this discussion is still in its infancy and serious empirical research and

and theoretical development have not yet been undertaken, it deserves attention as one of the post-Cold War phenomena in NEA (Kang Y 1995 chapter 7 ; Ogawa Y and Honda K 1994 p. 112 ; Ko Y 1994 a and b ; Fukagawa Y 1992a pp. 166 - 8). In the early 1990s NEC and the RFE seemed to offer prospects of South Korean textile and footwear industries : the former as a site of relocation for less expensive production and the latter as a non-quota export market, free from the voluntary constraints of the Multi-Fibre Arrangement (MFA). With the change of industrial landscape in NEA, the formerly disconnected communities of the “Korean diaspora” started to be linked to each other through trading business operations. In the RFE there are about 60,000 ethnic Koreans, and in NEC there are over 2 million Chinese Koreans (Bradshaw M J and Lee C L 1997 p. 473). Therefore, it is probable in Russo-Chinese transactions that traditional factors - geographical proximity and the cultural affinity - unite and promote a group identity of some ethnic minority for the purpose of business operations, for example, Russian Koreans inviting Chinese Koreans for commercial business in Russia (Park J 1997 p. 125 ; Daniels G 1997 pp. 151 - 60).

The current movement of the “Korean diaspora” is a reaction against administrative ethno-territorial engineering (“demographic engineering”) during the former Soviet regime. It can be seen as part of a broader picture - as a reaction to the legacy of the Stalinist response to the nationalities question in the past (Harris N 1990b).<sup>3</sup> Through territorial management of ethnic issues, the Soviet state created administratively and territorially defined political subunits. As discussed in the previous chapter, by the late 1930s Stalin had destroyed all elements of national communism through police terror, executing ethnic communist leaders during the Great Purges. The state imposed formal ethnic cohesion and established barriers to contact between different ethnic minorities (Lapidus G W et al. 1992 p. 29 pp. 71 - 2). In the pioneer stage, it was a growth in labour demand and the development of new cities in the RFE that attracted Asians, whereas in the reversion stage in the 1990s, by contrast, it is rather trade services and contract labour,

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<sup>3</sup> Refer to a copy on the page in Penguin Books p. 284.

readjustment process of the state-led economic system (“economic involution”). It is sectoral imbalance deeply embedded in the WMSS - between heavy and light industries, and between military-related production and consumer services - that caused readjustment in civil sector. The marketisation has allowed the repressed sectors (e.g. the consumer service sector) to expand and forced the overdeveloped sector (heavy manufacturing) to shrink, thereby making the regional supply consistent with the local demand through the readjustment of the former imports and distribution system. Thus, the readjustment opened to foreign providers (e.g. Asian traders from China) opportunities for linking production and delivery services of consumer products. Then, this readjustment induced a surge of imported products and service delivery, generating transborder human traffic - such as commercial tourism of commodity-traders and immigration of service-providers (i.e. the coming of traders and contract workers from China) (Melo M and Gelb A 1996 p. 268 ; Manzhhev S 1993 p. 45).

## **[ 2 ] Impact of Reforms ( 2 ) : Distribution**

### **2 - 1. Regionalisation of International Trade**

It was with the collapse of the state monopoly in foreign trade that the RFE became involved autonomously in foreign trade (Bradshaw M J 1994 p. 235). The process of reforming foreign trade had already started as part of Gorbachev’s *perestroika*. A monopoly of foreign trade was abandoned in 1987 - i.e. ministries, associations and other organisations were granted the right to engage in foreign trade - and in 1989 this right was extended to individual enterprises (Shaw op.cit. p. 276). New legislation, adopted in the *perestroika* years, also affected the state’s internal trade. State channels began to deteriorate, but new market institutions remained little developed. With regionalisation and expansion of multi-level foreign trade channels, some transactions were conducted on a registered and formal basis, others on an unofficial basis. Despite a boom in the establishment of centres for commodity exchanges, the market infrastructure in Russia was insufficient to replace the former state system of distribution. Lack of modern market

infrastructure (e.g. financial infrastructure and computerised communication links) caused inefficiency in trade, and this in turn partly provided a basis for the emergence of a primitive “bazaar economy” in the peripheral regions (Wegren S K 1994 p. 199 : the *Roshia Kyokuto Keizai Soran* 1992 pp. 223 - 6).<sup>4</sup> Thus, supply disruptions were one cause of a rise in informal transactions, in the process of decentralisation of foreign trade channels. In 1992 Primorskii Krai began to import essential goods directly, bypassing Moscow, and as a result, domestic inter-regional ties were replaced by a regionalised international trade (table 5 - 9). With the demise of the former system of price relativity - especially in exchanges of raw materials and industrial goods - the east-west regional ties were greatly undermined (Manezhev S 1993 p. 3). China’s manufacturers and distributors also benefited from this and sought to expand direct exports to the undersupplied consumer market in Far Eastern Russia (Hishiki K 1994 p. 23).

**Table 5-9 The Severing of Inter-Regional Economic Ties**

**(A) Light Industrial Goods as a Percentage of Total Imports, the RFE (Unit : percentage)**

	1989	1990	1992
Light industrial goods	8.2	19.1	41.7
Foodstuffs	36.7	23.9	27.1
Machinery and equipment	34.4	39.5	24.0
Construction materials	4.1	1.5	0.6
Energy, raw materials	0.1	0.2	1.6
Others	16.5	15.0	5.0

Source : Institute of Economic Research, Far Eastern Branch, The Russian Academy of Science, 1994, *Roshia Kyokuto Keizai Soran*, Toyo Keizai Shimposha, p. 154.

**(B) Raw Materials & Energy as a Percentage of Total Exports, the RFE (Unit : percentage)**

	1980	1985	1988	1991	1992
Energy, raw materials	6.4	19.9	20.7	17.2	26.7
Chemical products	2.0	1.6	1.0	7.3	9.1
Machinery, equipment	2.4	2.5	2.1	1.9	17.8
Construction materials	0.9	1.2	0.6	0.1	0.2
Timber	51.0	43.5	34.5	24.2	13.4
Foodstuffs (marine products)	24.7	19.5	34.2	44.9	29.4
Others	12.6	11.8	6.9	4.4	3.4

Source : Institute of Economic Research, Far Eastern Branch, The Russian Academy of Science, 1994, *Roshia Kyokuto Keizai Soran*, Toyo Keizai Shimposha, p. 155.

<sup>4</sup> The volume of transactions through centres for commodity exchanges was still small in 1994 (less than 2 percent of the total transactions). Russia’s financial infrastructure and communication links still lack basic services such as a system for checking clients’ accounts, electronic monetary transfer, telephone services, computerised facilities, etc.

## 2 - 2. Diversification of Access Channels for Commodities and Services

With reforms in the RFE's foreign trade, private traders grew to complement or even overtake state distribution in foreign trade business (Hibovskaya E 1995 p. 76 ; the *Konkurent* No. 26 July 1 - 7 1996). In a rise of multichannel distribution, a rise of private trade in commerce brought the region closer to NEA. Transnational traders of some ethnic groups benefited from this situation since they could contact other fellow groups on the other side of the border, infiltrate the formal system of state distribution, and make the best use of preferential access for goods and services, through their family and friends and "ethnic linkages" (Hodder R 1996 pp. 289 - 9 ; Los M pp. 114 - 6 ; Daniels P W 1993 p. 13 ; Han Hong Xi 1993 pp. 74 - 80).

In Russia, the abolition of the state monopoly over foreign trade, supply disruptions, inter-enterprise debt and the narrow domestic market led industrial managers and employees seek alternative suppliers abroad (Minakir P A 1991 p. 55 ; Moltz J C 1996a pp. 175 - 94).<sup>5</sup> Local enterprises increased transactions with China and other NEA countries. The unofficial commercial brokerage formed the background to ethnic minorities being reunited by engaging in transborder businesses.

In the RFE's undersupplied market, unofficial arbitrageurs formed bazaars in cities (Hattori K 1994 pp. 346 - 62 ; Takaki N 1997 pp. 109 - 10).<sup>6</sup> In the RFE direct private-to-private transactions must have increased during the period of 1988 and 1992, but unfortunately, the data below show only exports, and import operations would probably show a similar picture of diverse channels of transactions.

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<sup>5</sup> In 1993, the centralised trade channel accounted for 12 percent of the total, while the non-state channel for the rest was 88 percent. According to Hyer, informal trade doubled from US\$ 0.85 to US\$ 1.7 billion during the years of 1992 - 93.

<sup>6</sup> As unofficial transborder transactions increased, they brought such changes as : (1) geographical extension of markets on both sides of the Russo-Chinese border ; (2) diversified forms of exchange from simple commodity exchange or barter to hard currency transactions, and (3) an increase in the number of tradable items and areas of cooperation to incorporate import of contract labour, tourism, foreign direct investment, co-development of transport infrastructure, etc.

**Table 5-10 Diversification of Export Channels of the RFE**

	(Unit : percentage of exports)		
	1988	1989	1992
Centralised channels	94.4	74.2	19.3
Non-state channels	5.6	25.8	80.7
- *Direct ties (private-to-private trade without intermediaries)	3.0	22.2	52.7
- Regional trade (licensed at the provincial level)	2.6	2.0	3.7
- Joint ventures	-	1.6	24.3

\*N.B. : Informal trade may far exceed this official figure. "Direct ties" does not include unrecorded transactions conducted by private traders. The figures differ with the source.

Source : Data from the Economic Research Institute, Far Eastern Branch, The Russian Academy of Science, Khabarovsk.

Quoted by Minakir P A, 1995, "Economic Reform in Russia" in Mark Valencia ed., The Russian Far East in Transition : Opportunities for Regional Economic Cooperation, p. 57 ; Ivanov I D , "Foreign Economic Relations of the Russian Far East" in the Roshia To'h Boeki Chosa Geppo (Monthly Bulletin on Trade with Russia & East Europe), March 1993, pp. 50 - 6 ; Rotobo (Institute of Russian & East European Economic Studies), 1994, Roshia Kyokuto Kaihatsu no Konseputo in cooperation with the Far East Branch, The Economic Institute, The Russian Academy of Science, p. 65 ; Sergei Manzhhev, 1993, The Russian Far East, Post-Soviet Business Forum, Table 3. p. 36

The non-state channel of Russo-Chinese trade (the two-way imports / exports) increased from US\$ 1.57 to 2.3 billion between 1990 and 1991 (the *Chugoku Keizai* JETRO Feb. 1994 pp. 50 - 2). What was the composition by item of this direct private-to-private exchange ? As the next table shows, the share of non-foodstuffs in Primorskii Krai's imports from China rose rapidly during 1990-92 (*Ekonomicheskii Ezhegodnik, Sotsialino-ekonomicheskoe Razvitie Primorskogo Kraia : Itogi i Perspektivi - Analiticheskii Obzor*, 1995 pp. 43 - 5).

**Table 5-11 Composition of Imports through Direct Private-to-Private Transactions,****Primorskii Krai's Import from China**

(Unit : percentage)

	1990	1992
Machinery and equipment	4.9	0.8
Construction materials	20.2	1.3
Consumer goods	74.9	97.9
- Non-foodstuff	8.6	48.7
- Foodstuff	<u>66.3</u>	<u>49.2</u>
Total	100	100

Source : Institute of Economic Research, Far Eastern Branch, the Russian Academy of Science, 1994, the Roshia Kyokuto Keizai Soran, Japanese edition, Toyokeizai Shimposha, Tokyo, p. 173

### [ 3 ] Impact of Reforms ( 3 ) : Employment

#### 3 - 1. A Decline of Formal State Economy and Employment

On both sides of the Russo-Chinese borderland, a “bazaar economy” absorbed labour of the underemployed shed from the formal state economies in NEC and the RFE. Labour was transferred from formal to casual jobs in the consumer sector, which provided a background for private traders to emerge (Tselichtchev I S 1995 pp. 197 - 251). The influx of Asian private traders in Vladivostok was a consequence of this casualisation and of an overflow from China's growth in exports of light industrial products to the RFE (Hodder R 1996 p. 289 ; Hodder R 1993 pp. 93 - 4). Moonlighting became popular in both countries, as a consequence of people diversifying sources of family income.

Moonlighting became essential for the survival of the common people (*Utro Rossii* March 14 1996). According to the official figures, in 1994 total employment decreased by 4 percent and 56,500 jobs were lost in Primorskii Krai, of which 37,000 were in manufacturing (*Ekonomicheskii Ezhegodnik* pp. 10 - 11 pp. 59 - 60 ; Statistics of *Upravlenie Truda Zanyatosti Naseleniya i Demograficheskoi Politiki* 1994). Some data also showed a growth in tertiary sector (services) employment in the non-state sector, in contrast to a decrease in manufacturing employment in the state sector (idem. pp. 59 - 60 ; an original interview with Zubakov B *Upravlenie Truda Zanyatost' Naseleniya i Demograficheskoi Politiki*).<sup>7</sup> Employees sent on leave, unpaid or partly-paid, increased from 7 to 17 percent during 1993 to 1994. In 1994 in the manufacturing sector the percentage of underemployed was 24 percent (*Ekonomicheskii Ezhegodnik* ibid. p. 59).

What, then, is the background behind this change in Russia ? In a similar context to urban China (particularly NEC), reforms eventually caused a shedding of employees from the overstaffed SOEs, and diverted workers to other income-generation - e.g., second jobs - in parallel with continued registration in the state sector (Newsweek October 20 1997). In Russia as a whole 27 - 31 percent of SOE employees were either forced to take unpaid

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<sup>7</sup> Interviews with B. Zubakov, *Upravleniya Truda, Zanyatost' Naseleniya i Demographicheskoi Politiki, Administratsiya Primorskogo Kraya*.

vending's share in total employment increased by as much as 3.4 times in 1993-94 (from 5 to 17 percent) (ibid. pp. 71 - 9).

With demilitarisation relative wages declined in machine-building and other military-related sectors (Otsuka K 1993 p. 62 ; Marine S 1993 pp. 36 - 42 ; FEER July 10 1993 ; Tselichtchev I S 1995 p. 176 ; Gaddy C C p. 121 ; Gripaios P and R 1994 pp. 32 - 41). The labour force was not fully absorbed into formal (i.e. legally and officially established) private employment ; it was reported in 1996 that there were about 30 million people engaged in transborder trade in Russia. Monthly, they brought in goods equivalent to US\$ 0.8 - 1 billion. China was among the most popular destinations for their business trips (Ohzu S 1995 pp. 279 - 80 ; Tselichtchev I S 1995 pp. 107 - 251 ; *Konkurent* July 1 - 7 1996).<sup>8</sup>

### **Conclusion : A Historical Review**

As a summary this final section will look once again at the history of Asians in the RFE. During the pioneer stage, the trading business thrived due to the sheer necessity of procuring essentials. Asian immigration continued well into the NEP period. But fears of war generated a particular WMSS system, which lasted from the late 1920s to 1992. By the late 1930s in the consolidation stage of this system, free markets were virtually eliminated. Markets were put under the centralised control of the administrative apparatus. With a bias to heavy industry the consumer sector played a secondary role. The urban distribution system was incorporated into the state monopoly system. Given shortages of inputs, procurement became primarily a matter of bargaining among administrative units. The remaining Asian traders and middlemen disappeared from Vladivostok. In the years of socialist industrialisation under Stalin and his successors' regimes, the majority of the work force were fully absorbed by state agencies and enterprises. Despite minor changes after the death of Stalin, the same heavy industrial bias and relative neglect of the civil sector persisted until the partial deregulation under Gorbachev's *perestroika* and more complete

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<sup>8</sup> Russian workers tried to maintain income through casual earnings despite the reduction in wage payment

Gorbachev's *perestroika* and more complete deregulation after the collapse of the Soviet Union. Autonomy of private entrepreneurship and commercial activities, especially of private traders, had long been suppressed until their revival in 1992.

In 1992 commercial activities were deregulated by Yeltsin. All Russian citizens were once again permitted to engage in street vending and other commercial activities. Bazaars flourished in Vladivostok with traders and middlemen. An old business scene, reminiscent of the days before Stalin's regime, has revived in the city. Together with the revival of commercial activities in bazaars, Asian traders once again came to Vladivostok, reflecting the atrophy of an unravelling militarised economy in which resources in the state sector were being funnelled into commercial circulation.

The transformation of Vladivostok in the 1990s will be examined further in detail in Part III, focusing on the three dimensions - demography, distribution and employment. The next chapter will study the difference between the ideal of the economically expanding city under an open border economy - Vladivostok as imagined by the Tumen River development planners - and the reality of the city in the post-Cold War demilitarisation and economic crisis with decreasing industrial output and increasing unemployment.

## **PART III THE PRESENT**

## CHAPTER 6

### VLADIVOSTOK : A PLAN AND REALITY

#### Introduction

The first section of this chapter will discuss a plan for development of Vladivostok fully integrated with the economies of NEA countries conceived as part of a multilateral development project - the Tumen River Delta Plan - and see how the plan foresees a post-Cold War growth in the city. The next section will examine how far the plan reflects reality by making a comparison between the ideal of this plan and the reality of Vladivostok's development at present. The chapter concludes with a summary of the discussion about the difference between the ideal and the reality of the city.

#### [ 1 ] Vladivostok's Image under the Tumen River Development Plan

##### 1 - 1. Vladivostok in the Tumen Development Plan

The UNDP's plan in the twenty first century for the Tumen River Delta foresees that Vladivostok (Russia) will be eventually fully integrated with two other cities, Yanji in China and Chongjin in North Korea. Vladivostok will exchange labour, natural resources and capital with the other cities, and will be connected by railways within the free-trade zone of the delta (Map 6 and 7) (Mochizuki K and Kamishiro H 1993 pp. 1- 19 ; Campbell B O 1995 pp. 38 - 41 ; *Krasnoe Znamya* February 16 1993 ; *Utro Rossii* February 7 1996 ; Marton A et al. 1995 pp. 8 - 33). According to the plan, Vladivostok is to be one of the three cities in the Tumen "Growth Triangle" (GT) in NEA. In order for this project to be realised, US\$ 30 billion will be invested in infrastructure development for an Eurasian trade and transport complex connecting East Asia and Europe. The main planner of this project, Ding S (1996 pp. 96 - 9) assumes that labour is supplied from outside the region. In his high-speed growth scenario the three cities' total population will double from 2 to 4 million in the period 1990-2020, while in the low-growth scenario with an estimate

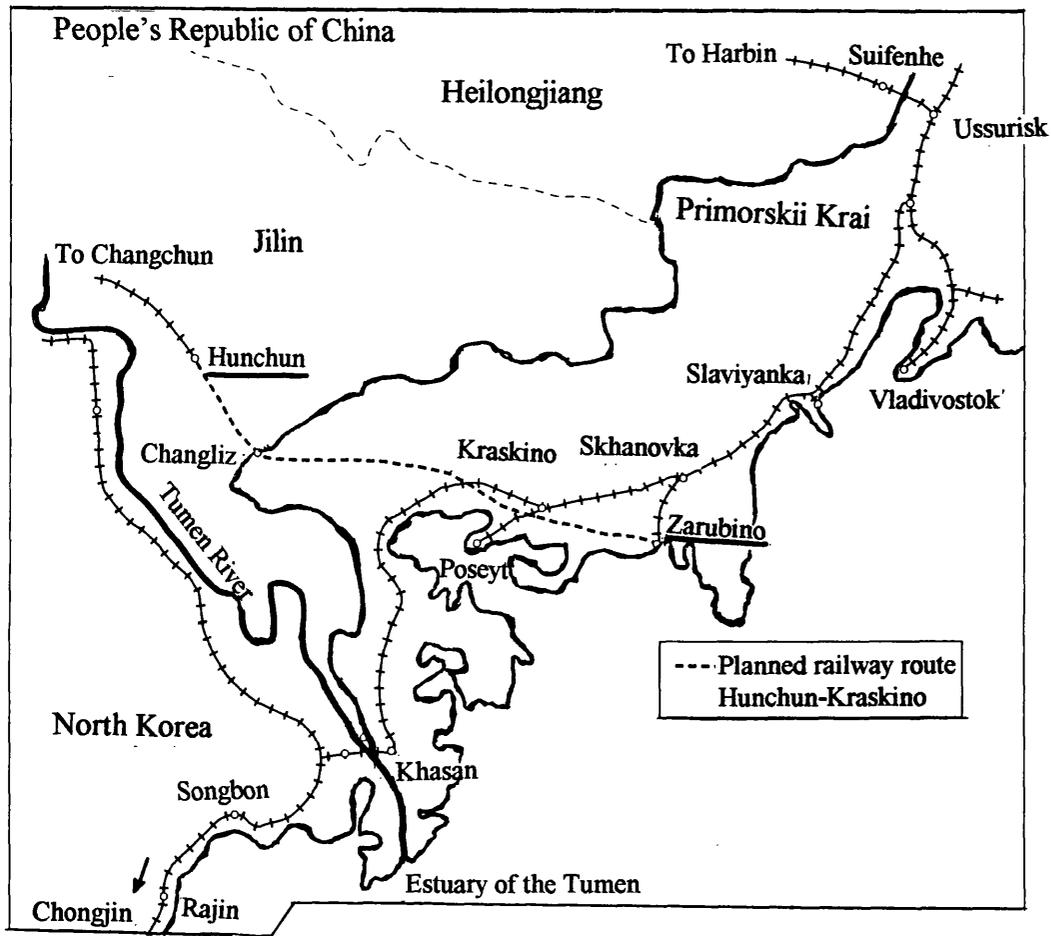
assuming a more modest urban growth, the three cities' population is expected to grow to 3.71 million (table 6-1(1)).<sup>1</sup> The estimates of the inflow of the labour force from outside the delta region vary accordingly (table 6-1 (2)).

Map 6 The Tumen River Delta Development Plan



<sup>1</sup> Nobukuni M (ERINA Report February Vol. 5 1995) and Kakazu K (1995 pp. 162-3) are even more enthusiastic, proposing that the triangular region should be developed to 10 million within 30 years, with US \$10 billion of infrastructure development.

Map 7 Railway Construction Connecting Zarubino and Hunchun



**Table 6-1 Ding Si Sheng's Estimated Growth : Vladivostok, Yanji and Chongjin**

**( 1 ) Growth Estimates of the Three Cities** (Unit : 1,000 people)

High-growth Estimates

	1990	2000	2010	2020
Vladivostok	900	1,110	1,380	1,700
Yanji	500	670	900	1,200
Chongjin	600	730	900	1,100
Total	2,000	2,510	3,180	4,000

Low-growth Estimates

	1990	2000	2010	2020
Vladivostok	900	1,110	1,300	1,550
Yanji	500	600	840	1,130
Chongjin	600	730	900	1,030
Total	2,000	2,430	3,040	3,710

**( 2 ) Estimated Growth in Extra-regional Inflow of the Labour Force in the Tumen Delta Region**

(Unit : 1,000 people)

	1990 - 2000	2001 - 2010	2011 - 2020
High-growth Estimates	655	985	1,860
Low-growth Estimates	450	860	816

Source : Ding Si Sheng, 1996, *Tomonko Kaihatsu Koso : Hokuto Aija no Keizai Kyoten*, Sochisha, Tokyo, pp. 96-7 and p. 99 ; Ding Si Sheng, 1992, "The Conception of the Development of the Tumen River Area" in the Proceedings of the Vladivostok Conference on Regional Economic Cooperation in Northeast Asia, August 25-7, 1992, Vladivostok, p. 141 ; Discussion on Northeast Asia , No. 2 1993 , p. 58

## **1 - 2. Conceptions of the Tumen Delta Programme and Prerequisites**

"Growth Triangles" (GTs) are subnational areas of cooperation. GTs are "localised economic cooperation zones" which "exploit complementarities between geographically contiguous areas of different countries to gain a competitive edge in export promotion" (Thant M and Tang M 1998 p. 23). GTs are more precisely defined as "transnational economic zones spread over well-defined, geographically proximate areas, usually covering three or more countries where differences in factor endowments are exploited to promote external trade and investment." (Thant M and Tang M 1994 pp. 2 - 14 ; Yeu-man Yeung Y and Fu-chen Lo 1996 pp. 37 - 41). With less political tension and the resurgence of potential complementarities between constituent economies in post-Cold War East Asia, a number of GTs emerged as a result of Asian NIEs' relocation of labour-intensive firms to hinterland economies, when their exports were confronted with protectionism in major markets and the need to find new markets (Thant M and Tang M 1998 pp. 23 - 8).

Asian NIEs (e.g. South Korea) combined capital with labour and natural resources available through abroad production in order to expand exports (ibid. p. 36). Chen X (1995 p. 594) introduces a similar concept, called “cross-national growth zones” and defines them as “zones, consisting of production and trade networks, stretching over distinctive contiguous or adjacent areas of countries”, where the rise of such zones “challenges the territorial integrity of the state.” Other writers have also pointed out concepts of subnational regionalism similar to GTs (Gruorsven L et al. 1995 pp. 151 - 73 ; Pomfret 1996a pp. 207 - 18, Pomfret R 1997 p. 251 ; Lee J C 1996 pp. 7 - 9).

Constituent economies exchange factors of production on the basis of : (a) currency appreciation of capital-abundant economies such as South Korea and capital outflows to China and to a lesser extent to the RFE, (b) increased transnational labour mobility resulting primarily from industrialisation in China, and (c) complementary exchange of China's labour for Russia's natural resources (Anderson K 1992a pp. 4 - 6; Krueger A O 1977 pp. 2 - 22). The GT's prerequisites are : (1) economic complementarity, (2) geographical proximity to reduce transport costs, and (3) ethnic and cultural affinity to ease transactions and communication in production and distribution of outputs (Thant M and Tang M 1994 p. 16 ; East Asia Analytical Unit 1995 pp. 4 - 14).

Here, the Tumen GT is considered as a means for South Korea's light industry to maintain its competitiveness and evade protectionism in major markets (e.g. voluntary constraints in textile exports to western Europe and the U.S. under the Multi-Fibre Arrangement) by relocation of its manufacturing capacity to its hinterland in NEC and by using the area as a springboard of indirect export to the world market. This export-led arrangement in turn establishes or strengthens the coethnic networks in order to coordinate investment and trade, stemming from expansion of capital flow and commodity circulation. For some markets (e.g. Russia and other non-MFA countries), it generates a new economic interaction, particularly in the services sector (e.g. labour export, tourism, retail and wholesale services), which the Cold War had suppressed : the Russian market has been increasingly penetrated by extensive circulation of commodities from South

Korea's export processing zone in China (Thant M et al. 1998 p. 4). The Tumen GT in its embryonic form has already been developing service industries in China and generating employment opportunities in NEC for Chinese Korean traders, who are mobilised for transnational commercial business. However, this causes a social problem in Russo-Chinese relations, as will be seen in a later chapter.

When the production cost of South Korea's light industry increased in the late 1980s, manufacturing plants were relocated from South Korea to its hinterland (e.g. Yanbian Korean Autonomous Prefecture in China) where lower cost Korean-speaking labour was available. In globalisation South Korea's light industry used Yanbian as an export manufacturing base and expanded its distributional services to China and further to Russia. The outputs of these plants were thus distributed to Russia via certain distributional service providers, using retail outlets of Chinese Korean traders who had access to markets in different parts of NEA. The RFE benefited from South Korea's manufacturing relocation to China and, in particular, from geographically closer access to supply of outputs. Given China's prospects of growth in exports of some products (e.g. clothing and textiles) to the world market, the Tumen GT is in a strategic location since the Tumen Delta would be one pole of a Eurasian Land Bridge between Europe and East Asia (the other end being ports in the Netherlands).

However, the Tumen Delta Development Programme is nothing new in the history of NEA. As Cumings B (1997 pp. 165 - 6) notes, in the 1930s express trains connected from Pusan "all the way to Europe - through Pyongyang into Harbin, thence via the Trans-Siberian Railway on to Moscow, ... Leningrad, on to Prague, Berlin and then Paris." Transport links brought Japan's colonies into wider networks of commodities exchange. A Korean border town, Chongjin "became one of the entrepots of a huge export trade." It was transformed from a village of 500 people (1900) to a city of 72,353 (1938), the leading port on the Sea of Japan (ibid. p. 166). Cumings B (pp. 426 - 7) also writes about the prospects of the Tumen GT plan in the twenty-first century, focusing on change in North Korea,

(Economic) crisis forced North Korea to think seriously about the future of its autarkic system, resulting in a host of new laws on foreign investment, relations with capitalist firms, and new zones of trade ... By the year 2000 North Korean cities will be involved in world trade and the economy will again be growing rapidly. Most of all, the deep interest of many South Korean firms in cheap but intelligent and disciplined North Korean labour may help South Korea recoup comparative advantages in the world market, while moving both Koreas slowly toward reunification.

Waters H J (1997 p. 121) also argues that “with the completion of the Eurasian Landbridge North Koreans will be likely to ship their products to Eastern and Western Europe”.

However, when we look at the reality of the Tumen GT in the late 1990s, realisation of the dream is still far off, and many of the existing cross-border transactions are still conducted informally or illegally in a primitive form via private traders, and the market is regionally confined within NEA, although ethnic and cultural affinity eases movement of capital, goods and labour through the “diaspora” networks (e.g. Koreans in NEA). Private traders form a part of these NEA-wide networks of regional exchange, but this kind of transborder private trade did exist in the past - in the seventeenth, eighteenth and nineteenth centuries, and revived in the 1990s (LeDonne J P 1997 pp. 158 - 59). A question is what are the characteristics in the present change, to which Chapter 9 will discuss an issue of “global commodity chain” (GCC). Suffice to say here that transborder private trade has revived in the 1990s.

Since the main research interest is Vladivostok, the next section turns to the reality of the city in the post-Cold War demilitarisation and the rise of a transborder “bazaar economy”.

## **[ 2 ] Vladivostok in Reality - Degeneration to a “Bazaar Economy”**

### **2 - 1. The Post - Cold War Demilitarisation and Deurbanisation**

It has been discussed in Chapter 4 how Vladivostok was maintained by militarisation and the state-led industrialisation. Provision of social benefits depended on the system of capital transfer to the Far East from the centre. The city was an important military base, on which the city’s various services and institutions depended. The military industry complex,

army and navy controlled the economic development of Primorskii Krai, accounting for 50-70 percent of the Krai's industry (Aliev R 1992 p. 265).

However, in January 1990 the Soviet Union announced that the armed forces in the RFE would be reduced by 120,000 ; 16 naval ships would be withdrawn from the Pacific Fleet, and the air-force presence would be reduced (Voskresenski A D 1993 p. 129). From 1989 to 1993 the Soviet Union and its successor state, Russia reduced their armed forces in Asia by 25 percent (*Boei Hakusho* 1993 p. 46 ; *Boei Hakusho* 1989 p. 41). On both sides of the Sino-Soviet border radical changes were made. China cut its forces on the Soviet border by one million between 1985 and 1987. The Soviet Union cut its forces by 80,000 in the 1980s, and removed a further 120,000 from the Far Eastern theatre by 1991(*Pravda* Jan. 14 1990 ; *Izvestiya* April 17 1991 ; Zagorski A V 1997 p. 38).

With demilitarisation in the 1990s, Vladivostok began to plan to liquidate or relocate some military facilities. Some even suggested that the navy pay rent for utilising the port, expecting that this would result in its conversion to civil use. Others went so far as to argue that all ammunition and military equipment should be removed from the city (Mukuguchi J 1993 p. 23 ; Institute of Economic Forecasting 1994 pp. 378 - 79). As discussed briefly in Chapter 5, the number of the former Slav garrison settlers started to decrease, since manufacturing production was reduced, and job opportunities became less and less. But, on the other hand, transborder links with NEA were strengthened, generating some job opportunities for the underemployed and the unemployed with the decline of formal employment. Due to a decline in tenure posts and a growth in more flexible occupation in heavy manufacturing and extractive industries, some economic activities were "hived off" from formal state organisations to private organisations and casual workers (Shaw op.cit. p. 48).

A question arises here as to how Vladivostok is adjusting to the post-Cold War problems such as defence spending cutbacks, wage stoppages, increasing unemployment, insufficient and irregular financing of local development projects, smuggling and problems of

demographic protection to maintain the city as a “Russian city” (Rowland R H 1996 pp. 426 - 57). In the post-Soviet and the post-Cold War periods, the once privileged fortress city is confronted with these problems, but the city has increasingly found itself alone, having to solve its local problems without recourse to Moscow, especially in such aspects as how the local population work, and where and how the city finds access to essentials for its undersupplied markets (Gaddy G 1996 p. 167).

Vladivostok is not a growing city in a “growth triangle”, but, instead it is a declining city in demilitarisation and deurbanisation - its population fell in the three years from 1991 to 1993. But, unfortunately, detailed data of the city’s population is only available for a few years (the table below) (Latkin A P 1997 p. 57). After 1992 and onward shipment via the RFE dropped, diverted the freight from Vladivostok to Hong Kong (Thornton J 1998). Some report that out-migration from the city increased, partly due to high inflation and deurbanisation (*Tikho Okeanskii Kuriel* July 22 - 8 1993 ; *Nichiro Bijinesu Nyusu* No. 11 p. 5). This needs, however, to be clarified with more detailed data in future research. Latkin A P (1997 p. 5) reports that with demilitarisation the urban population in the Primorskii Krai has decreased from 1790,900 to 1756,700 people between 1992 and 1996.

**Table 6-2 Population Change in Vladivostok (Unit : 1,000 people)**

1985	1989	1991	1992	1993
600	648	675.1	670.6	668.5

Source : Eurasian Investment Co. Ltd., *Nichiro Bijinesu Nyusu*, No. 11

Given the poor state of the city, Ding Si Sheng’s mechanical extrapolation seems over-rosy, despite the fact that migration loss has ameliorated in 1995-96 (see table 6 - 1, again for comparison).

**Table 6-3 Migration Change, Vladivostok City (Unit : people)**

	1995 (Jan.-June)	1996 (Jan.-June)	Rate of change (%)
Migration loss	1,552	1,300	83.8

Source : *Zaratoi Rog*, 6 August 1996, p. 29

Detailed changes in net migration flows to Vladivostok are not known, as the data - if they exist - are not available. An empirical study on this issue has not been seriously undertaken, and there is little published work on the impact of demilitarisation on

migration as a result of the dismantling of the Soviet WMSS system. Any deeper discussion with empirical evidence is not possible here in relation to Vladivostok. However, it is possible with the available information to infer and explore effects of the post-Cold War demilitarisation in Vladivostok. There has been some relevant study of defence cities in the United States, in particular the causal relationship between the post-Cold War defence spending and inter-regional flow among workers of the military-industrial complex (Ellis M et al. 1993 pp. 182 - 201).

## **2 - 2. Rising Unemployment, Private Businesses and Survival**

Reduction of state financial commitments to the RFE has wrought havoc in Vladivostok (Tinguy A 1998 p. 314). Coal miners and employees in nuclear submarine repair yards were not paid for months. *Dal'zabod*, a ship repair factory (10,000 workers), 90 percent of whose production was formerly directed to military use, cut its workforce by 30 percent in 1992 (Mukuguchi J 1993 p. 82). The personnel of the construction corps within the navy was reduced by half (FEER 12 March 12 1992).

Some state enterprises scrambled for foreign links to help re-profile production lines and keep workers employed. Employees in defence-related state enterprises tried to gain access to anything that they could sell to China and other Asian countries (Handelman 1994 pp. 167 - 221 ; the *Toyo Keizai* 26 January 26 1991 pp. 8 - 9). Party officials, officers and common people hastily changed themselves into commercial businessmen and private traders, improvising ways to generate income, in part through trade with NEA (Mukuguchi J pp. 23 - 7 ; Meyer P F 1994-95 p. 504).

The city faced a reduction in support from the state, and reverted to foreign economic links. With the collapse of the Soviet Union a vertical system of centralised distribution was replaced by informal horizontal contacts and networks, which were developed by local industrial managers and common private traders handling inter- and trans- regional transactions (Clarke S 1992 pp. 10 - 25). As of 1998 Vladivostok's economy is sustained in part by the transnational operations of private traders, often functioning outside the formal market institutions. The common people turned to private trade as a means of

survival. About 3,000 stalls rapidly appeared in the streets of Vladivostok in the first year after the collapse of the former regime (Mukuguchi J 1993 p. 82). Private trade thus stimulated commercial tourism across the Russo-Chinese border.

### **2 - 3. Power Struggles and Reduced Tax Revenues in the City**

In addition to the economic crisis of the city, power struggles between the local politicians brought further complications to make the life of the common people difficult. The city was caught in the power struggle between Cherepkov, the mayor and E. Nazdratenko, the governor of the Krai. Nazdratenko took measures to undermine the mayor's authority by cutting off the water supply and power supply and reducing the city's share of the regional budget in the Krai. Provision of essential urban services was abandoned - such as water supply and medical care. The city's tax collection power was undermined by the Krai introducing direct payment of local taxes to the Krai government (Kirkow P 1998 p. 133).

### **2 - 4. Competition with Chinese Cities**

#### ***( 1 ) Impact of labour inflow from China***

What kind of impact would the deregulation of border control of labour flow have on Vladivostok ? Autarkic urban networks might be transformed into transborder networks, in which expansion of vibrant cities in China would draw commercial gains in trade from declining cities in Russia. In that case, commerce might stay in the hands of Chinese citizens, resulting in any economic decline of Vladivostok, and incorporating the city into the more dynamic growth of Chinese cities (Rozman G 1995 p. 280).

#### ***( 2 ) Small scale Russian traders and populist xenophobia***

In response to this perceived threat to the city and the "demographic pressure" from China, a local business group in Primorskii Krai, PAKT, which is composed of the former *nomenklatura*, has been striving to control transnational commerce and suppress businesses of foreign traders (Slider D 1994 p. 382 ; Mukuguchi J 1993 pp. 190 - 1). As mentioned earlier, in parallel with PAKT and *nomenklatura*, the majority of common people started to engage in commercial tourism ("shop tour" or shuttle trade) with China.

Asian traders also engaged in unregistered private trade, which could be a potential threat to those controlling commercial business in the Krai.

Local industrial managers and politicians raised populist xenophobia and fears of a massive influx of Asian traders among common people who rely on transborder trade for living, saying that the disrupted centralised distribution might come under the control of foreign traders and businessmen, and accused the alien traders of taking the means of economic survival of the people in the Krai (*Rossiskaya Gazeta* 28 September 28 1994 ; Vacroux A 1994 p. 41). Governor E. Nazdratenko has undertaken ethnic clearance operations several times in Vladivostok since the end of 1993. In May 1995 he also put the disputed territory in the Khasan district on the border with China (south of Pos'et) under the control of local Cossacks (Blank S J 1997 p. 105).

PAKT tried to run and control lucrative commercial business under the shelter of the Krai government's protectionism so that foreign economic influence would not threaten their interests (Slider D 1994 p. 382 ; Mukuguchi J 1993 pp. 190 - 3). Through overlapping leadership of the Krai government and PAKT, local business elites and politicians obtained political power to suppress opposing forces and a strong control over foreign trade, since the regional government had political leverage over the regional economy through the issue of trading licenses, quotas and import tariffs (Kirkow P 1998 p. 118 and p. 164). For instance, Pavlov, the former Director of the Bureau of Commercial Distribution of the Primorskii Krai Government became the general director of PAKT. He established a trading firm called *Kommersant* to control commerce (Mukuguchi J 1993 p. 41). Reportedly, he controlled the privatisation process of the state commercial distribution bureau *torgi*, and has made enormous profits from the emerging consumer sector (Kirkow P 1995 p. 927).

## **Conclusion**

From the discussions so far, the following situations may be inferred for the present Vladivostok as of the mid 1990s :

1. Industrial relocation of South Korea's light manufacturing plants into the hinterland in NEC generated growth in commodity circulation, which overflowed to the RFE (supply side-growth in industrial outputs and distributional services) ;

2. Ethnic and cultural affinity was formed under a "trading diaspora" in the Tumen Delta region, and this has helped connect suppliers and consumers between NEA and the RFE. In other words, the delivery of industrial output is carried out and facilitated by movement of persons, especially those having some networks of ethnic connections, in provision of retail services to the RFE because retail trade requires a direct face-to-face contact between suppliers and recipients. And this induced an influx of Asian traders from China to Vladivostok, and hence, a historical revival of their trading diaspora (presumably run by ethnic Koreans) in NEC and the RFE. Thus, in order to fill the "service gap" in the undersupplied consumer market of the city (demand side of goods and services), the retail services were therefore, imported. This is a result of the city's departure from the former vertical state system of service provision, which had long "nurtured and perpetuated" inefficient links between production and delivery services under the centralised system.

What will be the final outcome of the decline of the system and the rise of this transborder "bazaar economy" ? With further integration of the RFE with NEA, will cosmopolitan capitalist merchants be likely to emerge in the Tumen Delta region freely moving back and forth across the Russo-Chinese border ? What kind of role will private traders eventually play in the RFE ? Will local business elites dominate and entirely eliminate Asian traders ? Or, among small traders, will some ascend to be leading capitalist merchants who transform Russian urban society, and set up frameworks of development for Eurasian transit trade ? The writer of this thesis has more questions than answers.

The WMSS common to the RFE and NEC was a system of a permanent war economy and of state-guided resource mobilisation, where consumer services had been repressed, and most financial and human resources and material inputs had been concentrated on the state agencies by eliminating the private sector. Under the WMSS industrial, financial and commercial enterprises had been nationalised and all became either state entities or quasi-

state institutions. The state provided essential consumer products and services to workers through their SOE workplaces.

However, the post-Cold War structural adjustment allowed the repressed consumer sectors to expand and forced the overbuilt military industrial sectors to shrink. Private foreign trade thrived and imports of services rose. Contract labour and delivery service of essential commodities were imported to the Krai as the regional authorities allowed foreign workers and immigrant retail traders to enter Vladivostok. With decentralised imports of delivery services of foreign commodities, transborder commercial tourism expanded to stimulate informal networks and transborder contacts of minorities, which had long been forbidden. The revival of private trade is a reaction of the common people on the borderlands - particularly ethnic minorities - to the structural constraint of the former system. In other words, different groups started to deploy resources available at their disposal to secure their positions or survive in the 1990s. With territorial disintegration of the national economic space (i.e. the fragmentation of the WMSS), animosity between different groups, including between groups of different ethnic origins, were aroused in the competition for job opportunities and survival.

The great monuments to the October Revolution and the public square were rapidly changed into market places and bazaars. The halls of the government agencies and the streets were filled with *kiosks* and stalls. Some administrative functionaries and workers were transformed into private businessmen and traders. Industrial managers of SOEs and officials started to engage in private businesses to earn a profit by leasing out public space for private traders as market places. The rise of the long-suppressed private trade is thus a correction of the former system overcontrolling the consumer sectors and services provision.

NEC with a similar WMSS structure, also showed a growth of private traders with the decline of SOEs and heavy industry. One of the major differences was production capabilities of consumer goods : China is a global exporter of light industrial goods, whereas the RFE lacks light manufacturing and other consumer industry. As a result of

this difference, commodities flow from China to the RFE through the hands of Asian traders, exploiting their better position in order to control the distribution to Russia. The transformation of the two WMSSs is manifested in different ways : in the RFE there is the narrow rent-seeking behaviour of the industrial managers and local politicians, diverting state property and resources into private business at the expense of the declining manufacturing, whereas in NEC the state agencies engage in private trade business, and subcontract a part of their businesses to private traders to take advantage of growth in export capacity of some light industrial goods. But, some of the post-Cold War changes seem to be similar. In both countries social networks of some kind were used to smooth the transborder trade and other economic activities. Both Russia's *blat* (connection in Russian) and China's *guanxi* (human networks in Chinese) look similar in providing traders with access to goods and services in need through personal connections with the state property and resources, drawn upon in the rise of a "bazaar economy".

The rise of a transnational "bazaar economy" epitomises post-Cold War phenomena common to the RFE and NEC : (a) the decline of demographic engineering power to sustain the previous system - i.e. the deregulation of either immigration (Russia) or emigration (China) ; (b) replacement of centralised distribution by market-led exchange ; (c) rechannelling of resources away from heavy industry back to private traders. Consumers were permitted individual consumption ; and (d) the end of the state as the dominant employment sector (Harole M 1996 p. 4). In short, marketisation transferred underused industrial inputs and labour resources from the formal state sector to elsewhere, and from heavy manufacturing to services, and these processes created casual businesses, contributing in part to the growth in the cross-border trade business. The following are signposts for further studies.

1. As discussed, the economic decline of Vladivostok is a consequence of the decline in state intervention in urban development, which produced a combined effect : (a) a revival of the long-suppressed transborder contacts, (b) the disruption of centralised production and distribution, and (c) an erosion of formerly protected full and secure employment in

the state sector, leading to casualisation of employment.

As a result of demilitarisation, a “bazaar economy” emerged in Vladivostok. The “bazaar economy” is a byproduct of casualisation of the formal state economies of the two WMSSs in the post-Cold War period. This in turn, caused a resurgence of ethnic minorities engaging again in retail and wholesaling services in the city, attracting the flow of unregistered Asian traders from their home country.

2. The “bazaar economy” has served as a cushion against the shock of transition in the city, providing opportunities for income-generation and access to goods and services. It compensates, at least in part, for the malfunctioning of the state distribution system.

The chapters which follow (Chapter 7 - 10) will examine the present changes of the post-Cold War system through a micro fieldwork study of the Chinese Market in Vladivostok. Chapter 7 is an overview of the “bazaar economy”, explaining the revival of the transborder economies. Chapter 8 will discuss the rise of trading diasporas from a demographic viewpoint, focusing especially on the “Korean Trading Diaspora” which seems to be facilitating private traders’ temporary movement from China into the RFE. Chapter 9 will discuss the effect of the demilitarisation of distributional services. Chapter 10 will discuss the change in employment practices with demilitarisation and the demise of the former system.

## CHAPTER 7

### A RISE OF A “BAZAAR ECONOMY” IN THE RFE AND NEC

#### Introduction

As part of the structural adjustment of the former system, a “bazaar economy” emerged to link Vladivostok’s undersupplied market and suppliers in NEA. The fall of the autarkic system and the rise of this “bazaar economy” caused penetration of the city’s consumer market by imported goods, together with an influx of Asian traders. Traders - both Russian and Asian - are involved in the “bazaar economy”, but it is difficult to discern their activities in statistics because they, for the most part belong to the informal sector. These traders contributed to link manufacturing in NEA flexibly with consumer demand in Vladivostok. As discussed in the last chapter, private trade emerged as a reaction to the former system that had prevented interaction between the RFE and NEC and minimised the mercantile penetration from outside. Replacing the economic isolation of the autarkic system, private trade infiltrated the increasingly porous border and started to unite the regional markets, the RFE, NEC and North Korea.

This chapter gives an overview of the immigrant community of Chinese citizens in Vladivostok and an outline of private traders’ role in their community. Categories of immigrant groups - business managers, contract labourers and private traders - are briefly introduced. The three different groups of the immigrant community form interdependent informal economic activities in the city, and after this overview, the chapter focuses on characteristics of private traders.

#### [ 1 ] The *Kitaiskii Rynok* (the Chinese Market) in Vladivostok

The Chinese Market (*Kitaiskii Rynok*) in the city is a sign of traders’ transnational commercial links with China, i.e. a visible sign of private traders’ penetration of the Russo-Chinese border. The Chinese Market reflects some changes in the two WMSSs in the RFE

and NEC. The market is operated, as mentioned above, by Slavs and traders from China. For both traders the trading business may be either supplementary sources of income in parallel with officially registered jobs in the state sector (moonlighting) or complete replacement of a formal wage to support their family (labour transfer).

Some Russian traders engage in trade as moonlighting in addition to a state job (including such people as demobilised members of the military, teachers, doctors and nurses), others have left state employment. The next table shows a background for this. In Primorskii Krai the percentage of formal salary in total income decreased in the period 1992-96. As a result, the share of wage payment in a household's income has decreased by more than a third, whereas private sources of income have increased more than four times (Latkin A P 1997 pp. 249 - 50). Latkin (ibid. pp. 250 - 1) notes that the local population in the Krai received substantial unofficial income.

**Table 7-1 Percentages of Income Sources in 1992 - 96, Primorskii Krai (Unit : percentage)**

	1992	1993	1994	1995	1996
Salary paid from workplaces	80	73	63	46	52
Income Redistribution	12	12	12	12	14
Private Sources of Income and Others	8	15	25	42	34

Source : Statisticheskogo Ezhegodnik, 1996, "*Primorskii Krai v 1995 Godu*", Vladivostok ; quoted by Latkin A P, 1997, *Primorskii Krai. Uroki Rynochnikh Reform*, Izdatel'stvo Dal'nevostochnogo Universiteta, Vladivostok, p. 249

The officially registered unemployment increased from 4,966 to 32,434 in the Krai during the years 1992-95, and the underemployed (labourers without full employment) increased from 103,900 to 505,200 in the two years 1994-95. The official unemployment rate in the Krai increased from 0.4 to 3.0 percent in 1992-96, but this figure seems to be far below the reality (ibid. p. 65).

The Chinese Market was made up of traders of different nationalities - mainly, 150-200 Russian traders and 470-500 traders from China, with the latter always a majority of all traders in the Market.

**Table 7-2 The Number of Traders at *Balyaeva*, the Chinese Market, Vladivostok**

*Preliminary observation in 1995*

(Unit : number of \*stalls)

	Chinese citizens	**Russian Koreans	Slavs
July 23 , 1995	478	25	189
Sept. 3	492	28	170
Sept.12	475	30	178
Sept.17	470	20	150
Sept. 21	362	28	169
Sept.23	498	59	179
Sept.24	495	58	170

\*N. B. (1) \* The number of people is here replaced by the number of stalls for the sake of simplicity of fieldwork.

(2) \*\* Russian Koreans include Korean ethnic groups migrating from other CIS republics (former Soviet Koreans coming from Tajikistan and Kazakhstan, for example)

There has been variation - both long-term and seasonal - in the numbers of Asian traders coming to the city from China. There were many more in 1992-93 before strict regulations on visas causing the number to decline. It has also been subject to a seasonal change : more private traders tend to come just before winter time. This may be related to the fact that many of them sell overcoats and other winter clothes in the fall. In 1996, the number of traders with Chinese citizenship - 352-372 stalls - during the period between 29th June and 4th July - was about 30 percent lower than in 1995 (470-490). In 1996 about 60 percent were Chinese citizens of Korean descent. The loss of Asian traders was compensated by growth of the Slavs. One of the main reasons for the decrease was the Slav traders seeking the protection of the regional authorities, such as introduction of a stricter visa regulation and deportation of illegal immigrant traders. When counted two years later on the 31st, October 1998 on a follow-up study trip, the number had decreased even further by another 30 percent to 267 stalls, partly because of the ruble's depreciation and a decline in the purchasing power of Russian households. Russian households

experienced a loss of income in saving, and retailers selling imported goods immediately raised their prices in response to the fall in value of the ruble. As a result, in the period 1995-98, the number of Asian traders decreased by 46 percent altogether. The Krai government imposed ceilings on prices of goods making it illegal for traders to mark up prices by more than 10 percent. Many commercial transactions were reduced in size of operations or were forced into underground markets. The depreciation of the ruble may have thus discouraged rather than encouraged informal businesses in 1998. Decrease of earnings in US dollars, which was caused by the lower value of the rubles, may have made private trade in Russia less attractive for Asian traders. The number of *kiosks* and stalls decreased in the city. Nevertheless, an informal market such as the Chinese Market, which provides people access to affordable imported goods, may be necessary to satisfy the need of the local population, especially with wage stoppages and pension arrears continuing and hitting low-income groups without a safety net. In the decline of Russian purchasing power, informal economic activities - such as trading businesses in bazaars, unofficial earnings and savings in foreign currency - as well as barter transactions in transborder trade certainly softened the shock of ruble depreciation on the people in Vladivostok (Thornton J 1998 p. 5).

The Chinese Market reflects a collection of informal economic activities engaged in by both Russian and Chinese citizens, as mentioned, whose number must have been linked with the decline of real incomes, due to inflation and casualisation of the formal state economies in the RFE and NEC (the table below).

**Table 7-3 Dismantlement of the WMSS and a Rise of “Bazaar Economy” 1996**

(Unit : number of cases)

	The Slavs	Chinese citizens	
		Pilot Survey	Main Survey
(A) Moonlighting	27	15	43
Of which :			
Military	2		
Doctors and nurses	2		
Teachers	4		
Engineers	3		
Factory workers	1		
(B) Those leaving state employment	12	11	37
(C) *Others	16	23	20
Private business	**n.a.	18	10
Miscellaneous	**n.a.	5	10

N.B. : “\*Others” include pensioners, housewives, students and miscellaneous who have not experienced the state employment. \*\*n.a. means data not available. "Miscellaneous" means categories unknown.

In order to examine the more general context (other than bazaar traders) for the casualisation of workers in the state sector, a further sampling survey was conducted by interviewing Russian shoppers visiting the market. These Russian shoppers may represent more general situation of casualisation of work, since they were not Russian traders, but “ordinary” people. Despite a problem of small number samples, when compared with the universe, this interview has some merit, to the extent that it provides a more general context where casualisation of works may took place. Of the total of 55 respondents, 18 Russian shoppers had a second job, supplementary to work in official jobs, and 12 of these were found to be moonlighting for survival, in addition to the state employment.

Why did the two kinds of traders - Russian and Chinese citizens - gather in the Market and engage in trade business ? An assumption is, as already discussed, on both sides of the border, a “bazaar economy” absorbed labour of the underemployed and unemployed shed

from the formal state economies. When the wages of the state sector were insufficient or not paid at all, employees may have had a strong motivation to engage in supplementary income-generation

What about Asian traders from China ? Similar to the casualisation of the Slav traders and shoppers, moonlighting (labour diversification) in the state sector and leaving (labour transfer) it seem to be common. A major finding in 1995 was that urbanites were diversifying family incomes in the marketisation process in China (the table below). As argued in Chapter 1, this seemed different from how the literature usually explained China's urbanisation and industrialisation, e.g. McGee T G (1991 p. 7) and Ginsburg N (1991 pp. 144 - 51). These migration scholars have usually focussed on the case of rural migrants diversifying income sources. The research result, here, on the contrary showed that both urbanites and rural residents diversified income sources. Asian private traders' activities in Russia certainly went in parallel with state jobs in China. Private trade in Russia could be supplementary to official employment in China, and the main survey 1995 indicated that 17 respondents had jobs in the state sector (19 percent of the total valid answers), but the majority of respondents had other jobs in the non-state sector (see appendix c table 1).

In the surveys of 1996, traders with Chinese citizenship were asked a further question on their experience of state employment, whether any of their family members had worked in the state sector (see appendix c table 2). The results showed a diversification of income-generation "still working" (moonlighting) and complete shift of income-generation to another job "no longer works" (leaving the state sector) in China's state sector.

In the surveys 1996, the cases were therefore categorised into :

(1) Moonlighting

- (a) Cases of moonlighting where respondents were still registered in the state sector,
- (b) Cases of diversified income sources where respondents shared income-generating activities with other family members working in the state sector,

(2) Leaving the state sector

- (a) Cases of labour transfer where respondents left state employment and shifted to private trade in Russia, and finally,
- (b) Cases of labour transfer where other family members shifted occupation from the state sector to something else.

There were cases of moonlighting supplementing state employment : 30 percent (pilot survey, 15 cases) and 43 percent (main survey, 43 cases) respectively where family members including the respondents themselves were still registered in the state sector. These are the cases where the respondents' households (including the respondents themselves) were still registered on the state employment payroll whilst simultaneously engaged in private trading businesses. Cases of complete labour transfer from state jobs were 22 percent (11 cases) and 37 percent (37 cases) respectively.

When income-generating activities were diversified into various fields of activities, in what were they engaging ? For many traders from China, private trade in Russia was the main source of earnings for their household, next most common being the services sector in China. There were fewer cases where traders relied on income from manufacturing or farming jobs in China, which is not surprising (table 7 - 4 (1)). Then what were supplementary income sources ? They were : (1) private trade in Russia, (2) contract labour in Russia, and (3) border trade-related services like transport, wholesaling, etc. , i.e. auxiliary jobs to support private trade in Russia (see table 7 - 4 (2)). Therefore, according to the data collected, private trade in Vladivostok was both a main and a supplementary sources of income for the Asian traders from China. Probably they relied primarily on earnings which they made in Russia. Were these traders unemployed at home ? It is not known what kind of jobs these traders had in China.

**Table 7-4 Diversification of Family Income Sources (Unit : number of cases)****( 1 ) Main family income source**

	Pilot survey 1996	Main survey 1996
(1)Trading business in the RFE	24	62
(2) Contract labour in the RFE	4	2
- Farming	2	1
- Factory work	1	0
- Fishery work	1	0
- Construction work	0	1
(3) Services in China	13	16
(4) Manufacturing work in China	5	9
(5) Farming in China	1	4
(6) Border trade-related services	0	5
Void	2	2

**( 2 ) Supplementary income source**

(1)Trading business in the RFE	18	36
(2) Contract labour in the RFE	2	27
- Farming	0	10
- Factory work	1	0
- Fishery work	1	0
- Construction work	0	14
- Medical services	0	2
- Timber logging	0	1
(3) Services in China	10	6
(4) Manufacturing work in China	1	5
(5) Farming in China	2	5
(6) Border trade-related services	16	11
(7) None	0	4
Void	0	6

Another finding is that, as mentioned briefly earlier, generally the traders' household had several different sources of income. In fact, all the sampling surveys in the two years

(1995-96) showed that the traders had someone working to support their household financially by doing work other than hawking in Russia. That is to say, leaving aside void cases in the main survey 1995, in many cases the Asian traders were diversifying family income sources by cooperating with other members in China : i.e. spouse, brothers, sisters and relatives in China helped them financially.

## [ 2 ] Residents with Chinese Citizenships and Their Community

### 2 - 1. The Size of Residents from China

The immigrant community must have increased after 1992 with the rise of a transborder “bazaar economy”, but their number is not recorded and therefore unknown. The “bazaar economy” includes the economic activities of groups of temporary immigrants from China - business managers, contract workers and traders. These three groups formed an interdependent network of economic activities, as will be discussed later in this chapter.

How many Chinese citizens were there living in Vladivostok or Primorskii Krai ? Estimates of the number of Chinese citizens in Russia vary. Some sources estimate at least 180,000-200,000 residents from China living in Primorskii Krai (*Vneshniya Torgovlya* May 1994 ; The Institute of Economic Forecasting 1994 ; FEER 22 July 1993 ; the Asian Wall Street Journal 19 April p. 10). The Federal Statistical Committee of Russia estimates a similar number of people crossing borders to Primorskii Krai per annum (The Institute of Economic Forecasting *Problemy Prognozirovaniya* , Vol. 5 (5), Sept.- Oct. 1994). These numbers are constantly changing and represent only a snapshot of real flows at a given time. Aleksandrov A V (1994 p. 65) cites a different number, “By the end of 1993, more than 160,000 Chinese citizens had entered Primorskii Krai. More than half were illegal (border crossings)” (words in parenthesis added) (Aleksandrov A V et al. 1994 p. 65). Other estimates of the flow of Chinese citizens in the RFE as a whole put the number at 0.5-0.8 million at the end of 1993 (Hishiki K 1994).

Concerning the number of registered Chinese citizens (i.e. stock, not flow), Zakharova O D et al. (1994 p. 15) reports in *Sotsial'noe Issledovanie* (December 1994 No. 12 p. 15)

that :

Immigration from the PRC has increased rapidly since 1989. In 1989 in the Far East there were 1,742 people (from the PRC), in 1990 15,000. By 1993, the population of citizens from the PRC was no less than 100,000 people. In just five years, 1989 to 1993, it grew more than 50 times, whilst during the previous ten years of 1979 to 1989 there was almost no change in immigration from the PRC.

The immigrants are geographically dispersed in the RFE : over half are in Primorskii Krai (Zakharova O D et al. idem). Immigrants settle in both rural areas and cities (idem). In Vladivostok in the 1990s many hotels are full of people from China. Traders stay in private accommodation where they can escape detection by local police. As of 1993 there were said to be three “Oriental inns” (Aleksandrov A V pp. 54 - 9).

Information on the number of foreign residents in Vladivostok is almost non-existent. Shiga M (p. 13) estimates that there were 20,000 residents originating from China in 1993. Aleksandrov and Dushin, the local researchers at the Far Eastern State University (DVGU) estimate that there were between 6,000 and 16,000 residents with Chinese citizenship in the city in 1995, of whom, 10,000 were private traders and 4,000-6,000 contract workers. Generally, the data on the number of Chinese residents in Russia are chaotic and confusing.<sup>1</sup> The Chinese Consulate in Khabarovsk recorded 40,000 Chinese residents in Primorskii Krai in May 1995, while the Primorskii Krai Government recorded far fewer - 12,700 people on 1st October 1995.<sup>2</sup> Therefore the truth is unknown.

## **2 - 2. Categorisation by Entry Channels**

Unfortunately, accurate data on entries of Chinese citizens to the city or the Krai and the process of their entries and settlement were unavailable. The writer of this thesis, therefore, had to try by every possible means to gain a better picture of their immigration. He started by interviewing specialists in local authorities, and members of the Chinese

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<sup>1</sup> The data were given in interviews with them on 23rd May, 1995 at the Far Eastern State University.

<sup>2</sup> The data are from the interview with Mr. Chen Tsi De, on 12th December 1995. The figure is quoted by Mr. Chen Tsi De, Senior Consultant, Hainan Economic and Trade Enterprise, located in Heilongjiang. The Russian data were provided by the Institute of History and Ethnography. The local newspaper, *Vladivostok*, also confirms Mr. Chen's quoted figure by stating that 40,800 (80 percent) out of 51,000 total foreign residents in the Krai, at the end of 1995 were Chinese citizens.

community. The entry of Chinese citizens into the Krai is by three channels : (1) business visits (e.g., business managers of joint ventures, etc) ; (2) work assignment of contract labour, and (3) tourism (*Rossiskaya Federatsiya*, 1994, No. 12 , pp. 46 - 7).

Estimates of inflows of Chinese citizens hide several complexities. First, entries are often disguised as “business visits” to enterprises established in the Krai with Chinese capital. Joint ventures are often paper companies which exist only to facilitate immigration to Russia, functioning as an immigration service. They arrange and offer employment opportunities for fellow-Chinese citizens in Russia (Hyer E 1994 p. 8 ; *Gudok* 24 November 1994 ; *Delovoi Ludi* No. 60, October 1995).<sup>3</sup> Second, Chinese citizens legally enter the Krai through work assignments as “contract labour”, in which case the Russian employers are obliged to register the number of foreign workers employed with the local authorities, but they often do not do so (*Vladivostok*, 23 June 1996). Finally, traders often enter Russia as tourists. This “commercial tourism” particularly facilitates the two-way cross-border human contact and cross-border “ethnic” networks. In 1993 the number of Chinese citizens visiting Russia amounted to 751,000, while the number of Russian visitors to China was 777,000 (*Rossiskaya Federatsiya v Tsifrah* 1993, *Kratkii Statisticheskii Sbornik* ; Russian Federation in figures, Concise Statistics 1993, Moscow, 1994, pp. 76 - 7 ; Portyakov op.cit., p. 5). Tourists from China often “drop out” of tourist groups once they cross the border. According to certain reports, only one third of tourists return to China with their tour group. To stop this form of entry, tourist companies in Russia are now responsible for the return across the border of every member of a tourist group. In case of a failure to comply with the rule, the tourist agencies are obliged to pay fines and costs of deportation for the “drop-outs”. In some cases, their business license may be revoked for not controlling illegal immigrants to Russia (*Vladivostok Vremiya* 4 May 1995 ; *Bolishoi Vladivostok* 21 May 1994 ; Hyer E p. 11). In 1997 in Vladivostok there were over 150 tourist companies to support this “commercial tourism” and trade with China. The number of “shuttle traders” plying the border continued to increase by 150-80 percent

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<sup>3</sup> In 1994, there were 340 joint ventures with Chinese participation registered in Primorskii Krai.

each year during three year period 1995-97 (Latkin A P p. 201). In other figures, in Primorskii Krai there were 207 tourist agencies in 1994, and at least 32 of them received “tourists” from China. According to Russian official figures, about 30,000 tourists come to Primorskii Krai each year. The Krai Government is trying to control the “commercial tourism” in order to reduce the number of Asian traders. These tourist traders, however, reduce the prices of consumer commodities in the Krai, since they are exempt from import taxes as a result of their declaring goods as their personal belongings (Berestovoi A p. 3).

### **[ 3 ] An Immigrant Community and its Group Members**

#### **3 - 1. An Immigrant Economy**

A concept of an “immigrant economy” will be introduced here and defined for the purpose of the research as an economy engaged in by several immigrant groups - business managers, contract workers and private traders. The composition of each group is unknown due to the lack of information. Overall, Chinese citizens are hindered from full participation in the economy of the RFE (except as officially registered contract workers). The following is an overview of immigrant society which the writer of this thesis constructed on the basis of interviews, observations and literature reviews.

#### **3 - 2. Business Managers**

Business managers establish enterprises in Russia with wholly Chinese capital, either as “Russian” enterprises or joint ventures (JVs).<sup>4</sup> They conclude trade contracts with Chinese enterprises, in which they agree with their counterparts such items as volume and rates of exchange in barter transactions. Profits are transferred to offshore enterprises, often registered in a third country (e.g., the U.S.). Business managers set the amount of payment according to the balance of payment in credit. A bank account is used as a guarantee of solvency to receive bank credit and as a basis of calculation for further counter-purchases. They buy Russian raw materials in non-cash transactions, and resell them in China. In

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<sup>4</sup> Chinese managers establish disguised “Russian enterprises”, using a Russian friend’s name since there is a prohibition on foreigner’s direct ownership of property.

exchange, managers receive shipments of food and non-food consumer items from China and resell these goods in the RFE (Aleksandrov et al. 1994, pp. 33 - 5).

Business managers organise trading businesses on a relatively large scale, and often provide petty traders with commodities to replenish their stock. They also help petty traders by letting accommodation and offering consulting services. Some managers established new businesses, and succeeded in increasing their profits from 100 million yuan to 1.6 billion yuan in the two years of 1995 and 1996 - engaging in barter of textiles, clothings and other consumer products for Soviet-made Tupolev aircraft, and leased these aircraft to China Airlines (*Asahi Shimbun* 11 January 1996). In some cases, profits are reinvested further in the RFE by purchasing real estate, securities, and other property through Russian agents (Aleksandrov p. 66). But according to the Vladivostok Exchange, their presence is still insignificant in the stock exchange, at least under the name of Chinese enterprises.<sup>5</sup> Rather, their presence is much larger as participants in small-scale joint ventures in Primorskii Krai. They provide business-support services for other businessmen and traders coming from China (e.g., provision of market information, consultation, registration of JVs, fax, international telephone, translation, etc.), help find potential business partners, and arrange trips to various Russian cities (Aleksandrov pp. 54 - 59). The five men below are people in the business manager stratum, whom the writer met during the fieldwork. They were all educated and very ambitious people, contrary to the popular image that immigrants are impoverished rural migrants with little education (the “present time” of cases A, C, D and E is 1995-96 and the “present time” of Case B is 1998 during the follow-up research trip).

### **Case A : A Warden, Running Accommodation for Fellow Migrants**

Mr. Kong Ling Guo (55 years old) from Yinchuan City, Ningxia Hui Autonomous Region. University graduate. He was dispatched by a state enterprise dealing with foreign trade for expansion of overseas markets in Russia and Eastern Europe. However, the relationship between his foreign trade company and his actual business in Vladivostok is

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<sup>5</sup> An interview with Victor B. Sakharov, President of the International Stock Exchange of Vladivostok, 17th August 1994

not clear. He lets accommodation for about 100 traders near the Chinese Market - at *Katerinka* 17 in a suburb of the city. He was also a specialist in business finance in one of the major banks in China. In Russia, his income comes mainly from business consultation and renting out apartments. He has stayed in Russia for over five years but he does not yet speak Russian. This shows that he is able to live without knowledge of Russian in the immigrant community. Lately, his earnings from rent have been reduced due to the decline in the number of traders.

### **Case B : A Warden, Successor of A**

Mr. Chen Chun (45 years old) also from Yinchuan City, Ningxia Hui Autonomous Region. In China he lives in the same neighbourhood as Mr. Kong. He is accompanied by his wife who originates from Heilongjiang Province. He works for the same state enterprises as Mr. Kong, and takes over jobs to look after the accommodation as a warden. At the time of the follow-up trip 1998, he complained of the decline in the number of private traders coming from China. He is disliked by traders staying in the accommodation because he does not give much help, aside from the maintenance of the accommodation, which his predecessor did much extra work for traders. Probably their state enterprise may be directly involved in maintenance of accommodation that provides lodgings to private traders, since both of them in turn engaged in the maintenance of the accommodation.

### **Case C : Multilateral International Business Manager**

Mr. Zhao Guo Bing (25 years old), university graduate, from Jiangsu Province, and formerly one of the leaders in the student demonstration in Tian'anmen Square in 1989, organises the Association of Coethnic Entrepreneurs "Tai Ji" in Primorskii Krai, and himself runs a multilateral trading business : importing chinaware and silverware from China to Russia and exporting fishery products to Japan via Dalian, China. He is a typical business manager, which Pearson M M (1997 pp. 137 - 41) describes as a "China's foreign-sector manager" having a "cosmopolitan" or an "international outlook" in business management and through their experiences and contacts abroad favours not only full

marketisation, but also unfettered China's participation in the world economy...". In Pearson's image, a "foreign-sector manager" also "recognises the tremendous importance of cultivating good relations with (local) officials in order to achieve business goals." The "foreign-sector managers" depend on "discretionary favouritism of local officials for protection of their business interests (idem). Mr. Zhao fits very well into this image of Pearson's "business managers", except the fact that he is very interested in or even enthusiastic about politics, not "apolitical" at all (ibid. p. 139). He hires Russian chauffeurs and workers to look after his business, negotiates with Japanese businessmen in Japanese on the contract of purchase and shipment of pollock and king crabs, and consults with colleagues in the U.S. on financial matters as to make sure their joint business venture runs profitably. He is gifted with language skills, and speaks English, Japanese, Russian and Chinese. Profits are sent to bank accounts in the United States. Opposed to the Russian state's strict control over border trade and immigration and very keen on the Tumen River Development Plan, he believes that the plan will be realised some day by investment of overseas Chinese entrepreneurs. He has many friends abroad, not only local government officials and businessmen in China (e.g., Suifenhe, Hunchun and Yanji), but also Russian police so that visa extension causes no trouble, and close friends in New York and the American consulate in Vladivostok helping him to arrange to go to the U.S. to study business management. He invites the director of the police department to dinner to keep his visa extensions problem free. He is still in Vladivostok only because Russian business partners have delayed payment for goods he imported from China. His dreams go far beyond becoming a distinguished merchant in international business, to guiding the politics of the Chinese state in the future. Later, at the end of 1996 he went to the U.S. to study.

#### **Case D : A Wholesale Manager, Supplying Goods for Other Traders**

Mr. Yang Yong Lu (34 years old) is from Suifenhe City, a border city with Russia in Heilongjiang Province, where one of the four transborder economic cooperation zones has been established for foreign investment and trade. University graduate in Russian studies at Heilongjiang University, Harbin. He speaks Russian fluently, and organises a wholesale

market for fruit, vegetables and other foodstuffs (near the Chinese Market in Vladivostok) where his employees work, managing somehow to obtain a license from the local authority. He hires someone else to sell the vegetables and fruit he has imported from China. He has savings in a bank account in the U.S. According to him, fruit and vegetables sell at a 23 percent higher price than in China. He often smuggles these foodstuffs in because profits are far less if he declares them to the Russian customs. He is married and has a family in Suifenhe. He returns home to China at least once a month to restock for the wholesale market. He hopes to earn as much money as possible during his stay in Russia and expects to buy a house and start a larger business at Qintao, Shandong Province in about two to three years' time. At the time of the follow-up trip, in November 1998, he had already returned to China. It is not known whether he achieved his dream or not.

### **Case E : A Business Manger Exploring Market**

Mr. Zhang Tie Jun (34 years old), university graduate from Jilin Province and a friend of Mr. Kong and Mr. Zhao. He is Han Chinese but speaks Korean fluently. Vice regional director of the Hunchun Office of Guandong's Industrial and Trade Development Enterprise. He regularly comes to Vladivostok, together with his four Russian-speaking subordinates in order to investigate the Russian market. One of his subordinates is being pursued by the Russian police for illegal trading and visa problems. He has a luxurious Hyundai car in Hunchun, China where car ownership is still low, and has a prestigious office in Hunchun's transborder export processing zone. He was appointed as vice regional director by a firm in Guandong because the market in Guandong is already saturated for business expansion and his organisation needs to expand into niche markets of trade with Russia and Eastern Europe.

### **3 - 3. Contract Workers**

Foreign contract workers are recruited through two channels, inter-governmental and inter-enterprise agreements (Kim W B 1994b p. 1066). Chinese citizens were the majority (about 85 percent) of all foreign contract workers. In fieldwork 1995 officials of local authorities (10 cases in total) were interviewed about the former and Russian employers

(22 cases in total) hiring Chinese citizens about the latter. How many workers are employed on each contract ? The scale of employment varied between 16 and 341. The duration of contract is usually a year, but depends on the project. Areas in demand for foreign labour are construction (public infrastructure, hotels, government offices, railroads, banks, investment companies, homes for the elderly, ship-builders, etc.) and agriculture (production of fruits, vegetables, etc.). Wages are in general lower than the wages paid to the Russian workers. For example, in the interviews it was found out that the wages paid for construction workers are about 20-40 percent lower than those paid to Russian workers. In the interviews, the researcher was told that it was impossible to hire Russian stonemasons at the same wage level paid to workers from China. In the contract, workers are usually provided with accommodation, and free medical expenses are paid by employers. However, for Chinese citizens, contract labour seemed less lucrative than private trading. They are hired through Chinese agents, and the wages are not paid directly to the individual worker (direct payment is accounted only for 2 cases out of the 22 cases interviewed), but only through agents and after their return to China.

During the fieldwork 1995-96, for example, workers from China were often seen on the construction site for the New “Korean College”, attached to the Far Eastern University, and a refurbishment work site in “Vladivostok Bank”. In both cases, they lived in the prefabricated lodgings near the building sites, and they had very little contact with Russian society. Workers came to Vladivostok not only from NEC but also from as far as the region around Shanghai.

It seemed that these contract workers often shifted their activities to private trade. Labour inputs for private trading may come either from direct entry to the private trading job market which will be discussed later (see the section on private traders) or from indirect entry from the pool of labour represented by contract workers. Here the latter case will be examined. As discussed briefly in the last chapter, the lucrativeness of private trade may cause contract labour to move to private trade, since the wages in contract labour are less attractive (Kim W B 1994a pp. 32 - 7 ; Kim W B 1994b pp. 1069 - 70).

The findings of the fieldwork confirmed that contract workers formed a labour reserve for an immigrant economy, which fed labour inputs to private trade in the Chinese Market. In the interviews with Russian employers, they did not deny entirely the chance of occupational flexibility, that is to say, of workers shifting to other jobs during their stay in Vladivostok. The workers could probably change occupation to private trading or to part-time private trading. Thus the inflow of contract labour and the inflow of private traders are probably somehow related. With a revival of the long repressed consumer sector, some services started to be imported by the importation of foreign contract labour - which is services related to basic needs of Russian daily living - e.g. housing construction, food production. And these importations of labour services generated labour reserves for private trade. Thus, as implied by the literature (for example, Kim W B 1994a ; Kim W B 1994b), the results of the fieldwork suggested that contract labour, which gives legal entry, indeed provided another route of labour supply to private trade in Vladivostok.

**Photo 2 Traders Bringing Goods into the Market**



Private traders were asked what other work they engaged in in Russia. The findings tell us how they shifted their occupation to private trading during their stay (table 7 - 5). There

was indeed an occupational diversion from contract labour. Some interesting findings were:

1. Many traders engaged in other jobs in Russia, in addition to selling commodities at the Chinese Market : 2 cases in the pilot survey 1995 ; 68 cases in the main survey 1995 ; 7 cases in the pilot survey 1996, and 37 cases in the main survey 1996.

2. Furthermore, within private trade, traders had a division of labour between sales of commodities at the market and trade-related auxiliary services (e.g., transport and wholesale services). This probably represented occupational diversification to auxiliary services with the development of hawking business in the city. In other words, private traders engaged in auxiliary work for other traders - e.g., transport services and wholesale services. Auxiliary jobs accounted for a substantial share of total trading operations (see the table below). This may also suggest a division of labour in traders' families. For example, some family members are left to look after a stall and sell commodities at the Chinese Market in the city, while others go to purchase goods to other places in Russia, China or elsewhere. Probably the division of labour is more generally extended to the whole immigrant community or perhaps even to Russians so that the total business can work efficiently. This point of interdependence in informal economic activities partly denies the populist image of inter-ethnic rivalry between Russian and Asian traders. During the follow-up trip 1998 Russian money exchangers, taxi drivers, lorry drivers, etc. were observed serving the Asian traders near the Chinese Market. Russian plot owner of the market depends on an influx of Asian traders. Russian plot owners of the Balyaeva market continued to charge traders for the use of stalls through the observation and fieldwork years of 1994-98, and various other scenes were observed where Russians supplemented Asian traders' trading operations. As discussed earlier, to some extent, the formal sector of the city's economy (e.g. inviting contract labour) creates a room for activities in the informal sector and immigrant economy. As just mentioned, this seems to contradict in part what the literature tells us about inter-ethnic rivalry between Russians and Asians (indeed, there was a certain degree of symbiotic relationships between Russians and

Asians). But at the same time it is probably plausible that the two types of traders compete with each other for market share in private trade. This relationship between the local traders and Asians seems to be a “love-hate relationship” involving both inclusion and exclusion. This point will be discussed further in Chapter 10.

**Table 7-5 Other Work in Russia Besides Private Trade (Unit : number of cases)**

	1995		1996	
	Pilot Survey	Main Survey	Pilot Survey	Main Survey
1. Farming	0	34	2	14
2. Construction	1	24	0	18
3. Light manufacturing	1	7	5	2
4. Medical service	0	3	0	3
5. Other (student, etc)	4	18	0	6
6. Selling at bazaar only	44	20	24	31
7. Auxiliary services	0	0	18	26
(1)*transport services				
for other traders	0	0	2	15
(2)*procurement services				
for other traders	0	0	15	9
(3) Foreign exchange services	0	0	1	1
(4) Interpreting	0	0	0	1
8. Void	0	0	0	0

### **3 - 4. Private Traders**

Immigrant traders maintain external relations with their homeland through transmitting information, recruitment, commodity procurement and capital flows (Kaplan D H 1997 pp. 214 - 33). Private traders have formed distribution networks, bridging between producers and consumers.

The following is information offered from a detailed interview with Mr. Kong, a leading figure in the immigrant community in Vladivostok, who explained the background of the

traders coming to the RFE. After Tian'anmen in 1989, China's exports declined in major overseas markets - the United States, Japan and Western Europe. As a countermeasure, China began to move into new markets including the CIS and Eastern Europe. It is not known exactly in what year traders started to come to the city. By the end of 1993 their bazaar had already been established at *Pervaya Rechka* in the city centre. However, after visa requirements were introduced for Chinese citizens in 1994, the local authority enforced a relocation of these traders to the present location at *Balyaeva* in suburbia. Since then, expansion of their trading business has been restricted by regulations of the Krai authorities. For example, a restriction has been placed on the movement of people and goods by means of visa controls, import taxes, and restrictions on locations permitted for their businesses. In Vladivostok their trading activities are now primarily confined to *Kitaiskii Rynok* - meaning "the Chinese Market" in Russian - at *Balyaeva*, where the market space is managed by a Russian enterprise named "Baturin and Son." The fieldwork could not identify the relationship between "Baturin and Son" and the commercial administrations of the Krai Government and the City Governments. As briefly mentioned, the Russian plot owner used to have a double source of income (but at the time of the follow-up trip 1998, they had ceased collecting admission fees to the market due to the pressure from the common people demanding essential consumer items at affordable prices) : (1) by charging shoppers 2,000 rubles for admission every time they entered the bazaar, and (2) by leasing stalls to Asian and Russian traders. The lease of a stall cost 1,700,000 - 2,800,000 rubles per week (US \$340 - 560) for Chinese citizens and 1,300,000 rubles (US\$260) for Russians as of 1995.

During the period of 1995-98, over 70 percent of traders with Chinese citizenship dealt directly in retail sales only of non-foodstuffs, despite a majority of grain, vegetables, fruits, etc being brought in from Chinese wholesalers, often state enterprises. In other words, retail sales of foodstuffs were permitted only for the Slavs. It is not known exactly what percentage of specific foodstuffs in circulation were from China, but wholesale merchants from China certainly controlled the distribution to the city. Because no business licenses

for retail sales of foodstuffs have been issued so far (i.e. up until the end of 1998) to immigrant traders, businessmen from China enter wholesale businesses in Russia, selling foodstuffs to Russian retailers.

What about retail sales of non-foodstuffs ? In the years from 1992 to 1995, retail sales of non-food items decreased quickly. According to an interview with Mr. Chen T D, a senior business manager living in Vladivostok together with his wife dispatched from Hainan Economic and Trade Enterprise in Heilongjiang Province, his estimation was that the market share of Chinese clothing, textiles was 50 percent in Vladivostok in the early stage of marketisation (1992-93), but decreased only to 10 percent in 1995. This is probably associated with the city's stricter regulation of private trade, and particularly immigrant traders. The Primorskii Krai Government and the local police have tried to keep "expansion" of the Chinese Market under control with such measures as : permitting the issues of only a limited number of licenses, confining private business activities to the market, confiscation of commodities, high import taxation when smuggling is found, passport and visa checks to minimise the number of illegal immigrants with surprise inspections at the market, deportation when found, etc.

As will be discussed later, many of the traders with Chinese citizenship are of Korean descent. How did these Chinese Koreans start their businesses ? Their influx to the city started with the mutual exchange of visits between relatives of Korean descent living in CIS and those in China. They used invitation letters, which are written for Chinese Koreans desiring to visit family and relatives in Central Asia. Initially, items taken in or brought out were probably genuinely gifts. Later, many traders started to abuse such invitations from genuine or fictitious relatives for the purpose of trade business in the RFE. The gifts came to be sold as merchandise at bazaars. Visitors to relatives were transformed into commercial tourists. According to the local police and the immigrant community leaders, about 90 percent of private traders come to the Chinese Market with a tourist visa. They are thus exempt from import taxes, provided that they are "tourists", bringing their "personal belongings" worth less than US \$5,000 in value (this upper limit was

lowered later, it seems, to US\$ 1,000 in 1996). The penalty for infringement of the customs regulations was and is a fine of a mere 300,000-2,000,000 rubles (US\$ 60 - 400). Some Chinese Korean traders went only to Primorskii Krai, not going on to Central Asia. Although Central Asian cities are specified on their visas as final destinations (Tashkent, Dushwanbe, Alma-Ata, etc.), over half of ethnic Koreans crossed Suifenne-Grodekovo border under the guise of visits to Central Asia and stayed in Primorskii Krai instead. They did not travel farther because of the expense of travelling and because traders were afraid of meeting hostility from people or even mobs on the way (Deryabin A 1994 p. 5). However, it is known that some of their business activities have been extended to Kazakhstan and other Central Asian Republics (NHK China Project 1995 pp. 57 - 99).

**Map 8 Locations of *Kitaiskii Rynok* at *Balyaeva* and Other Markets in Vladivostok**



How did private traders usually come to Vladivostok ? According to Mr. Kong, they first came to Ussurisk by rail and off-loaded their hand baggage. Ussurisk is a transport junction point and distribution centre connecting NEC and the RFE. Fares are around 1,800 yuan per person (US \$ 200-300) and goods are charged around 2,000 yuan (US \$ 250-300) per cubic metre. As of 1995 and 1996 in Ussurisk, there was an ad hoc wholesale market where private traders could replenish their stock of Chinese goods. Before travelling on to Vladivostok, traders individually hired lorries or vans at night to transport their goods to their lodgings there.

Where did they live ? Private traders lived close to the market ; within about 500 metres of the market in *Balyaeva* were several apartments, the rent for which was about 900,000-1100,000 rubles per month (US\$ 180-220). Bribes were paid to the local police to turn a blind eye to their activities and cause no trouble. Near the market there were also warehouses for foodstuff storage and distribution to Russian retailers, fruit, vegetables, dry goods, groceries, etc.

**Photo 3 Accommodation for Asian Traders**



Some say about 90 percent of the foodstuffs circulated in Primorskii Krai are Chinese agricultural products (for example, carrots and onions from Shandong and Zhejiang

Provinces), but details are unclear. As mentioned earlier, the majority of Asian traders originating from China deal only in non-food commodities such as clothes, footwear and consumer electronics. Hence, the exclusive Russian access to the retail trade in foodstuffs probably reflects the authorities' concern about vulnerability to foreign influences and foreign control over trade in such essential items as foodstuffs.

Aleksandrov A V and Deryabin A describe characteristics of the private traders in Vladivostok : (1) over 90 percent are of Korean descent, coming from Yanbian Korean Autonomous Prefecture, or other places in Jilin and Heilongjiang Provinces, (2) almost all are farmers (rural migrants), (3) traders bring most of their family members (except children and the elderly), (4) their age is almost always between 20 and 45, (5) they are geographically dispersed and mobile, changing lodgings and business operations, moving all over Russia and Central Asia by making use of the "Korean diaspora", (6) length of legal stay is normally three months (but it can be renewed and extended another three months, if certain conditions are met). Some traders extend their stay twice or three times, living over a year in Russia, and (7) many earn as much as several thousand dollars per month. Fines are tiny when compared with their total earnings. Total expulsion has never been implemented, because it would lead to the local police and border guards losing the bribes (Aleksandrov A V 1994 pp. 48 - 50 ; Deryabin A 1994 p. 5).

Below are the actual findings of the original sample surveys to check whether the statements above are true or not.

(1) Nationalities and ethnicity : the majority were Chinese citizens. Of these Chinese citizens, the proportion of Chinese Koreans fluctuated in the vicinity of 40 percent.

(2) Home localities : Heilongjiang and Yanbian were the two regions of origin. The Han Chinese tend to come from the former, the Chinese Koreans from the latter. The next chapter will further examine whether they have specific ethnic network connections with their regions in China.

(3) Population status : urbanites exceeded rural migrants, contrary to the popular image of impoverished "rural migrants flocking to the RFE". In this sense, our original data

contradicts the assertion of Aleksandrov A V and Deryabin, but there is a dearth of literature explaining “casualisation” of urban employment in state enterprises in the course of marketisation, which may be more relevant to the RFE and NEC. Theories in existing literature only deal with the issues of transforming rural occupation in economic development. They disregard a relevant aspect of the post-socialist phenomenon, casualisation of urban employment - see, McGee T G, Yixing Z and others (1991 pp. 3 - 26 and pp. 89 - 112 ; Yeh A G and Xu X 1996 pp. 417 - 64), Ueno K (1993 pp. 50 - 1) and Wang M (1997 pp. 1 - 18).

In this regard as argued in Chapter 1, discussion on the decline of a WMSS (“war-making” socialist state) best explains casualisation of urban state employment, that is to say, the transformation of the state sector in marketisation, which had long been supported by subsidies under the state socialist system (Harris N and Lockwood D 1997b pp. 597 - 634). Later, this chapter will expand this point, aspects of the casualisation of state employment.

(4) Age and sex : the ages were concentrated in the 30s-40s, and traders were predominantly male except in the 30s group. This is related to the next point of sojourners vs. settlers.

(5) Sojourners or settlers ? : In general immigrants were predominantly male sojourners in an early stage of settlement. This is what was also found for most traders in Vladivostok. They were sojourners staying in the city for two to three years. The fieldwork study implied that traders regarded the hawking business as temporary, only a stepping stone to climb up “the social ladder” when reentering China, or moving elsewhere in a few years’ time. Most of them actually earned more money by coming to Russia than their previous income in China. They were asked whether they were earning “more”, “less” or “about the same earnings”, compared with those in China. The majority (about 80 - 86 percent of the all respondents) earned more income after their move to Russia (see appendix c table 3).

Generally speaking, traders had increased their earnings by moving to Russia, no matter how much their initial capital was. Traders were asked how much they earned. Although

their earnings vary, they earned more than they did in China by moving, but the tendency showed that the less the initial capital, the more traders answered that they earned more than they did in China. It was also found that the trading at the market was a relatively small-scale business with few cases of traders having initial capital over 9 million rubles.

Why did they make up their minds to come to Russia ? The reasons were mostly : (1) little chance of getting a well-paid job in China, (2) perceived that there were better earning opportunities in the RFE than China and / or (3) need to have additional income sources to support one's family (see appendix c table 4). Their image of "better earning opportunities in Russia" was important in mobilising the traders to come to the city. Furthermore, this perception must be transmitted to prospective immigrant traders in their home communities in China by specific information networks.

Another finding is that the border crossing point Hunchun - Kraskino, which is little known in publications and literature, is open for unofficial transactions, according to a detailed interview in December 1998 with Mr. Pan Jian, a private trader from Tumen, Yanbian Korean Autonomous Prefecture (21 years old, male, Han Chinese). In Vladivostok he has been engaging in private trade for more than three years (1995-98). He runs his business together with his brother living in Russia and his father at home in Tumen, arranging shipments from China. He deals with purchases and sales of wallpaper, carpets and other materials for decorating. His area of procurement sources is not confined just to China, but extends in some cases to Japan - he purchases Japanese wall plasters, and pays Vietnamese and Russian traders in Vladivostok to procure them on the regular "shopping tours" to Japan. Other goods to sell, he purchases in China on his regular returns to Tumen. Instead of taking the officially permitted Suifenhe - Grodekovo trade route, he goes through the shortest way (Hunchun - Kraskino, an eight-hour drive in his lorry). There are four employees whom he hires for sales of commodities in other markets in Russia - his marketing is geographically dispersed as far as Krasnoyarsk in Siberia. Because the upper ceiling for remittances is set at 10,000 rubles per trip to the home town (cash earnings in U.S. dollars are hand-carried), he goes back and forth to Tumen as

frequently as possible, sometimes as often as two - three times a week. He pays 40,000 rubles to rent a stall per day to the plot owner "Baturin and Son". His trading business even extends to North Korea since his hometown, Tumen is on the border between China and North Korea. Furthermore, a study trip and enquiries to Mr. Sheng He Rong, Director and Mr. Jin Chang Zhao in Commerce Bureau, Tumen Municipality at Tumen in August 1994 revealed that in 1993 there were about 120,000 entries, and that 80 percent of the total border crossings between North Korea and China were Chinese Korean traders going from China to sell commodities.<sup>6</sup> The young Han trader from Tumen may indicate one of the cases where private trade extended their business operations to diverse locations simultaneously in order to maximise total sales and expanded mercantile operation increasingly penetrating even one of the most autarkic market in North Korea.

## **[ 4 ] "Commercial Tourism" and Mercantile Penetration**

### **4 - 1. Introduction**

The demise of the WMSSs, in the RFE and NEC increased casualisation of formal state economies and jobs, and it stimulated cross-border contacts and movement traffic. In 1995 Primorskii Krai was the region with the fourth largest tourist services after Moscow, St. Petersburg, and Krasnoyarsk Krai in 1995 (Latkin A P 1997 p. 201). In Primorskii Krai there were over 180 tourist agents in 1995, and since then, this tourism has been expanded geographically not only to NEA but also to SEA (South Eastern Asia) and areas covering as many as 30 countries (but China is the major counterpart in interaction) (ibid. p. 202). Wage-strapped employees of the former state enterprises turned themselves into private traders, and both countries people - Russian and Chinese citizens - crossed the border to China or Russia in shuttle trade for economic survival. Cities in borderlands have thus become linked in transborder transactions bridging NEC and the RFE through the hands of private traders. This flow of cross-border human traffic reveals a spatial dimension of how far Vladivostok's consumer market interacts economically with China. This section

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<sup>6</sup> The data are based on original interviews with Tumen Municipality, on 24th August 1994.

examines the geographical extent of both countries traders' interaction from the following views : how deeply private traders penetrated the border region in trade, and how frequent their movement is in entering the counterpart regions.

#### **4 - 2. Cross-Border Human Movement**

Some services are produced and consumed at the same time and only at locationally fixed points (Daniels P W 1993 p. 25 and pp. 76 - 7). Services of this kind require direct face-to-face contacts and operations like the one between retailers and purchasers of commodities (ibid. pp. 65 - 79). The retail trade often functions via an informal channel, despite strong state restrictions imposed on human traffic and commodities movement, such as visas, work permits and customs inspection (ibid. p. 11 and pp. 65 - 79). This commodity-related service (e.g. retail trade) lead to the movement of people (ibid. p. 25). Private traders purchase goods in China and resell them at the Chinese Market in Vladivostok. Import demand in the RFE thus generates such cross-border human movement in both directions. The Chinese Market is therefore, a visible sign of traders' transnational commercial links with China.

##### ***( 1 ) Traders from China***

What is the geographical coverage of their human movement in trading business ? Departure points of traders from China were as below. Some traders came from such distant areas in China as Hubei, Yantai, Jiangsu, etc, far beyond the Tumen Delta region (the cities and regions in Map 9 are their departure points in China).

**Table 7-6 Home Cities and Regions of Traders from China (Unit : number of cases)**

<i>Yanbian</i>	<i>Other Jilin</i>	<i>Heilongjiang</i>	<i>Liaoning</i>	<i>Outside the Northeast</i>				
Yanji	12	Changchun	1 Harbin	14	Dalian	5	Hubei	7
							(Shi Jia Zhun, Bao Ding, etc.)	
Hunchun	7	Jilin	2 Mudanjiang	5	Shenyang	3	Beijing	1
Tumen	5	He Long	1 Dunin (Dongning)	3	Yinkou	1	Shanghai	1
Dunhua	2	Hui Nan	1 Suifenhe	6			Hunan	1
Antu	1		Mishan	4			Jiangsu	1
Rinan	1		Hulin	1			Yantai and Shandong	3
			Mulin	1			Inner Mongolia	1
			Beian	1			Xinjiang Uyghur	1
			Baochin	1				
			Qiqihar	3				
			Ji Tong	1				
			Ling An	1				

N.B. : The italics are the broader regions, while under them are the more specified home cities and areas.

Their destination points for temporary settlement were mainly directed to a limited number of places in Primorskii Krai such as Vladivostok, Ussurisk, and Grodekovo, where they formed major settlements to live and bazaars to engage in trade.<sup>7</sup> According to a source in the Japanese Consulate in Vladivostok, private traders also formed a bazaar in Nakhodka, but the number is still very small when compared with other bazaars. In Nakhodka, Chinese citizens were mostly in the business manager stratum, investigating a Russian market, and establishing foreign trade businesses, there.<sup>8</sup> According to *Zaratoi Rog* (6 August 1996), the authority of the Nakhodka Economic Zone issued licenses for foreign trade operations to 50 Chinese firms out of a total of 78. For instance, the writer met on a train from Grodekovo to Suifenhe a business manager from Mudanjiang, Mr. Lee Gan, vice director of a company called “Tenko”, who was on a business trip to Nakhodka

<sup>7</sup> In a study trip to Grodekovo in July 1994, there was a major agglomeration of hawkers originating from China. In an informal observation, some of them were found to be Chinese citizens of Korean descent from Yanbian Korean Autonomous Prefecture, Jilin Province.

<sup>8</sup> The information is based on an original interview with Miss Yamamoto, Japanese Consulate, on 2nd November 1998.

in order to study the feasibility of establishing an office in Nakhodka.<sup>9</sup>

Contrary to the observation by Aleksandrov A and Deryabin A, it seems that traders did not hop one bazaar to another in Russia. Their localities of origin and areas of movement covered a large part of China, but within Russia there were only a few cases where traders went out to sell goods beyond the Krai - 8 cases in pilot survey (moving all around the RFE) and 1 case in main survey 1995. On the contrary, it is shoppers that were moving to purchase goods, not private traders.

## **( 2 ) Russian Traders**

As discussed in another chapter, after the Tian'anmen Square Incident in 1989, Chinese export of textiles and other light industrial products in major markets fell rapidly, but this was to some extent compensated for by exports to an emergent market in the Soviet Union and Eastern Europe. Across the Russo-Chinese border together with a geographical extension of commodity flow, human traffic of Russian shopping tours also increased. In a study by Roehl W S et al., the total number of Russian tourist traders visiting China increased by 315 percent within just the two years 1988 and 1990 (1995 pp. 24 - 5). Roehl W S et al. (pp. 72 - 3) notes that in 1991, 284,885 CIS citizens entered China, of whom only 86,297 arrived in hotels in major Chinese cities. This implies their immediate return after purchase of commodities and their business activity in China. This commercial tourism had a distinctive ethnic feature in other border crossing points, too, those going to China being Uyghur, Kazakh, and Kirghiz traders having family / relatives connections to destinations in China. These connections reportedly formed an informal trade network for trade business (ibid. p. 189). According to Roehl et al. (idem), the most popular destinations were in cities in North and Northeast China : Beijing 41 percent, Harbin 22 percent, Shanghai 11 percent, followed by Urumchi 9 percent (loc.cit. pp. 72 - 3).

In the fieldwork survey where were the Russian traders from ? Many traders were inhabitants of Vladivostok (83 percent, 38 cases out of 46). The remaining 8 were 6 from other places in Primorskii Krai, 1 from elsewhere in the RFE and 1 from the Urals.

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<sup>9</sup> Name in direct transliteration from Russian phonetics on his name card.

Where did they go in China to procure goods for sale on their shopping tour ? The destinations in China were either regions directly bordering on Primorskii Krai (such as Hunchun, Suifenhe, Dunin, Mishan), or cities with easy railway access from Vladivostok (Yanji and Dunhua in Yanbian Prefecture ; Harbin, Mudanjiang, Qiqihar in Heilongjiang Province ; Dalian and Shenyang in Liaoning Province). The cities and regions in Map 10 indicate the geographical spread of the mobility, Russian and Chinese traders interpenetrating in their destinations (blue lines indicate destinations of Russian traders and red lines those of traders from China).

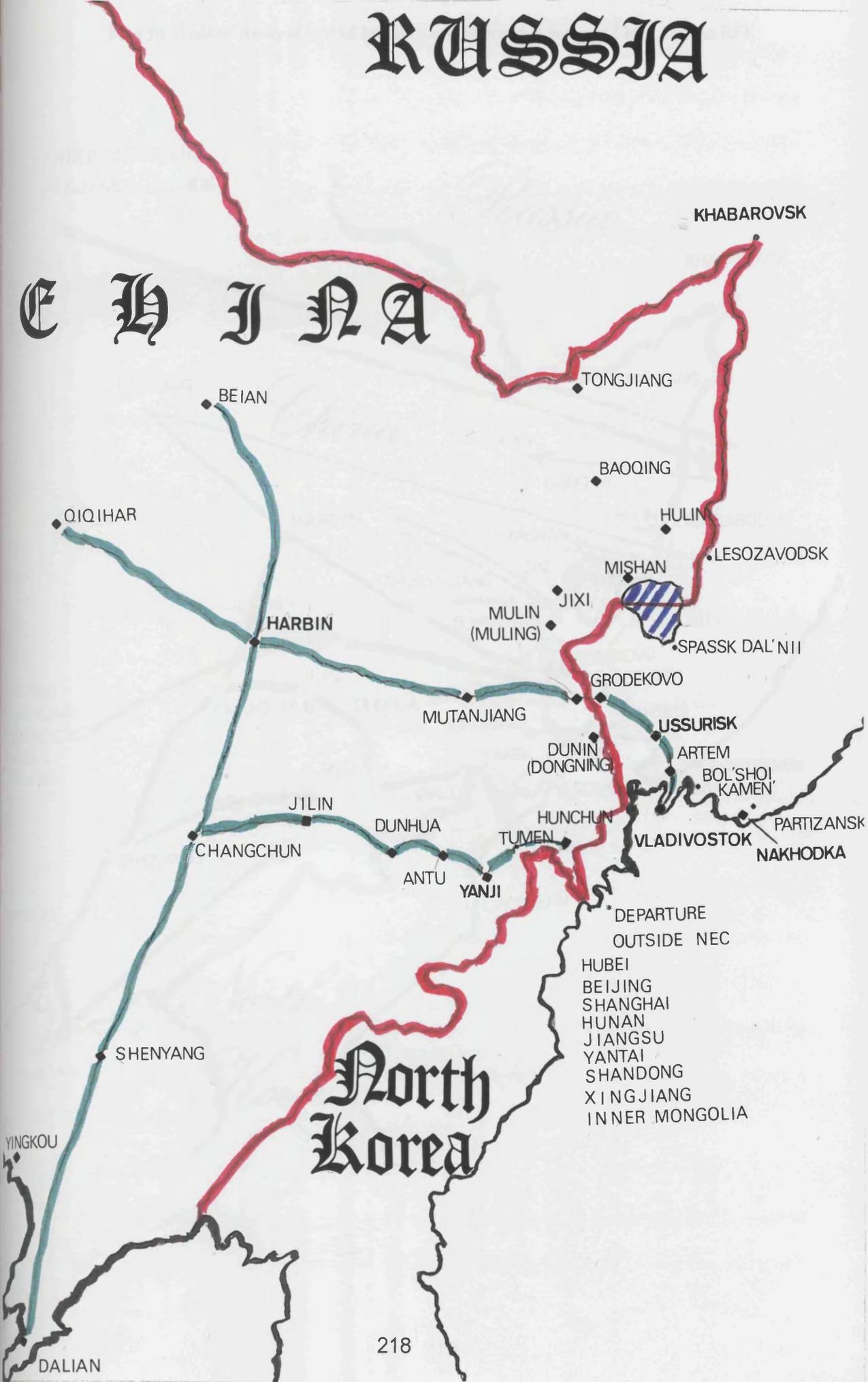
**Photo 4 The Chinese Market**

Some Asian Traders were very sensitive to intrusions from outside. The man looking at camera in the photo, later demanded the researcher to stop taking photographs.



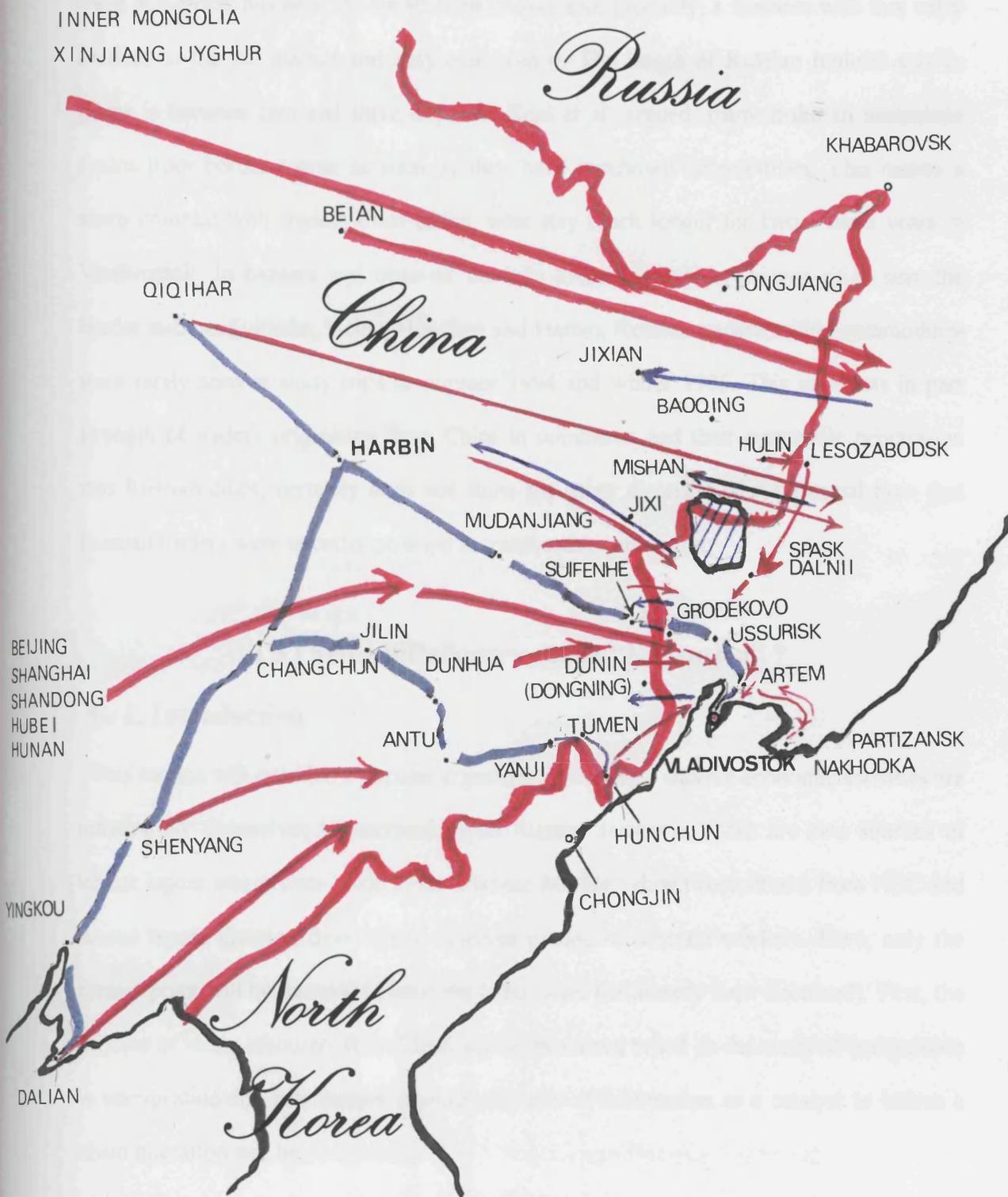
# RUSSIA

# CHINA



# North Korea

Map 10 Traders' Areas of Spatial Mobility and Interaction between China and the RFE



When did they start going to China to have access to goods for sale ? The findings were : 3 in 1992, 3 in 1993, 11 in 1994, 12 in 1995, and 9 in 1996. This suggests that the private trade is a recent business for the Russian traders and, probably, a business with low entry barriers to the job market and easy exit from it. The length of Russian traders' stay in China is between two and three days. As Roel et al. argued, many make an immediate return from border towns as soon as they have purchased commodities. This makes a sharp contrast with traders from China, who stay much longer for two - three years in Vladivostok. In bazaars and open-air markets located in major Chinese cities near the border such as Suifenhe, Heihe, Hunchun and Harbin, Russian traders selling commodities were rarely seen in study trips in summer 1994 and winter 1995. This manifests in part strength of traders originating from China in commerce and their mercantile penetration into Russian cities, certainly does not show the other direction of commercial flow that Russian traders were in better position in transborder commerce.

## **[ 5 ] Self - Inflationary Asian “Expansion” ?**

### **5 - 1. Introduction**

This section will examine a popular argument that Asians' enclave economic activities are inflating by themselves to encroach upon Russian territory. There are two sources of labour inputs into private trade in the Chinese Market : direct recruitment from NEC and labour inputs diverted from labour reserves pooled in contract workers. Here, only the former point will be discussed (since the latter point has already been discussed). First, the process of hiring labourers from China will be examined based on the study of companions in immigration and recruitment. Second, the role of information as a catalyst to induce a chain migration will be examined.

### **5 - 2. Feeding Labour Inputs from NEC**

First, the question of how traders meet the labour demand in their business will be studied here, by looking at who traders came with (companions), who their co-workers were, and how they recruited co-workers.

## ***( 1 ) Companions in Immigration***

Did traders bring anyone with them ? The results in 1995 showed that many traders were accompanied by another person(s). Most came with either :

- family (immediate family - spouse, children, parents, siblings) and / or relatives (in this survey meaning uncles, aunts, nephews, nieces) - 16 and 39 cases in pilot and main surveys 1995.

- friends - 3 and 32 cases.

The finding is that more cases of blood ties tended to be observed in traders of Korean descent originating from Yanbian Prefecture, while friendship ties tended to be important for Han from Heilongjiang Province.

## ***( 2 ) Recruitment***

Did traders bring anyone from China to help in running their businesses ? Who, then, were the assistants, if they brought them ? On these questions unfortunately, no clear picture emerged, due to many void cases giving neither affirmative nor negative answers. However, despite many void cases, it was found that first, some traders certainly brought assistants from China for their business (16 percent in the pilot survey and 42 percent in the main survey 1995), and second, the labour inputs were not just limited to family labour. Particularly, the main survey 1995 suggested this tendency. In the main survey 1995 that many traders were observed to have brought assistants from China (43 cases) or elsewhere (2 cases, from Irkutsk in Siberia and from Ukraine). The relationships of the respondents to the assistants were neither limited to blood ties nor friends. Thus this means that recruitment was on a more organisational basis, rather than just limited to labour-inputs of non-wage family workers in informal family business.

## **5 - 3. A Role of Information Inducing Cross-border Movement**

Dissemination of information generates a circulation flow of private traders feeding labour inputs to their business in Russia. Cross-border movement follows either of two patterns.

(1) Predecessors transmit their experiences personally to potential migrants among

family, relatives and friends. Traders, temporarily returning to China in order to restock, take family, relatives or friends back to Vladivostok with them. These people in turn become further transmitters of information on “lucrative business in Russia”.

(2) Returning traders disseminate on-the-spot information widely in their home communities (regions of origin) in China to ease the cross-border moves of their fellow countrymen. But this dissemination takes place in such a way that information is not limited to those with whom they have personal relationships. On the contrary, rumours of profitable business in Russia are spread widely, so that information becomes accessible to almost anyone in the traders’ home localities.

In the former case (1), family, relatives or friends already living in Russia bring new entrants from China and introduce them to trading business in Russia. Such cases were found in the surveys in 1996 : 4 of the 6 traders who answered having family and relatives already in Russia in the pilot survey, and all 8 of the respondents who answered having family and relatives in Russia in the main survey of 1996. Similar results were also found in detailed interviews with 59 traders in 1996 : 6 traders were introduced to the trading business in this manner, guided by family and relatives who had already experienced the living and business environment in Russia (10 percent).

In addition to family and relatives, friends are also mediators and guides introducing the trading business in Vladivostok. Some respondents were brought from China by friends already in Russia and were guided into business there. There were 2 such cases among the total of 6 respondents having friends in Russia in the pilot survey, and all 14 respondents having friends in Russia in the main survey of 1996. This tendency was also recognised in the interviews with 15 such respondents found among the 59 total (25 percent).

As for (2) above, it was found in the informal interviews in 1996 that such dissemination of information had occurred in nearly all the cases.

Did traders obtain information in advance before coming to Vladivostok ? The finding is

that information was indeed circulated in their home communities, and that most respondents obtained information prior to their coming. How then, did they get access to information on entries to businesses in Vladivostok ? Sources of information were more or less evenly distributed among various informants, family, relatives, friends, companies, and no one (sought information by themselves).

**Table 7-7 Informants on Trading Business in Russia**

(Unit : number of cases and percentage)

	Pilot Survey	Main Survey 1996
1. Learned from family and relatives	14 (33 %)	18 (24 %)
2. Persuaded by friends	16 (38 %)	20 (26.3 %)
3. Company	1 (5 %)	20 (26.3 %)
4. No one (sought information by themselves)	11 (26 %)	14 (18 %)
5. Others	None	4 (5 %)
Total	42	76

As some “sought information by (themselves)” and generally, informants were not specialised information providers, it is possible to infer ordinary and most accessible information providers. That is to say, they were certainly not from whom the respondents had to seek special information, but the people very close to the respondents. This means that information was probably being widely circulated and shared in their regions of origins in China (see further results of interviews with private traders 1996 appendix c table 5).

Thus it can be summarised as below :

The cross-border moves of private traders and dissemination of information had the characteristic of feedback. The circulation of information by word of mouth created feedback in the form of cross-border moves and labour inputs, responding flexibly to Vladivostok’s market. Many respondents learned of better earning opportunities in Russia either from predecessors who temporarily returned home, or from information widely circulated in China. The information channel was

constructed and intensified by the cross-border human traffic. This channel, in turn, made newcomers' move easier.

In addition to this point above, a "company" may provide information for traders, and facilitate the cross-border move to Vladivostok, which Chapter 10 will expand later.

## **Conclusion**

It is misleading to regard Asian traders simply as "expanding" to cause "demographic pressure" on the RFE, eventually leading to creation of an Asian Republic in Russian territory. As the research shows, traders with Chinese citizenship decreased by almost half during the years of 1995-98, and they are not staying for more than four years, in most cases. As argued in the Introduction of this thesis, it is not "demographic pressure" driving out rural peasants from China to the RFE but the collapse of the WMSSs that caused the greater occupational flexibility, creating opportunities for urban traders to come to earn money in Russia. A chain immigration feeds back to create an image of better earning opportunities in Russia and this mouth-to-mouth information is being circulated among the home communities in China, generating a stream of cross-border movement of traders into Vladivostok.

After the ruble crisis in May 1998, depreciation of the ruble seems to have become a disincentive for these traders to engage in businesses in Russia, because it makes private trade less lucrative, which was argued already. However, given the continuing negative factors in Russia, i.e. declining production in consumer industry, and above all the underdevelopment of consumer sectors in the RFE in terms of insufficient production and delivery of outputs - it is unlikely that Asian traders will disappear entirely from Vladivostok in the near future, even if their number has decreased.

A sign of the impact of post-socialist reforms is seen in the Chinese Market, especially in Vladivostok's economic relations with China. The rise of the Chinese Market symbolises a departure from state-guided industrialisation - i.e. the state ownership of the means of production and centralised distribution. From 1992 onwards, resources and manpower

seem to be redistributed in reversion from heavy manufacturing bias back to commercial services (Harole M 1996 p. 10). A sign of this tendency is seen in the rise of a “bazaar economy” caused by the decline of the two WMSSs (ibid. p. 4).

With reforms in the 1990s the long repressed sectors such as commerce and consumer sectors were allowed to expand in both countries - Russia and China. Commodities and services may be increasingly sold and bought in the market, independently from the state distribution system. The influx of private traders from China reflects the transformation of the previous system. Some ethnic minorities mobilised their connections with kin and friends abroad for the purpose of broadening their access to goods and business horizons. The state-led vertical distribution has been replaced by horizontal unofficial networks, involving informal economic activities of some ethnic groups in the borderlands (ibid. pp. 6 - 7). Traders of Korean descent for example, have started to have links with informal economies in Russia, China, perhaps, even North Korea, and other countries probably through their use of “trading diasporas”, which will be discussed in the next chapter.

## CHAPTER 8

# THE DECLINE OF “DEMOGRAPHIC ENGINEERING” POWER AND THE “KOREAN TRADING DIASPORA”

### Introduction

The main question in this chapter is whether the “Korean trading diaspora” (hereafter, the KTD) arose in Vladivostok as a result of the decline of the WMSSs. The first section will demonstrate that mobilisation of ethnic Koreans is a post-socialist and post-Cold War phenomena : ethnic Koreans deported by Stalin in the 1930s are returning from Central Asia back to the city, and at the same time, Chinese Koreans (Chinese citizens of Korean descent) are entering the city for business as private traders. In the next section the concept of a KTD will be introduced in order to argue that the Chinese Market in Vladivostok is a sign of mercantile penetration of the Korean networks (the KTD), which coordinates production and distribution with NEA. The third section will examine whether a KTD is really emerging or not by studying original data. In the fourth section a counterargument will be presented which states that KTD is an illusory concept because of a deceptive primordial group identity - “Koreanness” - and its fake use of a self-identified “Korean” identity for transnational trade operations by introducing narrative stories behind the dry figures, combining quantitative with qualitative data collected through interviews with people of the immigrant community. The fifth section will aim to shed light on disagreement on a KTD, and thereby qualifying the further interpretation of the quantitative data. The sixth section will discuss an aspect of inter-ethnic competition and xenophobia by introducing actual battles happening between the regional authorities (e.g. police and border guards) and Asian traders (the majority of them Chinese Koreans). Russian traders reacted to the coming of Asian traders with xenophobia, which was originally aroused by the authorities. The Krai government and the local police supported the Russian traders by creating obstacles for immigrant traders and restricting competition

in consumer market in the city through the visa regime, ethnic clearance operation, etc. Finally, the conclusion will state that despite reservation of traders' "Koreanness", it is certainly an important means for Asian traders from China to start and run a private business smoothly in Russia. It will be argued that it is at least a facilitative device for transborder transactions because self-identification as "Korean" gives preferential access to commodities, especially those made in South Korea, and smooths procedure to cross the Russo-Chinese border. "Koreanness" here means a self-identification of traders of Korean descent who attach themselves to "Korean culture" through their life styles (diet etc.) or ancestries rooted in Korean Peninsula through migration to the RFE primarily in the period between 1863 and 1937. Although this sounds a rather subjective way to distinguish them, Asian traders' "Korean" self-identification was, to some extent observed in surveys, interviews, and informal observation. A "Korean Trading Diaspora" (a KTD) here includes, apart from Korean citizens in the Republic of Korea (Dong-Ju Jung 1998 pp. 201 - 1 ; Arai S 1998 pp. 71 - 4):

- (1) Chinese Koreans (Chinese citizens of Korean descent, about 2 million), whose ancestral origin is in immigration from Korea to Manchuria in 1907-45, particularly in
  - (a) the immigration in 1907-12 caused by Japan's annexation of Korea,
  - (b) immigration following an anti-Japanese National Independence Movement in 1919, and
  - (c) mass immigration stimulated by Korean settlement policy under Japan's-controlled Manchukuo after 1936.
- (2) The ex-Soviet Koreans,
  - (a) from Central Asia, ancestries of whom had lived in the RFE after 1863 until 1937 but were deported by Stalin in 1937-38 (about 400,000) and
  - (b) from Sakhalin, ancestries of whom were taken to the island as a forced labour during the time of Japanese rule before 1945 and remained after the Soviet occupation (about 40,000-50,000).

Some cite some number of Korean workers taken to the Soviet Union after the Second World War as the third group of Korean diaspora community. A primary research focuses the former (1), although some reference will be made about the latter (2). The research will not touch on the third element of Koreans taken from Korea right after the Second World War, since they are little known.<sup>1</sup> A main issue to be discussed in this chapter will be a “Korean Trading Diaspora” (KTD), a revival of traditional transborder cultural links which existed prior 1937 in the eastern periphery of the Soviet Union.

## [ 1 ] Mobilisation of the “Korean Trading Diaspora”

### 1 - 1. Return of the Koreans from Central Asia

Cole J P and Filatochev I V (1992 pp. 432 - 53) argue an ethnic factor in inter-regional migration in Russia, noting a growth in “ethnically motivated migrants” - i.e., movement of expatriates back to home republics and localities. In 1989 the democratisation of ethnic policy began in Russia under *perestroika*. The Supreme Soviet adopted the Declaration - “On Recognising Unlawful and Criminal Repressive Acts Against Peoples Subjected to Forced Resettlement.” In April 1991 it adopted the Law - “On the Rehabilitation of Repressed Peoples” on paper and later Yeltsin was to actually free all peoples to return to their pre-deportation position (Tishkov V 1997 p. 39). This was in fact a tactic by Yeltsin to gain votes from ethnic minorities in the periphery at the expense of Gorbachev (ibid. p. 54). Despite this political background, Koreans started to return to Vladivostok and Primorskii Krai, but their scale of return migration is not known. Shiga M (1994 p. 16) estimates that by July 1993 378 Korean families had returned to Vladivostok and 2,340 to Primorskii Krai, whereas Buyakov A and Polutov A in a Russian journal *Rodina* (1992

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<sup>1</sup> Korean workers were taken from the Korean Peninsula to Sakhalin shortly after the end of the Second World War for reconstruction of the regional economy in the island in years between 1946 and 1947. The estimated number of the Korean workers in this category varies between 50,000 and 10,000. About the latter estimate, some argue that when 20,000 workers were taken to the Soviet Union from Northern part of Korean Peninsula under the Soviet military rule. But when the term of official contract was completed, about half returned and a half remained : of them the 9,279 returned to North Korea in 1958, while 11,551 remained somewhere in Russia, 3,551 acquired the Soviet citizenship, and the rest, 7,600 became stateless. The details of these figure are unknown (Arai S 1998 pp. 72 - 3).

No. 12 pp. 42 - 6) claim that that 18,000 to 20,000 Koreans had returned from Central Asia. Information about this return movement is sparse and sporadic. Jung D (1998 pp. 172 - 9) in his work, *Koreiskii* (Jap. translation, original in Korean) writes that with a rising ethnonationalism, titular ethnic groups in newly independent Central Asian republics and displacement of the former Soviet Koreans, the All Union Association of Koreans' Reunion has planned to resettle the Koreans to Primorskii Krai. In its resettlement plan, establishment of a Korean autonomous district in the Krai was proposed to the central authorities in Moscow. Although the scheme is making little progress under the political negotiations with the centre, 300 Korean families have migrated back from Central Asia and settled in Partizansk north of Nakhodka since 1990 with financial and technical support given by South Korea (ibid. p. 179). Other reports claim that as many as 100,000 Koreans have migrated back to the RFE as a whole (Kim Hakjoon 1995 p. 307). Simultaneously, the nostalgia of a return to the past became widespread in different parts of the CIS with a revival of ethnic nationalism : in a similar return, two-thirds of the 1 million Kazakh Germans have left Kazakhstan since 1989 (Tishkov V 1997 pp. 103 - 4 ; the Economist 28th June 1997) ; another case is that that of the Tartars, also deported to Kazakhstan during World War II, returning to the Crimea since the late 1980s (Chinn J and Kaiser R 1996 p. 21).

The next table shows the growth in the number of Korean descendants in Primorskii Krai. This growth may imply return migration of Koreans from Central Asia or other parts of CIS, but few details are known (Shiga loc.cit.). As mentioned earlier already, in February 1990 the Korean migrants discussed autonomy, and proposed to the Supreme Soviet that they be granted the right to form their own ethnic community in southern Primorskii Krai. The All Union Association of Koreans' Reunion called for Koreans to be allowed to resettle in the RFE, where there were vast lands but a lack of labour (*Utro Rossii* 21 August 1991). Koreans in the Krai also revived networks of kinship ties abroad through extension of the "Korean diaspora" (FEER 11 March 1991 ; *Rodina* 1992 No. 2 pp. 42 - 6 ; *Krasnoe Znamya* 18 March 1993 ; *Vladivostok* 26 July 1996).

**Table 8-1 Korean Descendants in Primorskii Krai (Unit : people, cumulative totals)**

	1989	1 January, 1996
Koreans	8,300	over 18,000
Percentage of the total population in Primorskii Krai	0.4 percent	0.8 percent

Source : *Vladivostok*, 26 June ; *Utro Rossii* 23 June, 1993 ; Masaru Shiga , *Minzoku Mondai to Kokkyo* , Tokyo , 1994 , pp. 16 - 17 ; the Institute of Economic Research, Far Eastern Branch, Russian Academy of Science , 1994 , *Roshia Kyokuto Keizai Soran*, Toyo Keizai Shimposha, Tokyo, p. 282

## **1 - 2. The “Korean Diaspora” in the RFE : Immigration of the Chinese Koreans**

The newspaper *Delovoi Mir* (26 December 1994 - 1 January 1995) paints a picture of an increasing Asian and declining Slav population, although this needs to be confirmed by further study :

Since the beginning of 1990, the North, Siberia and the Far East region have been losing Russians and other Slavs. During 1990-94, about a million people (about 5 percent of the population) have left these regions. Simultaneously, immigrants, especially citizens of the People’s Republic of China (including Han Chinese and ethnic Koreans), came to the Far East and other regions legally and illegally, as hawkers, workers and peasants (p. 44). (words in brackets added, an original text in Russian)

Little is known about the immigration of Chinese Koreans, who are mostly traders. According to Aleksandrov A V (1994), they are the largest group of immigrants from China :

Hawkers or petty traders are the largest immigrant group from the PRC (People’s Republic of China) in Primorskii Krai... They have distinct ethnic characteristics. Over 90 percent of the hawkers are of Korean descent, coming from Yanbian Korean Autonomous Prefecture in Jilin Province in China. Hawking business is run predominantly by these people...They have extended

their sphere of activity from Primorskii Krai to Russia as a whole and Central Asia (pp. 48 - 9)  
(An original text in Russian).

Deryabin A (1994 p. 4) at the Centre of Analysis for Eastern Russia in Vladivostok, also reports on Chinese Korean traders living in Vladivostok as :

The majority of hawkers are of Korean descent from... Jilin, or in some cases from Heilongjiang...In all cases, their visa is for three months. They come back and forth over the Russo-Chinese border, using an invitation letter (often fake, issued from Central Asia). (words in the bracket added, an original text in Russian)

It seems that mobilisation of the “Korean diaspora” (Chinese Koreans) reunites other “Koreans” from Uzbekistan and Kazakhstan, returning to the settlements where their ancestors lived prior to 1937. Some academics and politicians in South Korea argue that a “Korean Autonomous Region” ought to be established in the RFE (Kim Hakjoo 1995 p. 307). As argued in Introduction Chapter, these nationalists in South Korea became enthusiastic about an idea of promoting a “Greater Korean Commonwealth” in NEA (ibid. p. 308). The ex-Soviet Korean residents in the CIS started to request distribution of land to the Korean minority - especially empty or unpopulated lands near the Tumen River border (*Utro Rossii* 25 June 1993). Their justification for restoring their community was, above all, that Korean labour would relieve shortages of commodities and foodstuffs in the region (*Utro Rossii* 25 June 1993 ; *Utro Rossii* 9 February 1991). Local journalism in the RFE is rather negative on this question, while Russian reactions as a whole have so far been mild (*Rodina* 1992 No. 2 p. 45).<sup>2</sup> On 11th January 1991 in *Krasnoe Znamya* (“Red Flag”, the armed-forces newspaper, a local edition), Gluhov A, a member of the Chamber of Deputies, Primorskii Krai writes “never respect the desires of ethnic groups to come back to their historic motherland.” In 1992, the Primorskii branch of the Social Democratic Party of Russia raised the nationalities question, especially, the question of Koreans. The party characterised the formation of a Korean community as a destabilising factor for society in Primorskii Krai (*Komersant* 27 April - 4 May 1992). Local journalism in the Krai thus paints a negative picture of the reunion of the “Korean diaspora” in the RFE, which also includes the “influx” of immigrants of Korean descent from China (FFER 11 March 1992 ; Kim W B 1994b p. 1066). Vladivostok’s local newspaper, for example, *Utro Rossii* (August 21 1991) warned that the rise of the diaspora was encroaching on the RFE to the detriment of territorial integrity.

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<sup>2</sup> Russians answered a public opinion poll on the formation of a Korean community : 52.2 percent were in favour, and 32.2 percent were against.

## [ 2 ] The “Korean Trading Diaspora” (KTD) and the Tumen GT

### 2 - 1. Introduction

As discussed in Chapter 6, an ethnic and cultural affinity is one of the conditions for subnational cooperation in NEA, the Tumen GT. In the post-Cold War period, as the Soviet and Chinese WMSSs recede, transnational ethno-cultural entities seem to be playing an important role to link regional markets that were once separated. Recent moves of Koreans may have created one of the transnational ethno-cultural entities in NEA, and replaced the former Cold War regimes (in the RFE and NEC) where the military security had long suppressed contacts of Koreans in borderlands (Ko Y S 1994a p. 112 ; Ko Y S 1994b pp. 65 - 6 ; Ko Y S 1993 pp. 244 - 7 ; Fukagawa Y 1992b pp. 292 - 3 ; Kang Y J 1995 pp. 161 - 3 ; Kang Y J 1991 pp. 13 - 4 ; Park J 1997 p. 125 ; Daniel G 1997 pp. 151 - 60). Transnational networks allowed interactions between economies in different stages of development, sharing of factors of production (Christoffersen G 1996 p. 1079). The Sino-South Korean normalisation of 1992 became an important opportunity for the Korean minority in China to extend their business horizons overseas (Dobbs-Higginson M S 1995 p. 22 ; Suh J W 1994 p. 22).

Dobbs-Higginson M S (ibid. p. 293) argues that South Korea’s economic influence may expand north into China and the RFE with a growth of FDI and a revival of cultural ties, stating that a “vibrant Korean-Manchurian economic cooperation may spur the development of the RFE.” He believes that a united Korea with more than 60 million people in the Peninsula and 2 million in Manchuria may “provide an independent source of political and economic regional initiatives.” (ibid. p. 295) Rozman G (1998 pp. 21 - 2) argues that “incremental regionalism” of NEA will probably emerge in a bottom-up process, starting with facilitative cross-border networks to coordinate trade and investment in the region. In his view a “developmental diaspora” should stimulate economic growth in the RFE with return migration of deported Koreans from Central Asia and with regulated immigration of Chinese Koreans.

## **2 - 2. The “Korean Trading Diaspora” (KTD) as a Loose Coalition of Independent Interests**

Cohen R (1997 p. 127) defined a “trade and entrepreneurial diaspora” as extensive trading networks purchasing and selling commodities.

Such a diaspora’s characteristics are (ibid. pp. 133 - 4 ; Bonacich E 1973 pp. 583 - 94 ; Kaplan D 1997 pp. 214 - 33) :

- (1) a sense of transnational community that transcends national frontiers,
- (2) a return movement (although all may not return) and the constitution or reconstitution of a “national homeland” in a host country,
- (3) a cyclical pattern of experimental entries and return movement where states prevent permanent settlement,
- (4) conflicts over business interests between traders and the host, and efforts by the host country to undermine traders’ economic influence by taking countermeasures such as restriction of business licenses, prohibiting land ownership, etc. Temporary immigrants are accused by the host society of draining the host country of its resources. The host society may even perceive immigrants as “taking over” its own land,
- (5) immigrant communal solidarity to protect themselves from external threats,
- (6) concentration on trade, and
- (7) employment creation, sustained by non-wage family labour.

Will a KTD emerge as a result of deregulation of foreign economic relations in NEA ? If one does, of what kinds of networks will it be formed, and how stable will it be ? The networks are probably temporary in character, doomed to disappear when mutual business interest dissolves. This research treats the KTD as a loose coalition for tangible business interests. This coalition may be of a practical nature, helping to maintain a certain business cooperation where Koreans in different social strata and in different countries use the self-identity of “Koreans” as a cohesive and exclusionary device in pursuing business access to markets. In an extended trading diaspora, each community works independently but loosely coordinated in transactions. In F. Pieke’s view (1998 p. 12), an immigrant

community in each host country simply “interacts” and “sometimes, temporarily creates what looks like a unified community.” He (ibid. p. 14) regards this transnational network as : “an integrated community or a loose collection of independent local, national or transnational core communities that act as independent groups...” Thus Chinese Korean traders in Vladivostok may be working within a loose coalition of wider trading networks, which are unified under a “Korean” identity. In this sense, the KTD is partly manifested in the Chinese Market in the city.

Koreans were encouraged in private business by reforms of Yanbian Prefecture in China. In the Yanbian Prefecture, Jilin Province in China, the state distribution started to be decentralised in 1984, and the state system was later deregulated fully abolishing centralised distribution for all commodity items in 1993. Private trade became one of the most popular second jobs among Chinese Koreans in the Prefecture (90 percent of traders are said to be of Korean descent) (NIRA Research Report No. 940044 pp. 52 - 6). In May 1986 Yanbian started foreign trade with the Soviet Union and North Korea (Shiga p. 27) By 1990 their extensive networks came to cover South Korea, North Korea, Russia, Uzbekistan, and Kazakhstan (NIRA Research Report loc.cit.). In the markets of Yanji, the capital of Yanbian Korean Autonomous Prefecture, for example, there were many items of clothing and footwear which were unofficially imported from South Korea to China (*Gendai Koria* July 1993 pp. 2 - 5). After the economic reforms and the opening of Yanbian in the mid 1980s, Yanbian developed economic relations with overseas Koreans for inward investment and production, and extended overseas marketing networks, which helped penetrate into the RFE. Yanbian expanded the distribution networks for wholesale and retail trade to the RFE, using traders going to Vladivostok (Wang L et.al. 1994 pp. 146 - 66 ; Jin S 1990 p. 38).

It can be argued that a growth in transnational human contacts - such as the contacts sustained by ethnic networks - facilitated middlemen activities of some self-identified groups along ethnic and locality ties in trade (Cole J P and Filatochev I V pp. 432 - 5 ; Aleksandrov A V 1994 ; Kang K 1995 pp. 249 - 57).

### [ 3 ] The KTD Manifested in the Chinese Market ?

#### 3 - 1. Ethnic and Cultural Affinity as a Means for Mobilising Resources

Informal contacts and connections were predicated upon the shortages of goods in the WMSSs of NEC and the RFE. In the WMSSs the use of informal channels was a necessary practice to obtain commodities and services in short supply by finding a way around formal state procedures under the constraints of undersupply. Apart from official rations and privileges embedded in the state distribution, informal channels of friends and acquaintances had provided access to essential goods and services, which could be traded for other commodities and favours. The connections can be through family relations (kin ties), favours between friends or networks along ethnic lines for redistributing commodities and services in need. Before the reform, the exchange was done without money changing hands. Geographically, the exchange was confined primarily within the national economy. In marketisation of the former system, however, these informal channels have been used for more monetised relations and on a transnational scale. People started to use informal connections and personal networks as a means to mobilise the maximum amount of resources for profit-making transborder business at the expense of those having less connections. These informal channels and connections are often called a “social capital”, and expansion of these channels in transborder transactions in the post-socialist period is still regarded as a remnants of the former WMSSs. Connections to the state sector plays an important role for resource mobilisation under the legacy of the repressed individual consumption. Registration to the SOEs provided personal access to favour, where many employees benefited from their registered state workplaces. It is advantageous for former employees to maintain some kind of relationship with the state sector because the connections provide various kinds of access to valuable resources, for example, through exclusive access directly to state property or connections with persons in the local administrations and state enterprises who are formally entitled to use state resources.

It is well-known and often said that China is a society of *guanxi* (relations). Russia is also

a “society of connections”, as H. W. Morton et al. put it, “comprised of interacting networks of friends and acquaintances” with access to scarce resources (Morton H W and Stuart R C 1984 p. 12). Through these networks people exchange one good for another in barter and monetised transactions. In this sense Russia is an “insider society”, where information is necessary in order to gain access to goods and services in short supply at affordable prices in order to survive.

In Russia valuable information is circulated only with circumspection between reliable friends and acquaintances. The secret and exclusive nature of such information has created a particular system of barter, exchange of favours and procurement. This may have exerted an influence on the way which commercial business is carried out in the “bazaar economy” of the post-Cold War period.

Faced with a system transformation in the command economies of China and Russia, informal networks permeated the border, and merged to link the two subnational economies in NEC and the RFE through personalised connections and transactions. Cross-border connections reappeared in private businesses. Given this situation, some ethnic minorities also mobilised their connections with kin and friends abroad for the purpose of broadening their access to goods for resale and their business horizons. They started to link with Russia, China and other countries through their informal economies. The bazaar economy has reinforced these tendencies in Vladivostok as a sign of the decline of the two WMSSs in NEA, particularly in the RFE and NEC regions. With the growth in unregulated cross-border transactions and the rise of bazaars in Vladivostok, immigrant traders also played a greater role in commerce by forming networks and preferential access to capital, labour and commodities available by bridging each subnational market in NEA.

### **3 - 2. Networks of Chinese Koreans into Vladivostok ?**

Are there really such networks working in the Chinese Market based on ethnic grouping, organising mobilisation of labour and commodity procurement for private business? This section examines whether the KTD really exists or not, as a means to operate transborder businesses.

Preliminary observation 1996 studied self-identified ethnic groups of traders in the market, focusing especially on the share of Chinese Koreans. Their presence was the largest, despite some fluctuations, at between 61 and 67 percent.

**Table 8-2 The Number of Traders at Balyaeva, the Chinese Market (Unit : number of stalls)**

*Preliminary observation in 1996 : detail of Asian traders, including Russian Koreans*

	(1) Chinese citizens : (a) Han	(b) Chinese Korean	(2) Russian Koreans	(3) Vietnamese	
June, 29 1996	334	130	204	20	6
July , 7	351	121	230	20	18
July , 13	371	136	235	25	16
July , 20	369	126	243	9	10
July , 25	355	118	237	18	12
August, 7	1*198	n.a	n.a.	3	5
August, 12	2*370	n.a.	n.a.	14	2

N.B. : n.a. means no data available.

1\* : In the 198 stalls there were 101 men and 97 women ;

2\* : In the 370 stalls there were 197 men and 173 women

As discussed in the last chapter, the number of Chinese citizens was about 30 percent lower in 1996 than it was in 1995 because of tightened visa controls, and competition with Russian traders. Since these results were obtained in rather a short time span, more aggregate sample surveys may show a different picture in the longer-term. In the sample surveys during 1995-96, however, the number of Chinese Koreans still remained significant in terms of proportion, despite some fluctuations (the table below). Only at the time of the third check (the pilot survey 1996) was the proportion of Chinese Koreans much lower.

**Table 8-3 The Chinese Koreans in the Chinese Market : 1995-96 (Unit : number of cases)**

	1995		1996		
	Pilot Survey	Main Survey	Pilot Survey	Main Survey	Supplementary
Korean descent	29 (58 %)	52 (49 %)	9 (19 %)	49 (49 %)	35 (35 %)
Han Chinese	21 (42%)	54 (51%)	36 (75%)	48 (48%)	65 (65%)
*Other			3* (6%)	3* (3%)	
No answer			1 (2%)		
Total samples	50	106	49	100	100

\*N.B. : Only the 3rd data show a drastic fall in the percentage of Chinese Koreans. "Others" include such ethnic identities as Manchurian, Hui, Pai and Mongolian. The sample surveys were conducted in the following periods ; some surveys overlap others. (1) Pilot survey, 1995, 20th Aug. - 8 th Sept. ; (2) Main survey, 1995, 14th Sept.- 13th Oct. ; (3) Pilot survey, 1996, 18th July - 24th July ; (4) Main Survey, 1996, 24th July - 5th Aug. ; and (5) Supplementary, 1996, 19th July - 1st Aug.

Liberalisation of the long-repressed demand for consumer services (e.g. retail trade, labour services in housing construction, etc.) caused imports of retail services and contract labour. Imports of retail services created a chain inflow of Asian traders, particularly Chinese Koreans. Private trade induced of itself labour inputs directly from China, mostly through informal recruitment channels - family, relatives or friends. Contract labour, as discussed, as another entry for private trade in Russia, generated labour reserves for trade (see the last chapter). The former involved “commercial tourism” - often illegal border-crossings - while the latter gave legal entry and provided another route of labour supply to private trade in Vladivostok. In some cases farms were run by Russian Koreans, it seemed recruitment priority in contract labour was given to people of Korean origin on the basis of the perceived cultural affinity and, hence, contributed to the creation of labour reserves for the KTD in the city with the potential for later diversion to private trade in the Chinese Market.

In food production the RFE satisfies only 30 percent of the demand. The costs of transport from western Russia or importing from the U.S. and Canada raise prices of bread, meat, and milk to double or even triple the prices in western Russia. To solve the problem of insufficient food production (i.e. growing vegetables, fruits, watermelons, rice, buckwheat, beans and other agricultural products in the labour-short RFE) the Krai government allowed the use of foreign labour and penetration of foodstuff distribution particularly from NEC. In 1993 70 percent of vegetables and fruits and 71 percent of sugar, and 30 percent of meat circulated in the Krai were imported from China (*Delovoi Mir* 26 December 1994 - 1 January 1995 p. 44).

In May 1995 Primorskii Krai and South Korea agreed on joint rice production in Khasanskii district near the Tumen River. The South Korean side gave financial and technological assistance, providing seeds and know-how to rice producers in the Krai in exchange for the latter offering 20,000 hectares of land. For this joint venture they probably hired “Korean” workers from NEC and North Korea (Zabrovskaya L V 1996 p. 77). In fact, in an interview with Kim T Afanasievich, President of the Primorskii Krai

Fund, the “Korean” Rebirth, he also told the writer of this thesis that he preferred to recruit “coethnic labour” (Chinese Koreans and ex-Soviet Koreans) in his farming business, which was supported by South Korea’s financial and technical aid.<sup>3</sup> Russian Korean employers like him may prefer hiring contract labour of similar cultural origin, which in turn may have formed a background for private traders creating the KTD.

Complicating factor is that with the shortage of agricultural labour in the Krai, the Ussuriskii *raion* discussed the idea of receiving ex-Soviet Korean migrants from Central Asia who were hoping for permission to revive their national district (*Utro Rossii* 9 February 1991 ; *Utro Rossii* 25 June 1993). This probably explains in part the substantial share of Chinese Koreans engaging in trading business at the Chinese Market, who may have changed occupation from contract labour. However, the details are not known.

In addition, the substantial prominence of Chinese Koreans in the table 8 - 3 probably reflects the Krai’s geographical proximity to the Yanbian Korean Autonomous Prefecture in China, where Chinese Koreans form more than 40 percent of the population. So, did the majority of traders come from Yanbian ? The surveys show that Yanbian was not exclusively dominant as the area of origin. With some fluctuations, the results showed that there were two major regions from which the traders originated : Yanbian Korean Prefecture and Heilongjiang Province (see appendix c table 6).

## **[ 4 ] Critique of Exclusiveness in Trade Operations of the KTD**

### **4 - 1. Fake Self-Identification or Genuine Ethnic Networks ?**

Initially, Chinese Koreans were allowed to visit Russian Koreans (some of the Russian Koreans had recently migrated back to the RFE from Central Asia and acted as hosts in Russia for Chinese Koreans). They engaged in not only smuggling of ordinary goods but heroin and other narcotics along the lines of networks of “inter-Korean smuggling business”, which were detected by Russian border guards. However, as argued, an exclusive operation of “inter-Korean business” should be dealt with care : when Chinese

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<sup>3</sup> In an interview with Kim Telmir Afanasievich , President of the Primorskii Krai Fund, the “Korean” Rebirth on 23rd August, 1996 at Ussurisk.

citizens enter Russia, even a Han Chinese might well disguise themselves as being of Korean descent for the purpose of obtaining a letter of invitation to apply for a visa and in order to be accepted in the trading business at the Chinese Market. In all channels of entry to Russia (including, (a) business visit or “visit to relatives” and “family reunion”, (b) contract labour, and (c) “commercial tourism”), an invitation letter (*priglasenie*) is required, since it is a necessary document for visa application for Chinese citizens wishing to enter Russia. The letter is often issued by enterprises in Russia. Often Asian visitors with Chinese citizenship submit this letter in which they write the purpose of their trip to Russia as “visiting kin” or “official business trips”. Some say that these reasons are often lies, and their smuggling is facilitated and helped not only by Russian Koreans letting their “business clients” use their names, but also by Russian police and managers of Russo-Chinese joint venture enterprises, etc. Various sources testified that such practices were common among the Asian traders doing business in Vladivostok.<sup>4</sup> But details are little known.

Mr. Kong told me some aspects of the symbiotic relationships between the local police, Russian Koreans and traders in preparing documents for alien registration. As mentioned, issuing invitation letters may have started from genuine family visits, but later it was transformed into profit-making business not just among Russian Koreans but among a much wider circle of Russian society such as the local police. The Russian police charges fees for “services”, i.e., preparing a document providing evidence of “blood ties” between Russian Koreans and private traders of Chinese citizenship, who are often not even of Korean descent (about US \$ 100). This story of counterargument might deny part of the validity of the KTD, but does not entirely eliminate the possibility of existence, a point which will be expanded later below.

## **4 - 2. Involvement of Japanese Government and Money**

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<sup>4</sup> (1) A personal interview in Yanji in China, dated on the 28th November 1995, with a Han Chinese woman interpreter who used to work in a Chinese firm in Vladivostok ; (2) also, an interview in Vladivostok, dated on the 12 th December 1995, with Chen T D, a Han Chinese senior business consultant from Heilongjiang ; and (3) an interview in Vladivostok, dated on the 8th November, 1995, with Mr. Kong, a community leader of immigrant businessmen from China .

As mentioned, the Koreans engaging in transborder retail operations are not only traders from Manchuria but also Koreans from Sakhalin and Central Asia. Ethnic Koreans started to gather in Primorskiï Krai from various parts of the Soviet Union and Manchuria, intermingling with each other and some of them engaged in private trade : they include (1) Koreans returning from forced relocation in Central Asia, (2) Koreans fleeing from post-1992 impoverishment in Sakhalin who had been forced labourers under Japan's rule before and during World War II, and (3) the immigrant traders coming to the Krai recently for private businesses from Manchuria (Jung D J 1998 pp. 203 - 6 ; Arai S 1998 pp. 71 - 4).

Why are there such diverse groups of "Koreans" engaging in private trade in "commercial tourism" ? When the Japanese government agreed with South Korea and Russia in February 1990 to give financial support as humanitarian aid to reunite the families of her ex-subjects in expression of Japan's regret for her colonial history in Korea, recipients of financial benefits were not only limited to Sakhalin Koreans but they were virtually extended to "Koreans" in Central Asia, in fact even all other Russian "Koreans" born before 1945. They were all entitled to claim for such financial support. These "Koreans" were to "meet families and relatives in South Korea", but this assistance stimulated "commercial tourism" and Russian Koreans exploited their direct, preferential access to products manufactured in South Korea. It is well known that these "commercial tourists" go to Pusan and procure Korean clothes, shoes, electrical goods for resale in Russia. Air fares between Vladivostok and Seoul, living expenses and other costs during their "family visits" were paid actually without a strict sense of differentiating one Korean group from another. As a consequence, in principle, any self-identified "Koreans" born before 1945 - including the forced migrants to Central Asia in the 1930s, workers dispatched and settled in Russia from Korea after the Second World War - were entitled to receive financial support (149,600 yen or US\$ 1,290) for a "family reunion" trip to South Korea. Those who received support for "family reunion" started to engage in smuggling business in Russia as bridge between producers in South Korea and bazaars in the RFE (Arai S 1998 pp. 242 - 62).

Then what happened to the Chinese Koreans from China ? They are certainly out of reach for their claim to Japan's family reunion fund. Japan's financial involvement in Russian Korean "family reunion trips" unexpectedly helped expand money-oriented transborder trade business. And these Russian "Koreans" - Sakhalin Koreans and Koreans returning from Central Asia - were also attracted to another profitable business area to service "commercial tourists" from NEC (Chinese Koreans) wishing to come to Vladivostok, for instance, charging them for creating fake invitation letters with certificates of "blood ties" for these potential traders. A richer group, Sakhalin Koreans, aided by Japan's financial support are probably in a different league in terms of value of transactions per each trip from less fortunate Chinese Korean traders from NEC, who buy the invitation letters from these Russian Koreans. These "commercial tourists" from NEC (Chinese Koreans) simply engage in private trade of their own, and only deal in relatively low-value goods such as clothes and shoes, while Sakhalin Koreans deal in commodities of much greater value such as Japanese cars, etc. Further details of the relationships between different groups within the "Korean" diaspora - between Russian Koreans (Koreans from Central Asia and Sakhalin Koreans) on the one hand, the Chinese Korean "commercial tourists" on the other - are, however, unavailable.

#### **4 - 3. Doubts of Primordial Sense of Ethnic Identity**

The self-identified ethnic identity - leaving aside for the moment whether the traders are genuinely Han or Koreans - is a means of facilitating business, certainly not an end in itself, i.e. not an assertion of their group identity in a political sense or in a primordial sense. It exists in the business minds and perception of traders engaged in private trade. That is to say, the perceived coethnic identity is temporary in nature, probably a matter subject to changes in business operations. A perception of a transnational community ensures a smooth trading operation : it is a useful means of promoting business communication and coordination. Lever-Tracy C et al. (1996 p. 32) argued and put it :

(Social) networks ... may be extended without limit or predefined boundaries. While kinship, common dialect or place of origin may be no longer as central as before, those based on ties between classmates or fellow students or carefully cultivated friendships ... are supplementing

them, (and) common culture, language or business style will (still) enormously facilitate

(businesses) ... but they are not necessarily ethnically exclusive, so long as the counterpart is willing to establish a relationship on a similar basis.

## [ 5 ] Research Results

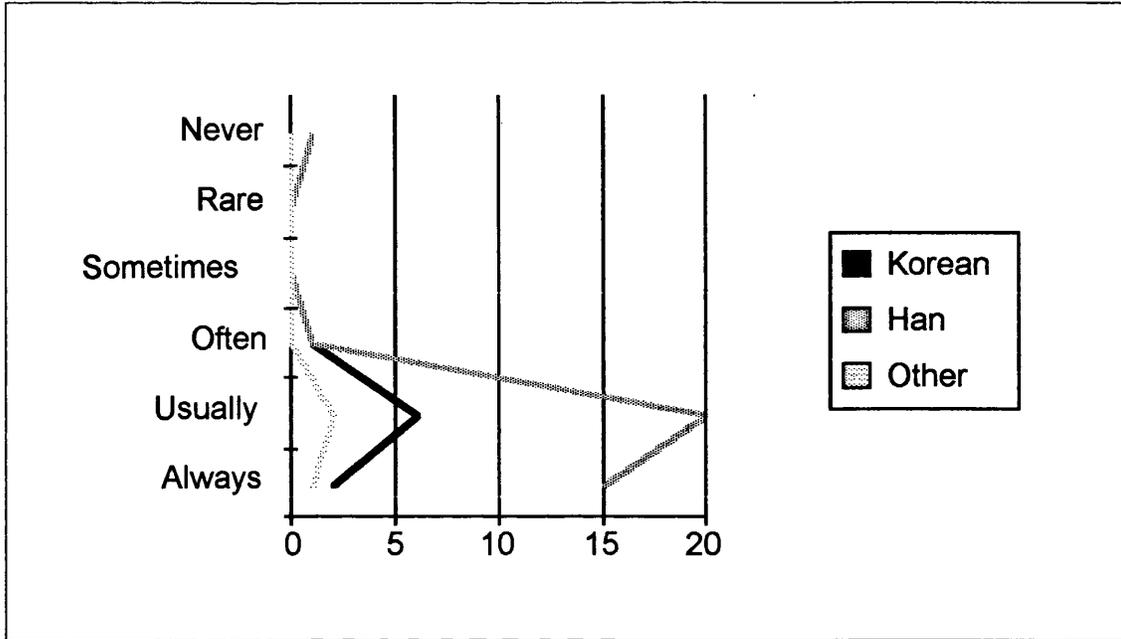
What does the research result tell us about in original surveys ? Traders came to Vladivostok with either family (immediate family - spouse, children, parents and siblings) and relatives (uncles, aunts, nephews and nieces) or friends. Blood ties tended to be observed in traders of Korean origin from Yanbian Prefecture, while friendship ties tended to be important for Han Chinese from Heilongjiang Province (i.e. Koreans from Yanbian tended to work with family and relatives for their business. Han Chinese tended to work with friends from Heilongjiang). Were labour-inputs actually supplied through networks of personal ties such as kinship or bonds of locality or ethnic solidarity ? The answer is not clear - both Yes and No.

The two surveys 1996 studied how often the traders did business with others of their own self-identified ethnic group for the procurement of commodities and transportation. The answer options were “always”, “usually”, “often”, “sometimes”, “rarely” and “never”. The results showed that both Chinese Korean and Han formed close ties with their respective ethnic groups in business transactions (chart 8 - 1). How can the data be interpreted ? The above results may not represent the whole truth. Probably the results deny exclusiveness of business transactions between traders of Korean descent - i.e. some trade may be formed among “common” members of a self-identified ethnic group, but it might not be always an exclusive business domain of Chinese Koreans. There is perhaps an element of truth to the doubt cast by whether the “Korean Trading Diaspora” accounts for all the activities of “Koreans”, as in cases where Russian Koreans and Chinese citizens exchange letters of invitation for the purpose of commercial tourism (the cross-border trading business), whether the invited immigrants are genuinely of Korean descent or merely disguised as such (Deryabin A 1994 pp. 3 - 4). This is because Chinese citizen of

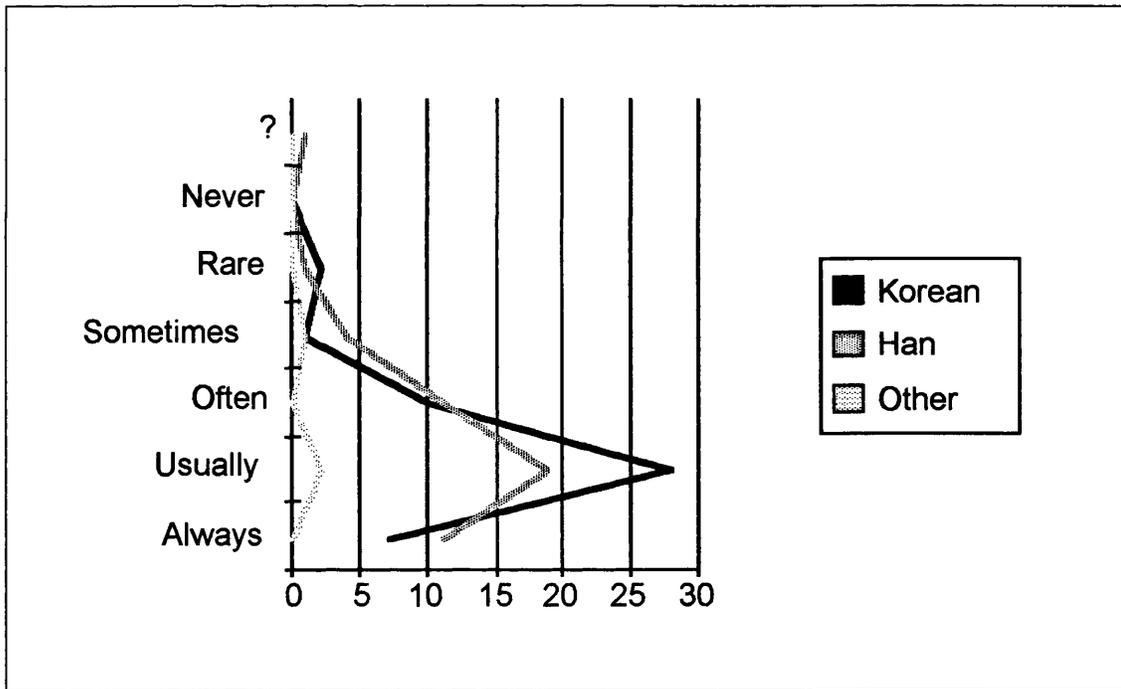
Korean descent might have a fluid sense of attachment either to Chinese citizenship or to “Korean” tradition of ancestries. Then, in this case, the alleged “kinship ties” might be fabricated in order to facilitate “commercial tourism”, and to form the black market in letters of invitation for would-be traders from China (ibid. pp. 49 - 50). The writer in the end could not draw a border line, to what extent, then, they are “Koreans”, and have dealing with their "common" ethnic group in order to distinguish them from Han Chinese and quantify their degree of self-identity, although through informal observation in the market he could see that a substantial number of traders with Chinese citizenship were of Korean descent in terms of their use of Korean language most of the time. In fact, despite substantial presence of Chinese Koreans in transborder trade business, their businesses in reality were not confined just to the contacts between Chinese Koreans but extended to businesses with Han Chinese. It is possible that their ethnic self-identification of ethnic groups is subject to alteration, depending on specific business conditions, because their "coethnic" dealing is dependent partly on their perception varying in degree. Traders might leave one group to join another. Kinship and a common place of origin might be only a means that are supplemented and outweighed by other relationships personally created, or developed, later. Then, is the KTD an illusion ? No, it certainly exists to some extent, despite some reservations to fully support an exclusive nature of the KTD, and to what extent a “Korean” trading diaspora is actually dominant in transactions is not known exactly. Thus, the picture given by Chart 8 - 1 needs some caution. In other words, it does not entirely eliminate the possibility that trading diasporas of some kind operate, be it “Koreans” or “Han Chinese”. The finding is two-fold, given some evidence of coethnic dealings in respective groups - Han and Korean.

Chart 8-1 Frequency of Business Transactions with Coethnic Traders (Unit : number of cases)

(1) The Pilot Survey, 1996



(2) The Main Survey 1996



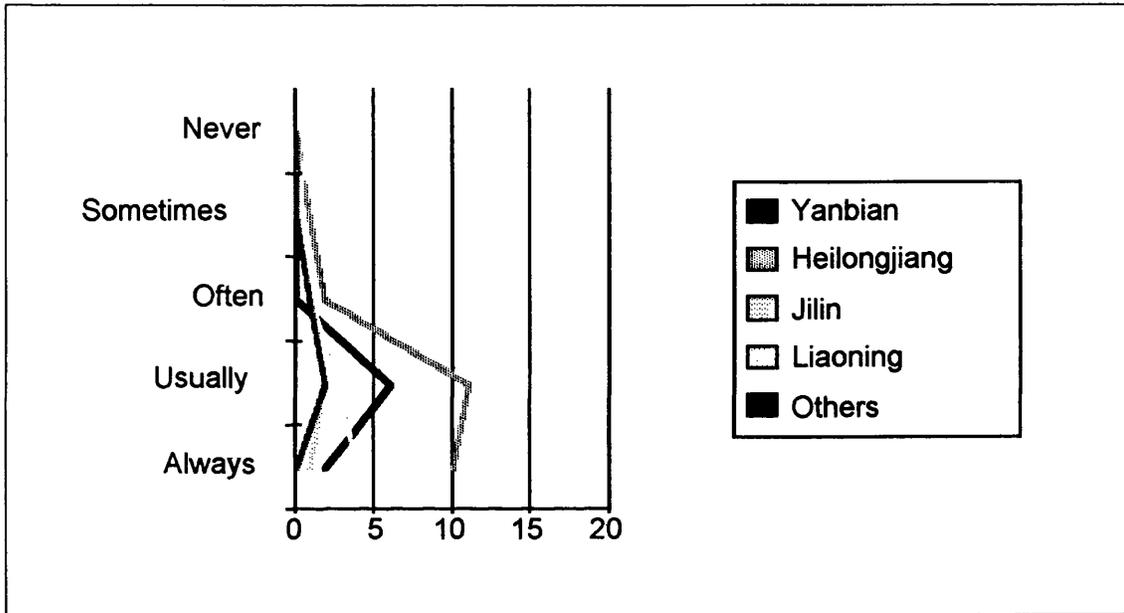
N.B. : ? in the main survey 1996 means void cases.

What about locality bonds of from what locality traders in the research results ? Yanbian Korean Autonomous Prefecture located next to Primorskii Krai across the Russo-Chinese border has more than 40 percent of population of Korean descent. Then, were people from the Yanbian Korean Autonomous Prefecture a dominant business partner in their business ? In the same way as the previous study on ethnic networks, the results were somewhat

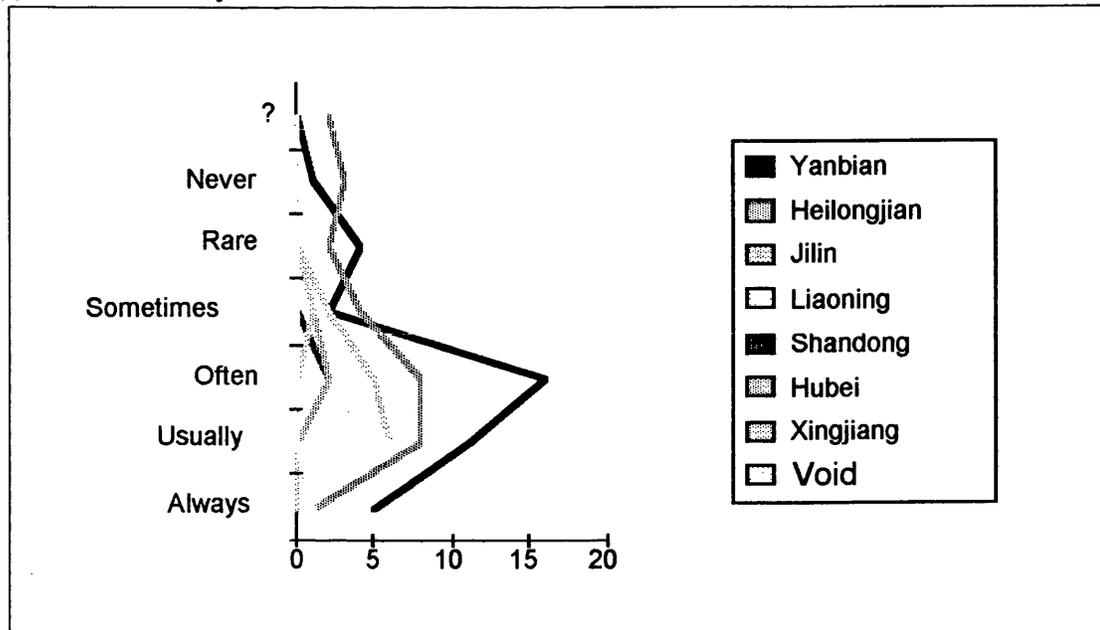
ambiguous : in the pilot survey of 1996 the strongest locality ties were recognised in Heilongjiang, with Yanbian second, while in the main survey of 1996 the locality ties of Yanbian were more apparent. Due to the small size of these samples, however, these results can not be all representative. It could be concluded that there was no particular dominant locality bond as the most important among traders. But at least traders dealt largely with businesses of Heilongjiang or Yanbian. The interpretation of these results is that despite some representation of Yanbian Korean Autonomous Prefecture, the identity of the locality bond may be subject to changes in business (chart 8 - 2).

**Chart 8-2 Frequency of Business in Territorial Bond (Unit : number of cases on the horizontal line)**

**(1) The Pilot Survey in 1996**



**(2) The Main Survey in 1996**



Then, after all, what is the conclusion about the existence of the KTD ? Despite reservations about exclusiveness of “Koreans” in trade business under the KTD, the research results still left room to believe some evidence of the KTD. In other words, it can not be denied that ethnic and cultural affinity of some kind, and to some extent, it facilitates the delivery of finished products, and organises other business activities in addition to sales of commodities such as procurement of raw material inputs, manufacturing, etc.

## **5 - 2. Movement of Commodities and Networks of Chinese Koreans**

### **( 1 ) Access to Goods and the KTD**

This section will examine the implications of coethnic networks in distribution and marketing. The survey results below were divided into :

- (1) cases of goods manufactured in China and
- (2) cases of goods manufactured outside China.

In cases where respondents sold goods made in countries other than China, traders of Korean descent had slightly better access to products manufactured in South Korea, although the relationship is not always clear (table 8 - 4). Where they sold products manufactured only in China, the results of the two surveys 1995 differed. In the pilot survey there were more cases of Koreans doing this than Han, suggesting that they had better access to the goods manufactured in China. In the main survey, however, there were more cases of Han than Koreans.

**Table 8-4 Origin of Products and Ethnicity / Home Locality of Traders (Unit : number of cases)**

1. Cases of goods manufactured only in China

	Total	<u>Ethnicity</u>			<u>Home locality</u>		
		Korean	Han Chinese	Yanbian	Other Jilin	Heilongjiang	Liaoning
Pilot survey	47	26	21	27	3	14	3
Main survey	79	38	41	30	12	30	0

2. Cases including goods manufactured outside China

	Total	<u>Ethnicity</u>			<u>Home locality</u>		
		Korean	Han Chinese	Yanbian	Other Jilin	Heilongjiang	Liaoning
Pilot survey	3	3	0	3	0	0	0

Main survey

1. Cases, including

	Total	<u>Ethnicity</u>	<u>Home locality</u>				
		Korean	Han Chinese	Yanbian	Other Jilin	Heilongjiang	Liaoning
South Korea	21	11	10	8	4	9	0
(1) South Korea and China	14	6	8	3	4	7	0
(2) South Korea, China, Japan	7	5	2	5	0	2	0
2. Others	5	3	2	1	2	2	1
(1) Russia and China	3	2	1	1	0	2	1
(2) Japan and China	1	1	0	0	1	0	0
(3) Japan, Russia and China	1	0	1	0	1	0	0

**( 2 ) Origin of Products and a Place of Purchase**

Where were the goods made ? Obviously the majority of goods were produced in China.

But interestingly, in the surveys of 1995 there were 21 cases which included goods made in South Korea and / or other countries (20 percent of total).

**Table 8-5 Place of Production of Commodities for Sale (Unit : number of cases ; percentage)**

	Pilot Survey	Main Survey 1995
1. Made only in China	47 cases (94 %)	104 cases (99 %)
2. Made only in Russia	None	None
3. Made also in other countries	3 cases (6 %)	21 cases (19.8 %)
(1) In South Korea	3 (6 %)	9 (8.5 %)
(2) In Japan	0	4 (3.8 percent)
4. Not known where	None	1 case

Where did the traders obtain commodities ? Some traders did purchase commodities in third countries other than China or Russia (2.8 percent), implying a wider procurement network. And given South Korean products being circulated and places of purchase other than China and Russia, the possibility of the KTD ethnic linkages could not be entirely eliminated in terms of place of procurement and production.

Here, the following possibility exists :

- (1) some goods may be produced by Sino-Korean joint ventures in China for export to Russia, or
- (2) products made in South Korea brought into China may be reexported further to Vladivostok
- (3) products made in South Korea may be directly purchased by Russian Korean with preferential access to goods for sale, and these goods are bought by Chinese Koreans to sell them at the Chinese Market.

It is possible that a range of production and distribution activities is organised by ethnic linkages or distribution networks of some kind engaged in probably by “Korean” traders.

**Table 8-6 Place of Purchase of Commodities for Sale (Unit : number of cases)**

	Pilot Survey 1995	Main Survey 1995
1. Only in China	14 (28 %)	91 (85.8 %)
2. In Russia	35 (70 %)	8 (7.5 %)
3. Both in China and Russia	1 (2 %)	5 (4.7 %)
4. In other countries besides China / Russia	0 (0 %)	3 (2.8 %)
- South Korea	0	1
- Other	0	2

## **[ 6 ] Mercantile Penetration of Asian Traders and Inter-ethnic Rivalry ?**

### **6 - 1. Mercantile Penetration and Xenophobia**

Leaving for a moment, further discussion, an issue of whether it is the KTD that penetrates the market in the city or not, local Russian traders are afraid of a trading diaspora of Asian traders with Chinese citizenship (including Han Chinese and Chinese Koreans), whose image is perceived to expand, encroach on and control distribution of

essential commodities in the Krai (*Vladivostok* July 26 1996). The Asian traders established bazaars where they cluster together to trade. An influx of these Asian traders from China penetrated and created an economy of ethnic enclaves in Vladivostok, a military fortress formerly inaccessible for Asians. The penetration by the Asian traders caused xenophobia in the city. Free flow of circulation of sojourning traders triggered the Krai government's intervention in protection of the Slav traders in the Chinese Market through border controls, local police inspections, etc.

**Photo 5 Scribbling near the Chinese Market : Trade Forbidden !”**



## **6 - 2. Frequency of Transactions' between Asian and Russian Traders**

Import demand generates the flow of the human traffic flow, not only of traders from China but also of Russian traders, who ply back and forth to China in order to restock with commodities. Both kinds of traders were asked how often they had gone to China to obtain goods for sale in the previous six months. Traders from China seem to have gone to China more frequently than the Slav traders, although the frequency differs, with the survey. Interestingly, however, about 80 percent of Russian traders did reply that they had been to China in the last six months in order to restock with goods (37 out of 46 cases).

**Table 8-7 Frequency of Private Traders' Visits to China to Restock in the Last Six Months**

(Unit : number of cases)

	Traders with Chinese citizenship		Russian traders
	Pilot Survey	Main Survey 1995	Main Survey 1996
> six times	1 (2%)	1 (1%)	4 (8.7%)
Six times	4 (8%)	46 (43%)	2 (4.3%)
Five times	n.a.	n.a.	5 (11%)
Four times	n.a.	n.a.	4 (8.7%)
Three times	n.a.	n.a.	5 (11%)
Twice	3 (6%)	26 (25%)	6 (13%)
Once	8 (16%)	18 (17%)	10 (22%)
< Once in eight - nine months	1 (2%)	0 (0%)	1 (2%)
Once in a year	21 (42%)	4 (4%)	n.a.
Once in two years	1 (2%)	3 (2.8%)	n.a.
Once in three years	3 (6%)	0	n.a.
< Once in four years	1 (2%)	1 (1%)	n.a.
Void	7 (14%)	7	9 (20%)
TOTAL	50	106	46

N.B. : n.a. means data not available.

### **6 - 3. Geographical Penetration of Market Beyond the Border**

As discussed in the last chapter, Asian traders' mercantile penetration was deeper than the Russian traders'. Traders from China penetrated to form their own bazaars in various Russian cities - Ussurisk, Grodekovo, Artem, Vladivostok, Nakhodka, and they stay in Russia for 2 - 3 years, while Russian traders, in most cases, only visit regions of NEC bordering the RFE (Hunchun, Suifenhe, Harbin, Dunin, Mishan) for two- or three-day "shopping tours" and return immediately to Russia. This shows how Russian traders were pushed aside by the more energetic penetration of commercially-talented Asian traders originating from China.

### **6 - 4. The Krai Government Intervention in Commercial Competition**

The Krai government and the local police assisted the Russian traders to create obstacles to Asian traders' business through stricter immigration control and taxation on commodities when they found out that the Asian traders are bringing in commodities beyond the upper limit of tax exemptions. These populist measures of the Krai

administration and the local police may have support from common Russian traders in the Chinese Market. They may have sensed Asian traders' mercantile penetration of the RFE in the absence of sufficient local consumer production. However, the fears are in essence a reflection of the failure of the regional economy to adjust to market reforms, rather than of an influx of Asian traders per se.

**Table 8-8 Obstacles to Cross-Border Trading Business, Perceived by Traders**

	(Unit : number of cases)	
	Pilot survey 1995	Main survey 1995
1. Visa control	27	98
2. Import tax	31	69
3. Hawking business confined to a specified place (i.e. street vending is not allowed other than in <i>Kitaiskii Rynok</i> )	30	78
4. Confiscation, fines and other harassment by the local police	48	16

N.B. : Traders could answer more than one option.

When the visa-free regime was abolished at the end of 1992, "commercial tourism" became a major channel of entry. But the illegal immigrant residents who entered the Krai as tourists and overstayed became a political issue. The Chinese Market is a gathering place for such illegal residents. Some traders have neither passport nor visa. Others do not register their place of residence as required by the police. Or they are often official contract workers registered with the Krai administration, who but somehow overstay and engage in private trade (*Vladivostok* 4 October 1995).

In fact, when the writer asked informal interviews with people of immigrant community even through an intercession of their community leader, a friend, some of them were quite often sensitive about the interviews. This was later found to be because these people neither had a passport nor a visa. But the fieldwork could not identify percentage of such illegal immigrants in the community. The Krai government started an ethnic clearance operation code-named "Foreigners" in the market. According to the interviews with the local Passport and Visa Service, Primorskii Krai, deportations of illegal foreign citizens were 6,322 (1 January 1994 - 18 October 1994) and 3,742 (1 January 1995 - 18 October

1995). The task of deporting these illegal residents, however, produced costs on the Russian side, despite its ineffectiveness. Chinese citizens deported over to the border with China, keep coming back to the Chinese Market in Vladivostok, and use the deportation trip to replenish their inventory.

Other measures to limit Asian “commercial tourists” are the Krai government’s regulations introduced on the 1st August 1996 that reduced to US \$1,000 and 50 kilogrammes the upper limit on the amount of commodities to which are allowed to be brought in for import tax-free. The measures, however, are a double-edged sword as they reduce the additional income sources of the local population and deprive the people of access to essential commodities at affordable prices (*Zaratoi Rog* 6 August 1996).

With the rise of populist xenophobia produced by commercial competition with Asian traders and by the local politicians, the Krai government may be making just a gesture to “protect Russian consumers and traders” from the penetration of “shoddy” Chinese products.

### **Conclusion**

This chapter has so far discussed the case for and against the existence of a KTD. The data, overall, suggested ambiguous results. Based on empirical studies, it is concluded that a trading diaspora of some kind does exist, even if it does not mean exclusively run by Chinese Koreans dominating trade businesses and even if it is not known exactly to what extent the KTD dominates the transactions. Despite the fact that it undoubtedly works as a catalyst for coordination of trade operations, it is worth noting what is more important probably not ethnic networks per se, but rather a macro context where a trading diaspora of some kind is in operation. Chinese Koreans had slightly better access to South Korean products than Han Chinese and organised purchases in other countries besides from China or Russia. Do ethnic connections matter for the operation of businesses ? This is a central question. The answer is to some extent, yes. As in the critiques, there are aspects on which doubts is rightly cast to cultural determinism of “Koreanness” in trading business

networks. However, the research results do not reject the assumption of a KTD entirely, either. How does this ambiguity be understood ? As presented in the critique, surely it is not a dilemma - just a question of degree and how to discover what degree. It will suffice to state that there is at least some degree of evidence to support the KTD as a facilitating means for transnational trade. Although the research does not intend to “throw the baby out with the bathwater”, it is right to admit that the diaspora is not just confined exclusively to Chinese Koreans, and it is also important at the same time to note that they are not simply reuniting various ethnic Korean communities emerging after the demise of the Cold War regimes that had long been separated from each other in NEA and Central Asia for the sake of their group identity, but instead for the purpose of making profits. In this light, F Pieke rightly said that in a diaspora economy of networks, each diaspora simply “interacts” and “temporarily creates what looks like a unified community”, generating “a loose collection of ... communities that act as independent groups.” (loc.cit.)

What is even more interesting is that an emergence of this trading diaspora reflects some aspect of the dismantling WMSSs. Initially in Marxists’ idea on revolution and national questions, nationalism was a product of capitalism and the world revolution of proletariat would have no territorial state. Inter-state competitions would only serve to make the working class conform to oppression under ruling capitalist class in their countries. In their mind national differences and antagonism would eventually disappear in a socialist revolution. Although a rise of nationalism was seen as a threat to the class unity of proletariat, national self-determination of minorities were tolerated for a while after the Russian Revolution until sometime in the early 1920s. In fact, Lenin even feared the Great Russian Chauvinism rising among some circles of the Bolsheviks. But as the USSR consolidated its legitimacy and power in the Far East during the late 1920s and the early 1930s, the majority of the Bolsheviks came to regard nationalism as counter-revolutionary elements running against a territorial unity of the Soviet state, especially between the centre and borderlands. Then the “demographic engineering” of some minorities would enable the Bolsheviks to consolidate their rule in the periphery, and this policy was

implemented by creation of titular ethnic republics, alteration or manipulation of national loyalties and identities (Smith J 1999 pp. 7 - 28). The Bolsheviks after Stalin rejected Austrian Marxists' views (such as Otto Bauer's) of "personal" or "extra-territorial national autonomy". According to this view, some small ethnic groups could "extend (contacts with their settlements) beyond the territory... (and) cover all members of that nations wherever they lived (ibid. p. 11). Bauer's view allowed communication and networks between dispersed ethnic communities having a dual allegiance to a territorial body of their state (within a given geographical confines of their residence) and to the communities of foreign state (ibid. pp. 11 - 12). Stalin firmly condemned this Austrian Marxist view and national self-determination was came eventually to be seen as a counter-revolutionary slogan (ibid. p. 22). The historical process of the state-building of the Soviet WMSS had a clear priority of the patriotic ideology of the Soviet state over ethnonationalism, and furthermore, denied the fact of a natural economic integral unity between the RFE and NEC, which had existed in the pre-revolutionary period (ibid. pp. 80 - 1). Therefore, the dismantling of the Soviet WMSS gave rise to the long suppressed extra-territorial cultural autonomy of some minorities to allow them to form a dual allegiance within and beyond the Soviet state (as seen in the case of the revival of the KTD in Vladivostok).

Going beyond the ethnic factor, the next chapter will investigate more profound changes behind the KTD, and will look into the macro-context in the post-Cold War NEA where there were qualitative changes in trade and distribution which produced a trading diaspora - namely, the rise of a "global commodity chain" (GCC).

**CHAPTER 9**  
**CASUALISATION OF DISTRIBUTION**  
**AND “GLOBAL COMMODITY CHAINS”**

**Introduction**

This chapter will examine changes in distribution caused by the collapse of the WMSSs in the RFE and NEC. An Asian trading diaspora reappeared in Vladivostok due to factors such as : (1) an emergence of multi-channeled distribution caused by casualisation of the centralised distribution, and (2) globalisation of production and distribution of clothing and textile products, which penetrated the Russian consumer market via “global commodity chains” (GCCs). As a consequence of the decline of the WMSSs, with domestic supply disruption and a decline in production of clothing and textiles Vladivostok was exposed to the mercantile penetration by the intra-industrial networks of production and distribution between South Korea and China.

The chapter begins with the first section on the impact of the collapse of the WMSSs on distribution. The second section will review the Chinese Market survey results and examine what kinds of commodities were in circulation in the city. It will also set the question why specific types of goods were in demand in the local market. The third and fourth sections will answer this question. The third section will discuss an issue of an institutional change in distribution - that multi-channel distribution emerged and penetrated the market as a result of casualisation of the state commerce. In the fourth section it will be argued that relocation of South Korean textile industry to NEC and expansion of commodity circulation into the RFE caused Asian traders’ mercantile penetration into the city.

**[ 1 ] The Collapse of the WMSSs and The Impact on Distribution**

Under the WMSSs most textile products were probably either rationed or unobtainable in

the RFE and NEC. The need for greater provision of goods and retail outlets became urgent, but the small number of shops and the shortage of goods resulted in inadequate provision (French A 1995 p. 111). In the RFE, with its geographical legacy of a local industrial vacuum in this light industry, the gap between demand and supply became pressing in the late 1980s.

By the late 1980s the shortages had intensified in the RFE. Demand for delivery of these products (e.g. retail services) was not met by supplies. There were even reductions in supply, cutbacks in imports, and furthermore, increases in money income in the late 1980s led to an excess demand of goods relative to purchasing power (Schroeder G E et al. 1991 p. 23). The distributional system was “deficient relative to demand both in quantity and quality” (Schroeder G E 1987 p. 253). People sought scarce products : they had unspent cash, but goods were unavailable. M. Harrison (1986 p. 75) puts it thus :

Through receipt of wage incomes provided for by the excessive financing of industry, households too (are) ... overfinanced in relation to the consumer goods and services available.. The result is the unintended accumulation of household cash..., and... illegal exchanges on the retail market.

In the early 1990s, private trade alleviated the shortages caused by the deficiencies of the distribution system in post-Soviet Vladivostok. Informal trade arose from sheer need, and induced temporary movements of people and goods within and outside the USSR. Private trade became popular in the early 1990s. Traders here means not only simple providers of commodities, but also providers of commodity-related services (wholesaling / retail services) who communicate on-the-spot information of demand in a particular market to producers, and changes import sourcing and distribution networks accordingly. Their movement as service providers linked production and delivery in the city (Ghosh B 1997 pp. 79 - 80). The rise of private traders arose from the need to redress the long-neglected “service gap” in the city - the underdeveloped consumer service sector - through relaxation of in-migration control to the city. As M. Bradshaw et al. (1998a p. 157) notes, “consumer ... services were particularly underdeveloped and the growth of such services may be expected to present many opportunities for employment creation...The

development of small- and medium-sized enterprises is also expected to play a positive role by capturing intra-sectoral shifts in economic activity...The small and medium-sized enterprises are frequently ‘spun off’ from failing state enterprises.” Resources were redistributed by channelling them from the state to the non-state sectors, and labour was transferred from manufacturing to services. Seen in this light, the coming of Asian traders from China reflected the process of correcting the “service gap”. The correction process started with *perestroika*. The RFE's shift towards a non-military service economy brought traders from China to Russia, given the geographical proximity of the RFE to China, a manufacturing centre of labour-intensive products (Krugman P 1991 pp. 1 - 34 and pp. 83-113).

Particularly in the RFE, the Soviet planners failed to satisfy the demand of the regional consumer market for light industrial products. Minakir P A et al. (1994 p. 97) argue that the “objectives” of the location of light industry in the RFE were “only to create jobs for women in a region traditionally dominated by male employment and also to produce... essential goods in the event of war.” In the textile and footwear industries, the volume of the regional production satisfied only a small portion of the regional consumption during the Soviet period : knitwear 10 percent of regional demand, knitted underwear 15 percent, socks less than 50 percent and shoes 30 percent (ibid. pp. 98 - 9). Dependency on in-shipment from the central region remained unchanged despite the Soviet industrialisation (Dienes L 1993 pp. 497 - 529).<sup>1</sup> During the Soviet regime, in order to balance uneven industrial location, the authorities had attempted an inter-regional integration, which resulted in huge costs. With supply disruption, however, primitive bazaars emerged in the RFE, dependent upon supplies from China, South Korea and other Asian countries.

Shaw D J B (1999 p. 120) notes a general observation about growth in retail and wholesale employment (3.4 percent) in Russia as a whole between 1990 and 1994, and growth in its share of Russia’s GDP from 8.8 to 16.6 percent between 1989 and 1994. However, a majority of distribution escapes the official statistics” and much “service”

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<sup>1</sup> For example, the central region has historically produced about a half of the light industrial output of the whole of Russia, according to L. Dienes (1993 pp. 497 - 529).

delivery goes on unofficially, although service economy grew rapidly in real terms, as Shaw notes it (p. 104). The official data thus underestimate the real extent of burgeoning unofficial bazaar economy. It is here by observing the consumer market in Vladivostok that will hope to contribute to and throw light on this unofficial service economy in the RFE. But it is not intended that the original data presented here reflect accuracy of the local situation in quantitative terms. The data and field observation are rather a device intended to highlight some aspects of qualitative changes in retail service provision.

## [ 2 ] Consumer Market in Vladivostok

### 2 - 1. Commodities in Demand

What commodities did Asian traders sell in the mid 1990s ? Demand in the market can be studied through what traders sell or through what shoppers buy. The majority of private traders originating from China sold clothes and footwear, which were 1.5-2 times cheaper than officially imported goods (Komitet po Vneshne Ekonomicheskim Svyazyam Kraevaya Administratsiya). The textile and clothing formed a large proportion of the total for sale in the years of 1995-96.

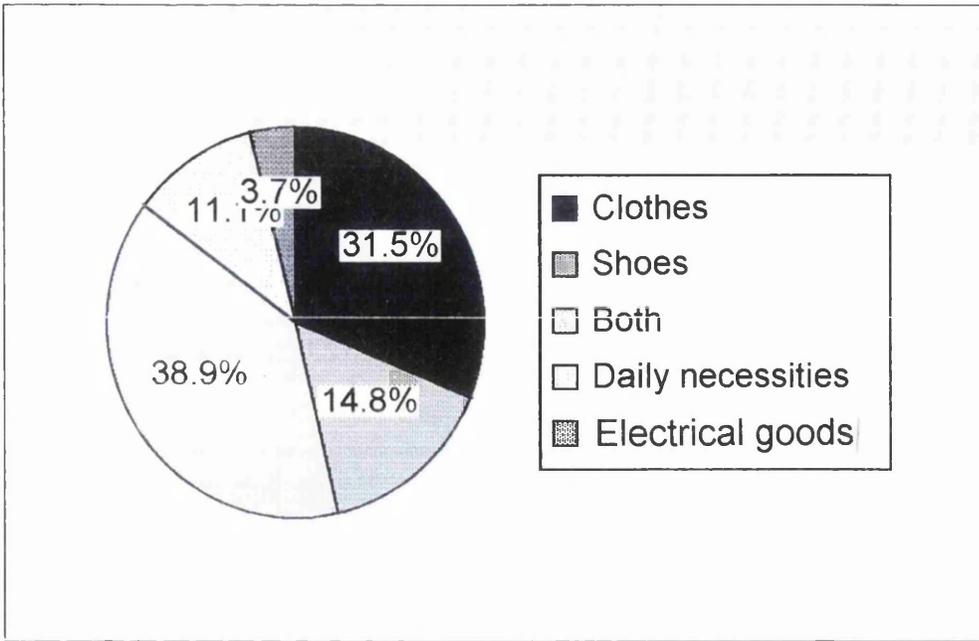
**Table 9-1 Demand in the Chinese Market, Vladivostok**

(Unit : number of cases and percentage)

	1995		1996	
	Pilot Survey	Main Survey	Pilot Survey	Main Survey
Clothes	31 (63.4 %)	47 (54.7 %)	24 (58.5 %)	40 (40 %)
Footwear	2 (4 %)	23 (26.7 %)	1 (2.4 %)	12 (12 %)
Foodstuffs	0	1 (1.2 %)	4 (9.7 %)	0
Other daily necessities	15 (30 %)	16 (18.6 %)	11 (26.8 %)	42 (42 %)
Electric goods	5 (10 %)	2 (2.3 %)	0	5 (5 %)
Total valid answers	49	86	41	99

Interviews with Russian shoppers showed similar results. The majority of Russians sought clothes and shoes in this market (85.2 percent).

Chart 9-1 What Russians Want to Purchase in the Chinese Market



Note : Of 56 respondents, the numbers wanting to purchase each category of goods were as follows : (1) clothes 17 ; (2) shoes 8 ; (3) both clothes and shoes 21 ; (4) other daily necessities 6 ; (5) electrical appliances 2 ; (6) void 1.

N.B. : Russian traders in the bazaar also sold non-foodstuff consumer items. In the sample of 46 Russian traders, the numbers selling each category of goods were as follows : clothes, footwear and other daily necessities 23 ; electronic goods 1 ; computers 2 ; bags 1 ; foodstuffs 3 ; and other miscellaneous goods 16.

Photo 6 Asian Traders Selling Clothes



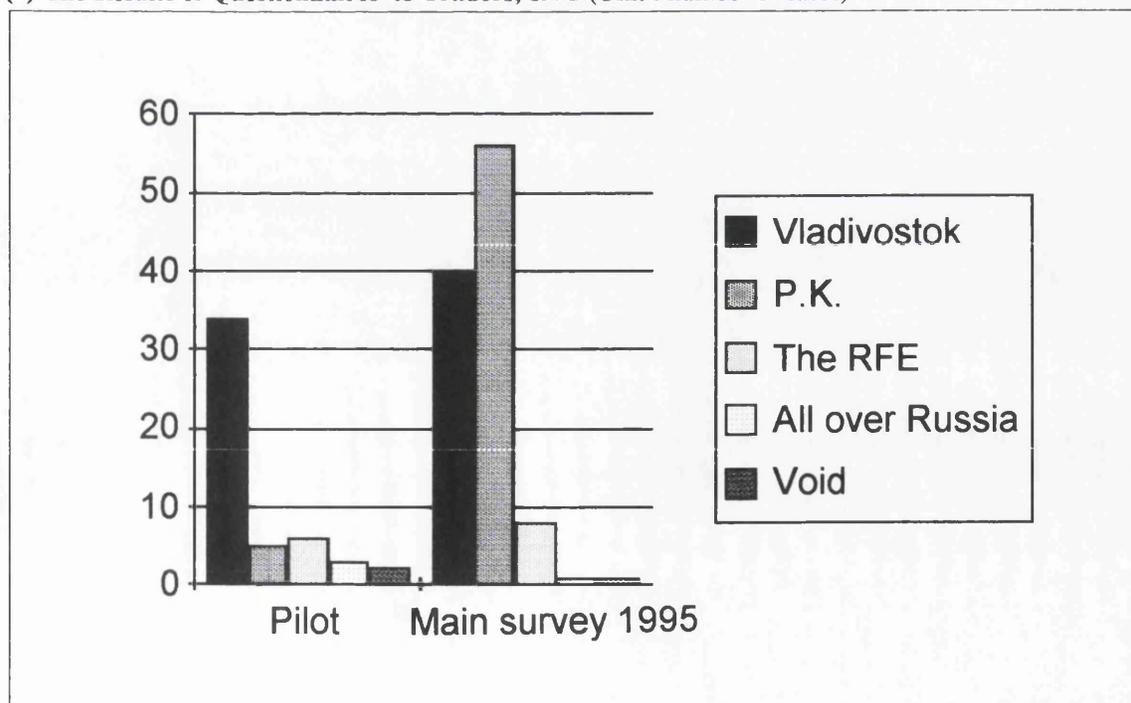
## 2 - 2. Market Size

How deeply did the circulation of these goods penetrate into Russia ? In other words, what is the geographical extent of the consumer market from which shoppers came ? The next pie chart shows the results of surveying traders : the market covered not only demand within the city but also in more extended areas (pie-chart 2 (1)). Some shoppers came even from all over the RFE and Russia, showing that Vladivostok is a distribution centre supplying essential items to the northern regions of the RFE such as Kamchatka and Sakhalin. Shoppers from the whole of the RFE were : 12 percent (6 cases) of the total samples in pilot survey and 7.5 percent (8 cases) in main survey, and those from all over Russia were 6 percent (3 cases) and nil.

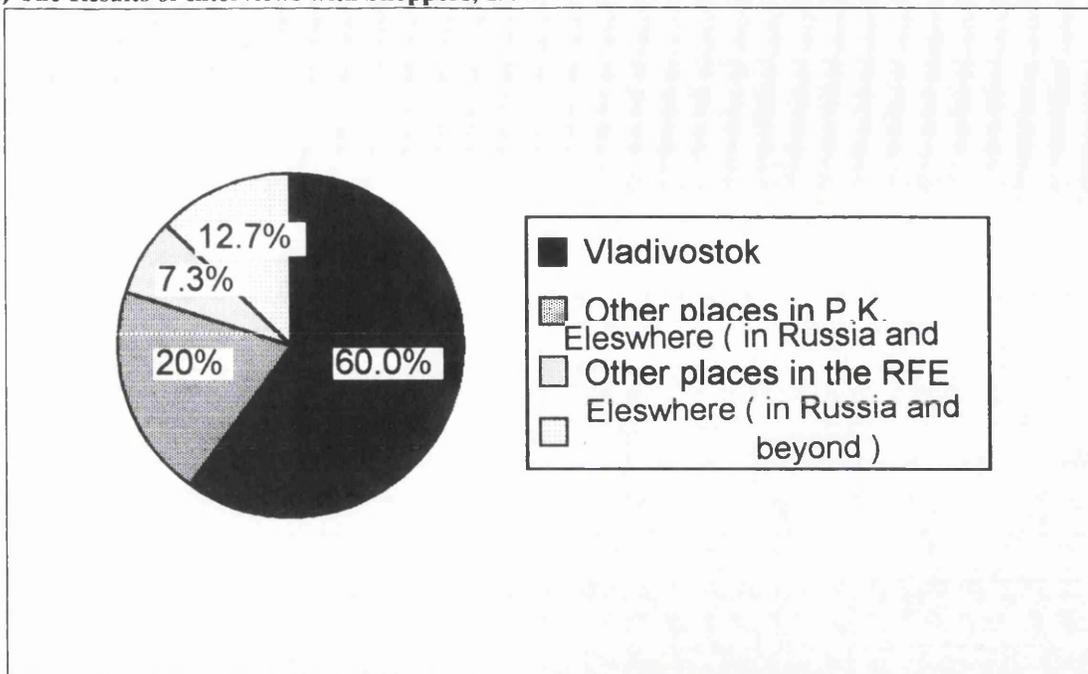
In detailed interviews with Russian shoppers in 1996 (pie-chart 2 (2)), a larger number of shoppers from regions outside the RFE were found. Of the 55 interviewed, 33 were from the city, 11 from all over Primorskii Krai, 4 from all over the RFE, and interestingly, 7 shoppers (12.7 percent) said that they were from outside the RFE, from such distant areas as Kyrgyzstan (Tashkent), Siberia (Barnaul and Novosibirsk), central regions (St. Petersburg and Moscow) and Ukraine.

Chart 9-2 Market Size of the Chinese Market

(1) The Results of Questionnaires to Traders, 1995 (Unit : number of cases)



(2) The Results of Interviews with Shoppers, 1996



N. B. : "P. K." is Primorskii Krai.

Thus some shoppers came from outside the RFE, although the number of shoppers interviewed (55) was not large enough (0.2-0.8 percent of the universe) to be fully representative of all Russian shoppers coming daily to this market (6,700-23,000 shoppers depending on the day).

### 2 - 3. Supply Disruptions and Production Slump

Why were such commodities as textiles, clothing and footwear being brought into the city ? The quantitative data did not explain much how the actual informal distribution worked. Supply disruption and the decline in production in this particular industry may explain more about the qualitative change that actually occurred in the city.

#### ( 1 ) Supply disruption

With the loss of subsidies, the city experienced high transport costs for in-shipment of commodities, isolation from the central Russian markets where it formerly sold most of its raw materials, and a decline in the state investment funding designed to maintain economic ties with Moscow. These factors brought changes to the former autarkic system. The disruption of supply caused emergency imports to the city from NEA, and the influx of Asian traders. Asian traders penetrated the undersupplied market in the city with

their own distribution networks within Russia in response to shortages and disruption. Due to the absence of well-developed light industrial capacity, private traders functioned as a palliative to help the city and the RFE as a whole adapt to the transformation of the system.

Traditionally, over three-quarters of all cotton textiles in the USSR were manufactured in western Russia, and about 70 percent of cotton production was in Uzbekistan (Mellor R E H 1982 pp. 141 - 3 ; Ward C 1990 pp. 20 - 2 ; Gaddy C G 1996 p. 107). Given this spatial imbalance in the textile industry, the collapse of the former supply system led to a chaos for the city in procurement of cotton, fabric, apparel and textile machinery. Cotton suppliers in Uzbekistan sought direct export to the world market and probably cut supplies to textile plants in the RFE, because the international market price was much higher than the prices paid by Russian mills (Gaddy C G 1996 p. 107).

## ***( 2 ) A chain reaction in production slump***

The supply disruption caused a chain reaction. Generally, manufacturing sector in Primorskii Krai decreased after 1991. Latkin (1997 p. 127) argues that this is because :

(1) about 80 percent of manufacturing activities in the Krai had operated under demand created by state order that stimulated economic activities in defence-related sectors including light industry. Loss of state order the state's non-payment for the Krai's output led to a decline of the local manufacturing activities in the Krai.

(2) Integration with international market required price distortion to be corrected in such a way that produced unbalanced price rise, i.e. price rise in manufacturing lagged behind price rise in other sectors such as transport cost (*idem*).

A reduced supply of cotton fabrics, and less demand for production of looms and other textile machinery by the defence sector proper, all these problems eventually led to production decline in Russian clothing and textile products. In addition to the chaos in distribution, Primorskii Krai's output of clothes in 1992 fell to 69.7 percent of the 1991 level, and of leather shoes to 87.5 percent (*Roshia Kyokuto Deita Buk* 1994 table 21 ;

Kaneda I 1997 p. 175). The output decline was still continuing as of 1995. The share of light industry in the Krai's total manufacturing output (in value) decreased from 4.6 to 1.2 percent in the period of 1991 and 1996 (Latkin 1997 p. 129).

Decline in production of cotton fabric in Russia (-38 percent over the two years 1991-92) created a vicious cycle, eventually hitting the next upstream stage, the textile machinery used by the mills, which form part of the defence enterprises in Russia (Gaddy loc.cit.).

## **2 - 4. A Rise of Private Traders**

With the Russian textile industry in chaos, private traders - immigrant traders as well as Russian traders - confronted with the need for an emergency import to satisfy the local demand at the lower end of the distribution chain (the retail sector), exploited the conditions of supply disruption and shortages in the consumer sector, and sought to find a business profit by resale of imports of finished textile products and clothing (Gaddy loc.cit.). In 1992, to alleviate shortages in Russia, a presidential edict eventually permitted all entities including individuals to participate in foreign trade, which increased the number of business intermediaries in the consumer sector and boosted street vending (Hishiki H 1994 p. 23). Private traders streamed across Russia's borderlands in the Far East, taking Russian manufactures and bringing back in return Chinese-made shirts, dresses, jackets, and athletic wear (Gaddy loc.cit.). The growth of consumer business produced favourable conditions for Asian traders also to engage in trading business in Russia.

## **2 - 5. Growth of Multi-channeled Distribution**

Direct private-to-private transactions increased in the RFE. In 1992, with easier access to the border and the rise in informal distribution in the RFE, many Chinese products started to be imported via private traders in Vladivostok. The non-state channel of Russo-Chinese trade (imports/exports) increased in Primorskii Krai (see the table below) (Latkin op.cit. p. 255 ; *Chugoku Keizai* JETRO 1994 pp. 50 - 2). Private traders, replacing the state's vertical distribution, began to seek new channels of procurement, and hence, diverse channels of distribution emerged in the city (Institute of Economic Studies 1994 *Roshia Kyokuto Keizai Soran* p. 115). Open-air markets, improvised kiosks and bazaars sprang

up in the streets and helped to satisfy the demand for clothing, shoes and foodstuffs, which could not be met under the former system. In 1991-92 the number of state retail stores in the RFE decreased by 1,322 (ibid. p. 117 ; *Zaratoi Rog* 30 January 1996). Although the activities of private trade are not well recorded, probably the growth of private traders contributed to the increase of non-state retail traders and their cross-border brokerage. Because of the city's remote location from its domestic production centre in western Russia and the decline of local output of textile and clothing in the RFE as a whole, commerce became an expanding sector in the city to meet the demand of the local population. The percentage of non-state channels increased from 28 percent to 87 percent in the Krai between the period of 1990 and 1995 (table 9 - 2). According to data, retail sales in Vladivostok nearly doubled in 1995-96 (January - June) (the data of the Statistics Bureau, Vladivostok City in *Zaratoi Rog* 6 August 1996 ; *Zaratoi Rog* 30 January 1996 ; Minakir P A and Freeze G L 1996, pp. 170 - 5 ; Komitet po Vneshne Ekonomicheskim Svyazyam Kraevaya Administratsiya 1996 p. 5).

**Table 9-2 Growth in Percentages of Non-state Retail Stores' Sales (Unit : percentages)**

	1990	1992	1993	1994	1995
State channel	72	46	22	15	13
Non - state channel	28	54	78	85	87

Source : Latkin A P 1997, *Primorskii Krai. Uroki Rynochnikh Reform*, Izdatel'stvo Dal'nevostochnogo Universiteta, Vladivostok, p. 255

What is the relationship between the rise of private traders and diverse channels of transactions ? Caution is required in interpreting Russian statistics since as mentioned they usually do not include imports of services, and fail to record informal transactions (Belov A 1998 p. 251 ; *Yomiuri Shimbun* 5th February 1999). According to the official data given by the Vladivostok Customs Office, which exclude imported goods informally brought in by Russian and Asian "shuttle traders", consumer imports of these industrial products declined from US\$ 78 million (1993) to US\$ 28 million (1994) and further to US\$ 16 million (1995) (Komitet Vneshne Ekonomicheskim Svyazyam Kraevaya Administratsiya 1996 p. 5). Imports of Chinese light industrial products (clothes, footwear and hats) also fell from US \$ 34.8 million (1993) to US \$ 7.0 million (1994) and further to US\$ 1.4

million (1995). China's share (by value) in total imports to the Krai of these products fell as a result : from 45 percent (1993), to 25 percent (1994) and further to 8 percent (1995) (idem).

The research examined the relationship between Asian traders and firms supplying them with commodities. In the pilot survey in 1995, however, it was not clear. The main survey in 1995 presented a clearer picture (table 9 - 3). In the table below the items listed vertically are access channels for procurement, while the items on the horizontal line represent the type of organisation (if any) to which traders belong in China. Traders belonging to state and private enterprises in the formal sector tend to purchase commodities directly from factories or firms, whereas traders working probably more independently and in more casual conditions tend to purchase goods from wholesalers and even from other retailers. In Russo-Chinese border trade there are two forms : (1) the former case involves direct sales of outputs from local manufacturing firms in China to retail traders coming to Russia (often distribution of outputs assembled in export-processing zones such as in Hunchun and Suifenhe for direct export to the Russian market). Private traders, who have been dissociated from the SOEs with the streamlining of state distribution, may still maintain ties with them in subcontracting. Or they may be simply retail agents on commission franchised or subcontracted for sales in Russia by other private entrepreneurs contracting out the retail operations abroad, and (2) the latter case, where traders are working in more casual conditions, involves a number of commercial intermediaries, wholesalers and retailers in distribution of products (Gereffi G 1992 pp. 107 - 10).

**Table 9-3 Organisations / Occupation in China and Procurement Channels**

(Unit : the number of cases from the Main Survey 1995)

	State sector	Private enterprises	Foreign enterprises	Self-employed	Unknown
1. Directly from factories / firms	15	38	2	1	5
2. Indirectly from wholesalers	2	6	None	1	27
3. Mixed channels	None	5	None	None	None
(1) From factories and wholesalers	0	4	0	0	0
(2) Self-produced and wholesalers	0	1	0	0	0
4. Home-production	None	1	None	None	None
5. From other retailers	None	None	None	2	None
Void : 1 case					

How often did traders obtain goods ? Many obtained them as often as once a week (35 percent in the pilot survey and 62 percent in the main survey 1995) (see appendix c table 7).

## 2 - 6. Process of Informal Transactions

How did private traders operate informal transactions ? Their networks transcended the political boundary with the neighbouring countries. Growth in emigration of Chinese citizens as “commercial tourists” strengthened cross-border networks of production and distribution bridging their home regions in China and destinations in Russia (Benton G and Pieke F 1998 pp. 2 - 8 ; Hodder R 1993 pp. 93 - 4).

Traders must have purchased goods somewhere and arranged shipment to Vladivostok. How did these private traders bring in goods from China ? How were commodities shipped from China to Vladivostok ? Did they obtain commodities directly from factories or indirectly through wholesalers ? Goods were, overall, as mentioned, purchased in both ways : (1) direct procurement from factories, and (2) wholesale distribution (see appendix c table 8). The pilot and main surveys 1995 produced some differences in details. In the pilot research the results showed more respondents distributing commodities through

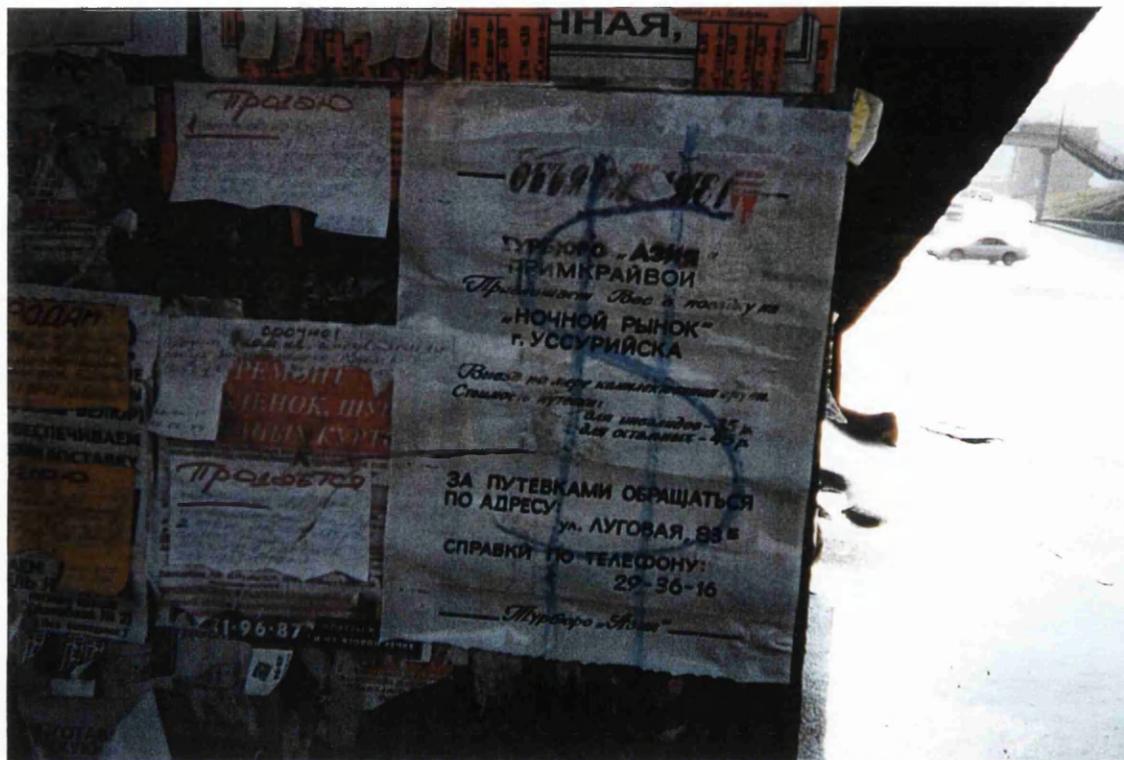
wholesalers (60 percent of the total as against 16 percent through direct distribution from factories). In the main survey of 1995, on the other hand, there was more direct distribution from factories to retailers (58 percent of the total against 34 percent through wholesalers). There were few cases of home-production, which shows that Asian traders played only a distributional role within a range of activities covering production and distribution.

In the fieldwork, it was found that the frequency of traders' commodity procurement (mostly at least once a week) was higher than the frequency of their return to China (varying between once a month and a year). This implies that traders have other means of procuring commodities in Russia, the existence of one or more wholesale markets somewhere in Russia to provide the supply of goods.

In order to investigate further the purchasing of goods in a wholesale market within Russia, the writer conducted an informal field trip to the wholesale market at Ussurisk with a Chinese friend at 1:00 a.m. on the 13th November 1995. It was called the "devil's market" among the immigrant traders. The Russian owner of the market space charged an admission fee of 2,000 rubles. Shoppers were not only Asians but also Russian retailers. The market opened on an ad hoc basis from 1:00 - 4:00 a.m. to avoid harassment by the local police. A leader of the local immigrant community informed us that it was the largest wholesale market in the RFE, which geographically draws customers as far as Eastern Siberia (e.g., Irkutsk and Novosibirsk), and even, at times, Moscow and St. Petersburg. Ussurisk is a transport junction point, connected by railroad internally westward with Siberia and externally with Harbin, China. There is also a regular international bus service from Ussurisk connecting with Suifenhe, China. Ussurisk and Suifenhe in China have been exchanging shopping tours since July 1990 with one-day "commercial tourism" (Hattori K 1994c p. 351). The traders (wholesalers and retail traders) were asked in the market where they were from and it was discovered that many came from either Jilin or Heilongjiang, and that the majority were Chinese citizens of Korean descent. This was more or less similar to the situation in the Chinese Market at Vladivostok. Some traders installed their

mobile lodgings behind stalls for them to live. Russian shoppers came from such places as Dal'negorsk and Khabarovsk in the northern RFE. There were three to four Chinese transport agents, contributing to the wholesale business in this market in addition to Russian ones.

Photo 7 An Advertisement near the Chinese Market Wholesale "Night Market" in Ussurisk



Note : "\$" mark is a sign of informal foreign exchanges

In detailed interviews 1996 in Vladivostok over half of the respondents used agents for shipment from a place of purchase in China to as far as Ussurisk (30 cases of the 59 total). However, as mentioned earlier, they purchased commodities either : (1) themselves or via someone in China, or (2) at the wholesale market at Ussurisk, Russia. In the former case, traders themselves travelled to China to purchase goods and arranged shipment to Russia, and picked up the goods at Ussurisk when they returned and from there drove lorries themselves back to Vladivostok. Or they sent family, relatives, friends or someone else to China in order to purchase the goods in China and then shipped them to Ussurisk or other border cities in Russia, so that traders already in Russia could collect them in Ussurisk or other places and transport them further to Vladivostok. In this case, traders also arranged

the shipment as far as Ussurisk and they themselves fetched and loaded the goods onto lorries to Vladivostok and put them in storage in the accommodations. Or, in the latter case (2) above, traders simply restocked in the wholesale market, but they had to pay for extra charges to wholesalers. In both cases (1) and (2) Ussurisk was a depot centre for transborder business.

Through detailed interviews in 1996, the writer further studied how traders purchased and shipped commodities. The findings of the interviews can be summarised as follows.

(1) Personal connections were important in business operations when traders procured and shipped goods. For shipping of commodities, traders often cooperated with their friends' businesses - wholesalers, manufacturers, or shipping agents (5 cases out of 59). In shipping and receiving commodities across the border there seemed to be informal cooperation on both sides of the border in order to smooth the delivery. However, there were variations : some traders used Chinese shipping agents (6 cases), others used Russian shipping agents (2 cases). In one case, a trader accumulated capital himself to start his own shipping business. Despite the variations in ways of shipping, traders seemed to have a preference for Chinese shipping agents in terms of number of cases. Thus respondents either engaged directly in procurement and shipment themselves, or relied on services provided externally by shipping agents.

(2) Some respondents said that they had a certain division of labour with their co-workers in business - for example, sale of commodities, procurement and transport. They explicitly affirmed this division of labour in at least 5 cases with a clear statement.

(3) Temporary return to China is important for restocking. But frequency of return is lower than that of buying commodities. Traders arranged shipment in China at border towns (e.g. Dunin and Suifenhe), shipped commodities to Ussurisk in Russia, and transported them further to Vladivostok (7 cases) on their return.

## [ 3 ] The Collapse of the WMSSs and Casualisation of State Distribution

### 3 - 1. Distribution in the Pre-reform WMSSs System

As discussed in the last chapter, in the pre-reform system prevailing the WMSSs, production of light industrial outputs and distributional services had been insufficient relative to demand in the RFE and NEC. As a result of the heavy industry bias, the state skimmed on allocation of labour and investment to the development of consumer services (e.g. retailing and wholesaling) (Schroeder 1987 pp. 240 - 60). The state stifled private traders' participation in distribution system, and monopolised it. Direct transactions linking producers and retailers had been particularly discouraged and kept to a minimum level (*Kyokuto Kaigi Hokokusho* 1994 p. 35).

#### ( 1 ) *The Soviet Union*

In the Soviet Union retail stores were organised into administrative units subject to state planning (Pallot J and Shaw D J B 1981 p. 196 ; Banerji A 1997 p. 149). It was the vertical control of administrative organs that repressed transborder trade (Manezhev S 1992 pp. 3 - 6).<sup>2</sup> Inter-regional migration control also constrained private trade. Due to the multiplicity of administrative agencies and bureaucratic systems, overcentralised distribution caused complications and inefficiency in delivery at the lower level of local retail stores (Schroeder G E 1984 p. 206). There was no quick and flexible response to changes in local demand since goods were delivered down to the state retail stores only after contract agreements were reached between the state organs (Institute of Economic Studies 1994 *Roshia Kyokuto Keizai Soran* p. 115). The situation was particularly bad in the RFE, where over 90 percent of consumer goods were distributed through the state retail networks, compared with 80 percent in the former Soviet Union as a whole (Helgeson A C 1990 p. 72).

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<sup>2</sup> Manezhev S (1992 pp. 3 - 6) notes in the early 1990s - "Many commodities exported from the Far East to the central regions of Russia (diamonds, precious metals, coal, certain raw materials) are still being sold at state-controlled prices. However, machinery and equipment, spare parts and consumer goods accounting for over 50 percent of the RFE's imports from other regions of Russia are sold at free-market prices. All this has further damaged competitiveness (of the raw materials in the central market) " (p. 6). He also comments on the high costs of attracting migrant labour to the frontier region of the Far East. (p. 3).

## **( 2 ) China under Mao**

The state commerce system in China was established in the 1950s. Similar to that in the USSR, it accorded with the ideological commitment to state ownership, the eradication of capitalism and the need to gain control of a war economy. In pre-reform China, it was a “cloistered administrative system” in which the state discouraged horizontal private-to-private transactions between independent economic agents. It was not individual persons but the Chinese state that bought, sold and supplied goods. Retail trade was organised in a centralised manner with large state enterprises controlling distribution channels (Hodder R 1993 pp. 18 - 9).

### **2 - 2. Change in Distribution after the Disintegration of the WMSSs**

With distributional reforms in the RFE and NEC private traders started to complement or overtake the state distribution. The new peaceful state of the borderland opened chances for retail operations to state entities and private traders in China. Both - private traders and state retail outlets - operated on a quasi-independent basis but maintained ties to the home firms in China (the SOEs). Or in other cases, they were private firms, purchasing supplies for sales from wholesalers dispatched to Ussurisk or directly from the factories at home. This background explains the results of table 9 - 3. In an emergence of multi-channeled distribution these traders linked demand and supply and the RFE and NEC.

## **( 1 ) Russia**

What is a background of change in Russia ? After *perestroika* the authorities started to make consumer distribution more responsive to local demand, with the growth of cooperatives and individual traders. In Primorskii Krai the share of consumer goods (excluding foodstuffs) in total imports rose from 10 to 40.8 percent in 1989-92 (Minakir P A 1995b pp. 58 - 63). In 1992-93 the Krai alleviated its acute shortages with emergency imports. Direct private transactions started to link producers and purchasers horizontally (*Kyokuto Kaigi Hokokusho* p. 35). Institutional changes in the distribution system encouraged many people to start brokerages in expectation of large profits (ibid. pp. 75 -

6). With the more extensive reforms of Yeltsin and liberalisation of foreign trade in 1992, cross-border trade increased rapidly (Tselichtchev I S 1995 pp. 106 - 7 and p. 210). Imports to the RFE increased by 260 percent in 1992 (Akaha T et al. 1997 p. 55). China was by then the region's leading supplier of imported consumer products (Minakir P A 1995b p. 61 ; Minakir P A 1994 pp. 2 - 3). In 1992 China's share in the RFE's total imports was 48 percent (US\$ 570.9 million), and in 1993 48.3 percent (US\$ 576 million) (Akaha et al. loc.cit).

In Primorskii Krai during 1990 to 1993 China's share of total imports was at its peak imports of certain consumer goods - clothes, footwear and hats (the next table).

**Table 9-4 Share of Clothes in Imports from China, Primorskii Krai : 1989-94 (Unit : percentage)**

	1989	1990	1991	1992	1993	1994
Share of clothes						
in total imports	6.0	32.9	45.8	26.8	31.7	12.8

Source : *Primorskii Kraevoi Komitet Gosudarstvennoi Statistiki* (Statistics Committee of Primorskii Krai)

## ***( 2 ) China under Deng Xiaoping and After***

What about changes in distribution on the Chinese side ? China has a longer experience of multi-channelled distribution than Russia (Hodder R 1992 p. 59 ; Hodder R 1993 pp. 96 - 100). China demonopolised the state distribution under Deng Xiaoping in 1978. In 1992 the central authorities encouraged state enterprises all over China to start up sidelines and private traders to participate in foreign trade (Hodder R 1993 p. 115). Unofficial cross-border brokerages became increasingly common in commerce and they formed a background for the Chinese Market in Vladivostok to rise. Some private trading businesses emerged to deal in products of the large state-run enterprises and disposed of these goods. In all China the private traders' share of retail sales grew from less than 0.5 to more than 30 percent between 1978 and 1994 (Hodder R 1996 p. 280). China's global export of textile and clothing increased after 1978. Together with the growth in the production, many goods were allowed to be distributed in a more casualised and less rigid manner. Distribution system was also liberalised. Retail outlets of these products were released from the state's direct control by contracting out and leasing out. Flexible

contracts were introduced among independent entrepreneurs (Hodder R 1993 pp. 98 - 9). State enterprises themselves were immersed in foreign trade operations, competing with private traders. Or to put it in another way, private traders were involved in an increasingly decentralised trade, and as mentioned earlier, entered subcontracting and franchising relationships with state enterprises. They started to work as retail agents of state entities forging niche markets overseas. Thus the boundary between private traders and state enterprises was blurred or intertwined into a multi-channel distribution. Decentralised distribution displaced the rigid hierarchies on which state enterprises had formerly relied. As Hodder R (1992 p. 59) argues, “(t)he state system of procurement and distribution which had previously bound economic organisations and individuals together, was replaced by private trade - i.e., exchange for profit”. Private entrepreneurs were permitted to develop their own wholesale firms and retail outlets, forming horizontal linkages between more independent economic organisations, irrespective of administrative divisions. State-run units have participated in commerce, competing with private traders (ibid. p. 60). Thus with the weakening of the state’s control, private traders started to infiltrate the former system of the state distribution together with the increase in the disfranchised state retail outlets engaging in commerce (idem.). That is to say, in addition to the growth of private traders by individual entrepreneurial initiatives, with administrative reorganisations and looser vertical control, the devolution of power to the lower echelons led to the release of many retail outlets from the direct control of the state. Outlets formerly managed by the state were released on subcontract to private traders (Hodder R loc.cit. p. 98). Thus the loosened control probably allowed state retail outlets and subcontracted private traders to purchase, process and engage more independently in distributing clothes, shoes and other goods to Vladivostok, according to the particular needs and tastes of this niche market abroad. It is in this context that private traders started their retail operations outside China either as independent entrepreneurs or as retail outlets affiliated to home offices (SOEs and private wholesalers) and drew on the home firms for goods, and sometimes for start-up capital. As Hodder R argues (1992 p. 61) that

in the course of infusion of private traders into state system, a dichotomy rose between two groups representing different forms of exchange - private traders and the state bureaucracy - stating : “The devolution of greater power to economic organisations, coupled with the rapid growth of the private trade” brought about “the gradual disintegration of the state system of ownership” in commerce, although private trade, in ideological terms “must remain subordinate to the state system of procurement and distribution”. In this sense private trade is a challenge to the autarky of the WMSS system, and the Chinese government has attempted to harden its control of excessive growth in private trade after Tian'anmen Square incident in 1989, since letting it grow out of its control is a sign of its loss of control and power (ibid. p. 60).

## **[ 4 ] Globalisation of Production and Distribution**

### **4 - 1. “Global Commodity Chain” (GCC)**

The KTD is perhaps, not a primary cause of Asian traders’ mercantile penetration into Vladivostok. As argued, the perceived ethnic identity or solidarity among Chinese citizens (Han or Koreans) is a means of facilitating business, and it is temporary in nature, probably a matter subject to changes, depending on the profitability of businesses operations. Therefore, a “coethnic diaspora” of some kind, if not all run by the KTD, serves as a useful means of business communication and coordination. “Common culture, language or business style will (certainly) ... (facilitate trade businesses) ... but they are not necessarily ethnically exclusive, so long as the counterpart is willing to establish a relationship on a similar basis” (Lever-Tracy et al. 1996 p. 32).

As the last chapter discussed, the following finding is taken here as given : (1) goods were mostly produced in China, (2) although it was somewhat less frequent, traders did purchase goods also in third countries such as South Korea, and (3) Chinese Koreans perhaps had some preferential access to sources of goods manufactured outside China. As discussed in the last chapter, although these may be grounds for doubt about the exclusiveness of Chinese Koreans in transactions, the survey results did not entirely rule

out the possibility of the existence of Chinese Korean networks, particularly in the preferential access to the goods produced outside China and Russia. It can be still argued that co-ethnic networks of some kind (including the KTD) may be supplemented by other relationships in order to facilitate cross-border trade. What is more important here is an overflow of commodity circulation with the growth of intra-industry cooperation in NEA and the role of small-scale retail traders in this, rather than mere coethnic dealings themselves within the KTD. The coethnic trading networks probably emerged, at least to some extent, within the clothing and textile industry and with the expansion of commodity circulation into Russia, whether organised exclusively by Chinese Koreans or not. This suggests some degree of complementary relationship between commodity circulation and coethnic trading networks, (4) interestingly, the demand for consumer items and retail services not only formed the Sino-Russian linkages in circulation of goods and services, but also gave rise to transnational “commodity chains”, composed of production and distribution links, extending from South Korea to China and the RFE. A range of activities from production to distribution is probably organised by linkages or networks of some kind under the “commodity chains”.

Then, which factor is more important for transnational trade operation ? G. Gereffi’s idea of a “global commodity chain” (GCC) is relevant to the survey results (see again table 8 - 4, table 8 - 5 and table 8 - 6 in the last chapter). The GCC is the “series of activities involved in commodity production and sales, ranging from ... production and ending with ...marketing and sales (wholesaling and retailing)” (Gereffi G 1992 p. 30). GCC is a byproduct of the pressures of the product cycle on East Asian NIEs economies to diffuse standardised production and to buffer them from economic instabilities with global market shifts. Protectionism in major markets in the U.S. and Western Europe caused diversification of Asian NIEs’ overseas markets to China, Russia, Eastern Europe, and other non-quota markets under the Multi-Fibre Arrangement (the MFA). In the late 1980s, given less severe political restrictions on economic integration with socialist neighbours, South Korea formed intra-industry networks through simultaneous structural adjustment

of textile industry with China. The presence of ethnic Koreans in China also facilitated ties to the socialist countries that had been enemies during the Cold War. Import restrictions in major markets and the lure of low-waged labour led many South Korean textile factories to relocate overseas to NEC. With recession and saturation of major markets in the world, manufacturers in China directed outputs to non-quota markets in the latter half of the 1990s. Within the clothing and textile industry resources were hence, diversified over many different markets in order to reduce risks associated with attachment to any single market. Thus, in 1992 a rise in light manufacturing in South Korea and China increased an overflow of commodity circulation into the RFE, given protectionism and MFA quotas (Anderson K and Park Y 1989 ; Anderson K 1990 ; Anderson K 1992a pp. 30 - 51 ; Anderson K 1992 ; Park Y 1988 ; Park Y 1995 ; Whalley J 1990 ; von Kirbach Friedrich 1997 pp. 60 - 1 ; Yang Y 1991 pp. 17 - 26 ; Yang Y and Zhong C 1996 pp. 6 - 7).<sup>3</sup>

This is what Gereffi G (1998 p. 41) argues that the MFA's imposition of quotas on Asian NIEs exporters, who had exploited the price competitiveness of their products until the late 1989 but from 1990 onwards confronted "escalating labour costs and U.S.-mandated currency appreciation", had to "open up new satellite factories" in lower-wage countries (e.g. China) that offered either additional "quota" or the "labour advantages" of cheap manpower. With the multi-locational organisations and strategy through the GCCs, South Korea's textile and footwear exporters were put under pressure of losing price competitiveness and used export-oriented assembly plants in Yanbian Prefecture, and constructed component (industrial inputs) - supply networks with Chinese manufacturers.

Some finished products were exports to markets in Russia and Eastern Europe (Gereffi G 1998 p. 41).

Given that a certain amount of textiles and clothing circulated in the Chinese Market in Vladivostok, some of which were produced in South Korea and purchased in either China or South Korea or elsewhere, the expansion of GCC probably penetrated the consumer market in the city. Large distributors, apparel designers and trading firms in South Korea

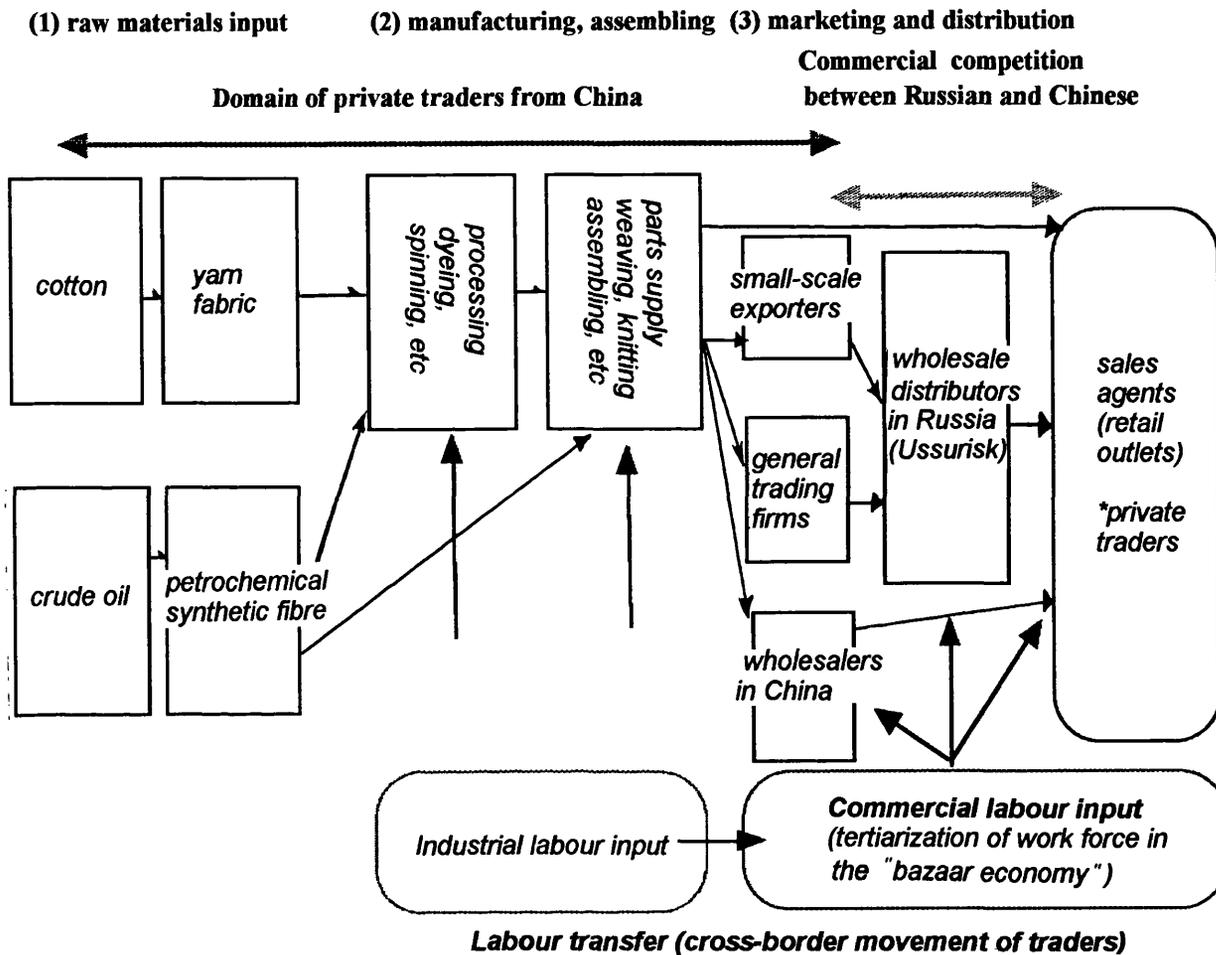
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<sup>3</sup> China is one of the most severely restricted exporters of clothing and textiles under the restrictions of the Multi-Fibre Arrangement (MFA). Increasing restrictions in the U.S. and Western European markets led to diversion of Chinese exports elsewhere and diversification.

set up and organised decentralised networks of production, marketing and distribution in diverse locations of their choice - research and development in home offices in South Korea, and relocation of standardised production lines to China as a major springboard for exports. Trade-led industrial expansion caused this move to multi-locational organisation of economic activities. This dynamic intra-industry coadjustment is a much more important context than the KTD. With the changes in industrial landscape in NEA, the GCC generated a background of the networks of “middlemen activities” that are culturally embedded. The GCC facilitated a trading diaspora or a transnational entity of trading community on the basis of self-identified identities in the pacified borderland. In Vladivostok, however, this caused xenophobia against outsiders in the market. In the post-Cold War period, some of the former Soviet Koreans probably restored former contacts between their scattered communities making links between South Korea, China and Vladivostok. Thus, the GCC reestablished the long-repressed trading diaspora and its operation (such as the KTD) through the diversification strategy of South Korean multi-locational economic activities including incorporation of the Chinese Market in Vladivostok into its network. (ibid. pp. 44 - 5).

In sum, the GCC emerged together with the development of the manufacturing system in South Korea and China during the late 1980s and early 1990s, and subsequently a geographical expansion of circulation of the outputs to the RFE. The GCC and multi-locational arrangements behind a trading diaspora may be composed of : (1) raw material supply (cotton for clothing, sheep for wool, cattle for leather shoes, crude oil and petrochemical materials for synthetic fibre), (2) production (knitting and weaving, assembling, which can be done in export-processing zones in Hunchun or Suifenhe on the Russo-Chinese border), and (3) distributional services (marketing, exporting, wholesaling and retailing services) (below).

Figure 5 “Commodity Chains” and Chinese Citizens Entering the RFE



Source : Modified from G. Gereffi, 1992, Figure 4-1, in 1992, Chapter 4 : “New Realities of Industrial Development in East Asia and Latin America - Global, Regional, and National Trends”, Richard P. Appelbaum and Jeffrey Henderson eds., States and Development in the Asia Pacific Rim, Sage, London, p. 96

Circulation of commodities and distributional services transcended national boundaries as the manufacturing sector developed (Lenin V I Eng. translation 1956 pp. 652 - 3). The issue here is development of industrial capitalism and a geographical expansion of circulation of commodity and services : i.e. a rise of industrial capitalism (textile industry) in NEA and the extension of commercial services (retail / wholesaling) from South Korea and China to the RFE (idem).

#### 4 - 2. Coadjustment of Textile and Clothing Industry in NEA

Why did many immigrant traders in Vladivostok deal in particularly textile products,

clothing and shoes ? The answer to this question must be investigated in a macro context.

It will be argued in the rest of this section that with the structural adjustment of the South Korean and Chinese clothing and textile industry in NEA, the GCC reorganised itself to incorporate the Russian market through its expansion of distributional services by extending subcontracting or franchising relationships with emigrant retail agents from China (Gereffi G 1992 pp. 94 - 5). This was as discussed earlier, due to : (a) diversification of South Korean and Chinese textile products to non-MFA markets such as Russia, and (b) the import demand in the RFE for these commodities and retail services to distribute them. In NEC labour may be being mobilised from overstaffed heavy manufacturing, either to light manufacturing (e.g. assembling in the export-processing zones) or to the marketing and service sector (e.g. distribution of the outputs to the Russian market). On the Russian side, shortages of commercial services created a labour demand for distributional services which attracted an influx of private traders from China. In this light, immigrant traders from China may be participating in only the distributional part of the GCC and may be one facet of a growth of service sector employment in China.

How did South Korea increase transactions with China ? Division of labour emerged between the two countries within the textile industry through differentiation of products and technology (Kim W B and Kim Y B 1996 p. 23). South Korean capital generated employment for Korean-speakers in China, especially in the Bohai region and NEC, and caused inter-regional movements of Chinese Koreans within China and beyond, whilst it also employed labour including Chinese Koreans in its labour-intensive sectors in the home labour market (South Korea), chiefly in low-skilled and smaller-scale textile enterprises (Fukagawa Y 1992a pp. 166 - 70 ; NIRA Research Report 1994 No. 940044 pp. 105 - 9 ; Ogawa Y et al. 1995 pp. 11 - 21 ; Takasaki S 1996 p. 226 ; Economic Report September 1996 Vol. 11 No. 9 pp. 12 - 3).

The South Korean won appreciated 23 percent between 1986 and mid 1989 (Sung Y W 1991 pp. 95 - 103 ; Twu J J 1990 p. 79 ; Kwan C H 1994 pp. 27 - 8). In contrast, China's renminbi was devalued constantly from 1.5 yuan to a US dollar in 1980, to 3 yuan in 1985,

5 yuan in 1990, and to 6 yuan in 1992 (Kwan C H 1994 pp. 25 - 8 ; Ebina Y 1996 pp. 38 - 50). Accordingly, wages in China declined in US dollar terms. As a result, China's unit labour costs fell as South Korea's rose in the late 1980s (Kobayashi M and Wu J L 1993 pp. 135 - 7 ; Miyazaki G 1995 pp. 244 - 59). Thus the exchange rate changed unit labour costs in the latter half of the 1980s. It led to an alteration in sectoral specialisation and comparative advantages (Golub S S 1994 pp. 286 - 313). Export-oriented development of Asian NIEs can be explained in similar terms (Kwan C H 1994 *passim*).

As labour costs rose in the latter half of the 1980s, South Korea changed its target in the clothing and textile market towards the upper end of the market with higher value-added production, while relocating standardised production to China, as described earlier in detail. With economic reform in China, and a shifting away from a bias to heavy industry, labour was transferred not only from heavy to light manufacturing but also to commercial services and marketing which were either spun off from the SOEs or newly established by the private sector.

China's clothing and textile industry was given preferential treatment after 1979 in capital investment, foreign exchange appropriations, technology transfers, tax reductions, tariff rebates on imported inputs and deregulation of pricing products. In the late 1980s South Korea's FDI flowed into China. This FDI had the following characteristics : (1) it was geographically concentrated in the Northeast and the Bohai regions, (2) made use of the ethnic and cultural affinity of Koreans, and (3) it established joint ventures in labour-intensive sectors (e.g. textile, leather work) (Dobbs-Higginson M S 1993 pp. 263 - 98 ; Ebina Y 1996 pp. 39 - 47 ; Nolan P et al. pp. 125 - 7).

In parallel to movement of capital, labour also moved between countries of NEA. Increased transactions improved transport and visa arrangements. Direct sea routes opened up between Pusan and Inchon in South Korea, and Tianjin and Dalian in China (Han Hyong 1998 pp. 92 - 3 ; Gruorsven L et al. 1995 p. 168). The two-way human traffic between South Korea and China also increased opportunities for Chinese citizens to engage in the trading business.

Yanbian in Jilin Province in China accelerated its urbanisation with FDI (foreign direct investment) from South Korea, establishing clothing and textiles ventures. 75 percent of foreign investors had kin and / or cultural ties with Yanbian (Pomfret R 1996 pp. 139 - 40). Shortages in unskilled labour drew rural migrants to cities and attracted underutilised labour of the state enterprises within the cities, not only for production of clothing and textiles for export but also for services (NIRA 1994 No. 940044 p. 75). Goods were distributed via networks of some kind, as discussed, at least in part ones engaged in by Chinese Koreans of South Korea, China and the RFE. According to one estimate, 90 percent of private traders in Yanbian are of Korean descent, and have networks of business relations with Chinese Koreans working in South Korea (ibid. pp. 99 - 111). As argued earlier, China, given an impetus to export by South Korean FDI, diverted exports to overseas markets with less restrictions, and Yanbian Prefecture, China likewise encouraged private enterprises and emigrant traders to invest overseas to establish retail services and warehouses as a bridgehead for commodity circulation abroad, and private traders thus flowed into the RFE as sales agents on commission.

South Korea and China differentiated markets and phases of production to strengthen intra-industry trade. China became a world exporter of standardised clothing and textile products, whilst relying on imports of synthetic fibre from South Korea. Separability of production phases and product differentiation led to an intra-industry division of labour : higher value-added production (e.g., synthetic fibre), and labour-intensive production (e.g. simple clothing). There are several production phases within the clothing and textile industry : (1) research and design, (2) procurement of raw materials, (3) processing, (4) weaving of yarns into fabrics, (5) assembling into finished products, and (6) marketing and distribution (wholesaling / retailing) (Clairmonte F and Cavanagh J 1981 pp. 13 - 5). Of these the assembling is a handicraft, labour-intensive phase of production separable for outsourcing and relocation. The research and design phase involves innovation, capital and computerisation, and stays in South Korea. Meanwhile, commodity circulation, the last phase was diverted to new markets in non-MFA (Multi-Fibre Arrangement) countries. As

the border regions in China expanded their export capacity, Sino-Korean joint venture firms extended the circulation beyond China to a wider area, including the Russian market by mobilising the labour of ethnic minorities as part of the labour required for trading businesses. It was this synergism of intra-industry co-adjustment that influenced the consumer market in the RFE. The reason why the RFE has been incorporated into the networks may be that it needs a supply of finished products and distributional services. Thus cultural and ethnic affinity - even if they are not the only decisive factor - helped organise a set of fragmented activities in different sites into a more coherent range of activities, from procurement of inputs, to assembly, to marketing and distribution to end-users (Kang Y 1995 pp. 155 - 62 ; Ko Y 1994 pp. 107 - 12 ; Han Hyong 1995 pp. 175 - 80).

Thus Chinese Koreans, even if not exclusively, formed some kind of networks of transshipment and distribution. Commodity circulation extended to Russia via Dalian, Yingkou, and Tianjin over to Harbin and further northward to Vladivostok (Han Hyong 1998 loc.cit. ; Han Hyong 1995 p. 166 ; Cotton J 1996 p. 1089 ; *Chosen Jiho* September 14 1995). The Chinese Koreans engaged in cross-border trade, peddling at Inchon in South Korea, carrying textiles, clothes and leather products to Weihai, Yantai and other cities in China by ferry (Han H 1995 pp. 164 - 5). In some estimates, over half the passengers on this ferry were Chinese Korean peddlers, using the pretext of visiting relatives or of working on contract work in South Korea (see the table below). In Weihai, about 90 percent of clothes imported were said to be South Korean-made. In Dalian, Tianjin, Yantai and Weihai, there were 100,000-150,000 Chinese Korean temporary migrants, probably engaged in such casual trade (Takasaki S 1996 p. 226). This trade was extended to the RFE by labour export and “commercial tourism” from China to Russia.

**Table 9-5 Ferry Passengers between South Korea-China (Unit : people)**

	1990	1991	1992	1993
Inchon - Weihai	9,159	78,825	85,672	66,286
Inchon - Tianjin	-	642	35,112	39,489
Inchon - Qintao	-	-	-	10,382

Source : Ogawa Yuhei, 1995, "Kan Kokai Keizaiken no Keisei to Hokubu Kyushu , Yamaguchi Chiiki no Kadai"

(Emergence of " the Yellow-Sea-Rim Economic Region" and the Issues of Regional Development of the North Kyushu and Yamaguchi Areas), in the International Centre for the Study of East Asian Development, Kitakyushu ed., *Kensho Kan Kokai Keizaiken : Kyokuchi Keizaiken Keisei ni Mukete*, Kitakyushu, p. 15

With urbanisation, the social networks of the Korean minority and other groups in China expanded geographically and transcended national boundaries in the same way as they did provinces within China. Chinese Koreans even entered North Korea under the bilateral free-visa agreement (Han Hyong 1998 pp. 94 - 5).

**Map 11 Private Traders' Networks of Distribution**



Source : Han Hyong, 1995, "Kanchu Keizai Koryu no Genjo to Tenbo ", Kenkichi Honda, Hyong Han, Linshin Kwan and Mikio Sakata eds., *Hokuto Ajia Keizaiken no Keisei - Kan Nihonkai Keizai Koryu*, Shin Hyoron, Tokyo, p. 98

As a result of the recent economic crisis in South Korea in 1998, some Chinese Koreans may return to China, and this in turn may give an impetus to casual labour, and probably cause diversion of private business to the RFE and North Korea (The World Today March 1998 pp. 66 - 8).

J. Cotton introduces two cases of intra-industry trade in textiles, from South Korean joint ventures in Hunchun City, China. His first case is “Dongyi / Tongil Textile”, a joint venture between a Korean garment manufacturer and Hunchun City employing 360 people. Of its finished products 70 percent are earmarked for export. Textile machinery was imported from South Korea, Chinese Korean labour from China. Another case is that of “Kangnam”, producing socks from Chinese yarns with machines imported from South Korea. The majority of work in China is simple processing, but a wider distribution is expected for exports, probably to Vladivostok, too (Cotton J 1996 p. 1098). As an extension of this practice, South Korean enterprises plan to invest in the establishment of light manufacturing enterprises on a proposed industrial estate in Nakhodka in the RFE, with the prospect of creating employment opportunities and enticing Korean labour, from Central Asia, Russia or China. It is in this changing macro-context that local Koreans proposed reestablishing Korean autonomous districts in Nakhodka and elsewhere in the RFE. But this excited serious criticism in the local Russian media (FEER 11 March 26 - 7 1992).

### **Conclusion**

This chapter examined how trading business was supported by demand for textile and clothing in Vladivostok and how this demand sustained the inflow of private traders. From the data and the discussion so far, the following findings are clear :

1. Popular items sold by traders (or what Russian shoppers went to look for) at the Chinese Market were mostly clothes, shoes, etc. Market coverage of these goods extended at least all over the RFE. In some cases, shoppers came all the way from Siberia and other parts of Russia.
2. Part of the impact of post-socialist reforms is seen in the Chinese Market and its economic relations with China in Vladivostok's moves to : (1) multi-channel procurement of goods, and (2) Asian traders' mercantile penetration into the city with the GCC.

A rise of Asian private traders is part of the post-Cold War phenomenon, and this is a

sign of departure from state-guided industrialisation of the city. That is to say, commodities and services may be increasingly sold and bought in exchanges in markets, independently from the state distribution system.

It is concluded that the inflow of private traders at the Chinese Market is thus in part, a sign of “casualisation” of formal state economies in distribution. An implication is that the coming of private traders from China to the city reflects the transformation of the previous state-assisted urban development. Changes are seen not only in the RFE but also, to some extent, in NEC despite the different approach to reform. With the onset of marketisation, an informal economy of networks emerged to enable the local people in these two regions to survive. Given this situation, some ethnic minorities also mobilised their connections with kin and friends abroad in order to obtain access to resources and to broaden their business horizons. Cross-border ethnic connections have reappeared in distribution, where Han Chinese and Chinese Koreans started to have links with the informal economies bridging Russia, China and other countries probably through use of some diasporas. The bazaar economy in Vladivostok has reinforced these tendencies as part of the decline of state socialism (Harole M 1996 p. 4). The state-led vertical distribution has been in part replaced by horizontal unofficial networks of various groups, including groups based on coethnicity or kinship (ibid. pp. 6 - 7). The next chapter will look at the employment dimension of the collapse of the WMSSs.

## CHAPTER 10

# “CHINESE STATE ENTREPRENEURIALISM” (CSE) AND CASUALISATION OF EMPLOYMENT

### Introduction

The influx of Asian traders reflects changes in their system at home in China. This chapter will focus mainly on details of the casualisation of labour in China, from which Asian traders came, as an effect of the dismantling of the Chinese WMSS system (see also Chapter 7). In the early 1990s the Chinese state agencies and SOEs started to involve themselves in new ventures by investing in and setting up enterprises in the RFE as a result of the dismantling of the former system. Confronted with financial pressure to cut staff in commercial bureaux, departments and SOEs, the public agencies in local levels started to engage in independent, entrepreneurial activities within China and beyond.

In the pre-reform period in China, urban poverty was regarded as non-existent or irrelevant, but in the early 1990s, 30 million urban residents were in penury as a result of labour reform of the SOEs. According to Iwata K and Tian X (1998 p. 83), the number of urban unemployed increased from 2.38 to 5.19 million during the decade of 1985-95, and in the first quarter of 1996, the number of workers having no wage payment or no full payment in SOEs amounted to 3.53 million just in NEC alone. When their dependants are included, the number of those in urban poverty comes to 8.83 million (Duckett J p. 89). However, as Duckett J (1998 p. 11) noted, the links between dismantling of state employment and the state's entrepreneurial activities have gone largely uninvestigated.

This chapter consists of four sections. The first section will introduce the general background of casualisation, readjustment of the Soviet and the Chinese WMSSs system and redistribution of human and material resources to commerce. The second section will look in particular at NEC in the 1990s - focusing on links between the dismantling of the Chinese WMSS and the state entrepreneurialism mentioned briefly above and will examine

the results of the writer's research on Asian traders in the Chinese Market. The third section will introduce "Chinese State Entrepreneurialism" (CSE) as an explanatory concept to examine original data collected in the fieldwork. In accordance with the empirical study and findings it will be discussed whether the state entrepreneurial activities are really observed or not, and if CSE exists, how it is connected with xenophobia against Asian traders, and in conclusion it will be argued that CSE led to the proliferation of Asian traders in Russia.

## **[ 1 ] Political Change and Redistribution of Resources to Commerce**

### **1 - 1. The WMSSs in the Pre-reform Period**

In Chapter 1 it was discussed that the WMSS system emphasised military industrialisation and state-led urbanisation. The WMSSs gave a limited amount of resources to civilian production and distribution, while siphoning off the resources available from the civil sector to the defence-related sectors. Given the inter-state competition with "enemies", central planners had weak incentives to employ new technology for production and distribution of consumer goods. This permanent war economy generated a structural imbalance squeezing civilian production and consumption. The Soviet WMSS was established in the 1930s, and a similar system was also established in Mao's China in the 1950s, which emphasised heavy-manufacturing industry at the expense of other sectors, repressing textile and clothing industry, commercial services, etc. Similar to the Soviet WMSS, the Chinese state was also ideologically committed to the state ownership of enterprises and the eradication of private trade in an effort to gain control of a permanent war economy. Prior to Deng Xiaoping's reform in 1979, the state administration had penetrated and controlled all spheres of life. It had policed the society and kept control of labour mobility (such as migration control) with the *hukou* population registration through work-units (*danwei* in Chinese) and people's communes.

During the Cold War national security determined the political economy in NEA. After the Korean War, the rise of the South Korean state as a front-line state of the U.S. was

also part of the geostrategic context of the NEA region, in which contacts with “enemies” were minimised (Lee C and Bradshaw M J 1997 p. 462). The USSR and China had almost no political or economic contact with South Korea in the period from the 1960s to the late 1980s. Ideological struggles and border clashes minimised Soviet-Chinese border contact and heavily militarised the borderland. Both in NEC and the RFE, the states saw the “threat” encroaching on their borders, and pursued economic autarky under siege from the “great encircling ring of hostile capitalist coalition” and revisionist socialist states (Odom W E 1998 p. 11).

## **1 - 2. Structural Adjustments of Formal State Economies in the 1990s**

From the early 1990s onwards, however, demobilisation of the war economies caused diversion of resources back to the consumer sector, especially commercial services in NEC and the RFE (but in the case of NEC production increased together with commerce). With China’s open door policy to FDI (foreign direct investment), inflow of foreign capital brought about great changes in the Chinese SOEs, more specifically, work-unit (*danwei* in Chinese) system.

As discussed, heavy industrial bias was readjusted partly by the redistribution of capital and labour back to the civil consumer sector (Harole M 1996 p. 10). Some aspects of the former system - life tenure employment in the state sector, collective consumption and centralised allocation of goods and services - are being transformed. The SOEs in NEC and the RFE have begun to rid themselves of social services provided to employees, for instance subsidised housing and allotment of subsidised consumer items. Particularly in the RFE, and to a lesser extent in NEC, the demobilisation of the war economy discharged workers of the defence-related SOEs (i.e. in heavy-manufacturing and extractive industry) as well as military servicemen, and destabilised their lives.

In the RFE the lack of civilian jobs sufficient to absorb the discharged labour hindered dynamic development of the civil sector, but there was also redeployment into an informal sector, leading to a rise of private trade (Odom W E 1998 p. 273 - 4). This caused a “bazaar economy” in the process of transforming the former system. This tendency was

noticeable also in NEC to a lesser extent, and in a difficult manner. In the RFE the commercial sector grew at the expense of industrial assets which had been accumulated in the heavy manufacturing sector during the Soviet industrialisation. In NEC's case, some labour has been redistributed to production and the commercial sector. Under the different conditions in the RFE and NEC - in the former decreasing civil consumer production, and the latter increasing the production - Asian traders exploited their better positions to sell consumer goods abroad increasingly available in market. This determined the geographical direction of commodity flow (for example, retail operations) from NEC to the RFE. However, despite this difference, the marginalised element in the population of the both regions were put in a similar situation. Both of them turned for survival to unofficial income sources based on cross-border exchanges under mutual exposure of the two regional economies.

Chinese public entities started to engage in commercial business in Russia in 1992 onwards as part of their institutional reorganisation. These activities were a result of initiatives of departments of local administrations at lower levels and business endeavours of individual employees of the SOEs (Duckett J 1998 p. 14). Heilongjiang Province and other regional governments were also stimulated to take their own initiatives and to start their own businesses. This change reflects a transition from the Chinese WMSS system to a more decentralised economy of the MFR as explained in Chapter 1. In the 1950s Mao's Chinese state created various state agencies to control all spheres of economic activities in order to run a planned economy. In the early 1990s however, with increasing deregulation and exposure to more horizontal and looser coordination, the state commercial bureaux and SOEs in NEC started to undertake new profit-seeking businesses, and this prompted another step, extension of new ventures via outward investment in Russia, where individual employees took initiatives and plunged in.

## [ 2 ] Casualisation of Employment and the Fall of the WMSSs System

### 2 - 1. Introduction

As discussed in Chapter 7 (see table 7 - 3), diverse income sources were identified both among Russian traders (and shoppers) and among traders with Chinese citizenship. The share of formal income (i.e. a salary from the registered workplaces) in their total household income fell, while that of informal income increased. This section will investigate occupational flexibility caused by the demise of the WMSS systems in the RFE and NEC, and will look at diversification of household incomes among Russians and traders with Chinese citizenship.

Although Chapter 7 examined casualisation of employment, the situation of Chinese citizens was not analysed in detail, especially about the relationship between casualisation of state employment and the fall of the Chinese WMSS system. This section will expand this aspect further, focusing on Asian traders originating from China.

### 2 - 2. Diversification of Incomes and Occupational Flexibility

#### (1) *The RFE*

In so far as casualisation of employment was concerned, limited data were available for investigation of the Russian working population in Vladivostok. Some aspects of casualisation were identified by Latkin's work and the original data in this thesis in Chapter 7. The situation will be recapitulated very briefly here.

With the post-Cold War demilitarisation, manufacturing and construction as a percentage of all sectors in Primorskii Krai fell from 43.2 to 32.3 percent, while the percentage of commerce, trade and services rose from 8.3 to 12 percent during 1991-95 (Latkin A P 1997 p. 64). In 1992-96 the percentage of official wages in total household income decreased from 80 to 52 percent, while the percentage of income from private entrepreneurial activities increased from 8 to 34 percent (ibid. p. 249). Apart from open unemployment recorded in official statistics, *de facto* unemployment rose rapidly after the collapse of the former system. People were increasingly in a state of hidden unemployment or only partly employed, working only a limited number of hours in official jobs and forced

to turn to other means of income (*ibid.* p. 65). With the decline of real income due to inflation and wage stoppages, it became increasingly difficult for lower income groups to support their households, and they thus started to improvise unofficial means of income-generation for survival. As a result, independent activities and casual jobs became very common in the service sector after 1992 (*ibid.* p. 256).

From the fieldwork 1996 it was clear, despite the limited representativeness of the survey, that Russians engaged in moonlighting in addition to their official occupation. Russian traders crossed into China to purchase inexpensive goods for resales of these goods to Russia. The findings suggested occupational flexibility of Russian traders under the pressure of their need to diversify their income sources. Among the total of 46 respondents in the main survey 1996, 80 percent (37) were working in the state sector at the time of the break-up of the USSR in 1991. Did respondents change jobs during the five years from 1992 to 1996 ? To this, 54 percent of the traders with job experience in the state sector (20 respondents) answered that they had changed jobs, and 46 percent (17) that they had not. Among the former respondents 65 percent (13 cases) had changed jobs from the state sector to retail service jobs in the non-state sector, such as petty trader and kiosk sales clerk. However, this occupational move to retail services is over-represented (since the question was put to Russian traders). The rest changed jobs to factory worker (2 cases), engineer (1 case), and others (4 cases).<sup>1</sup>

Given the wage stoppage and delay, supplementary income-generation is not just limited to private traders in the Chinese Market. To illuminate the more general context of how Russian labour was transferred to non-state employment, Russian shoppers at the market were also asked at the market for detailed interviews.

The finding is that Russian shoppers as well as traders had indeed, multiple income sources, which were more or less equally distributed among the state sector, private enterprises, and individual self-employment (see appendix c table 9, as in case (A) Russian traders and (B) Russian shoppers). The findings were that in case (B) although 50 percent

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<sup>1</sup> Among the rest - 9 cases - were included those who were either too young to be employed (2 cases), or were in the underground economy in the pre-reform period (4 cases).

of the total respondents (27 cases) have not moved from their registered jobs in the state sector since the break-up of the USSR (the end of 1991), 44 percent (12) of the 27 cases had casual earnings supplementary to state employment.

In case (A) - Russian traders - 56 percent of respondents had additional earnings, and the number of respondents with additional earnings exceeded ones without. In a general context, even in the case (B) - Russian shoppers - there was also 35 percent of respondents with additional earnings. This shows second jobs were popular among traders and shoppers in the market. (In Vladivostok the Chinese Market specialised in low-end consumers since there were nicer shops, department stores, GUM, etc., where better quality clothes and shoes were available in the city). In sum, from the results - similar to the case with traders from China as the next subsection will reveal, Russians were also either transferring completely from the public to private sector or diversifying income sources.

## *(2) NEC*

### *A. A Rise of the Chinese WMSS*

Signs of embryonic form of the Chinese WMSS were already noticeable during the years of revolutionary struggles in Yan'an, when the Chinese Communist Party (CCP) and its army had to produce their own goods and services, in order to disconnect from foreign capitalism (Kojima R 1997 p. 161). As Freeberne M (1992 p. 124) points out, with the Soviet-Chinese Alliance, and the First Five Year Plan (1953-57) in the 1950s : "a Stalinist, centralised large-scale industrial" development became a core element in Chinese economic development. The Maoist Chinese state, in principle, refused foreign investment and loans during the radical drive for industrialisation under the Great Leap Forward, in which China attempted to make up for a shortage of capital by mobilising the labour force to achieve industrial targets (Wong L 1998 p. 183). In NEC, the WMSS system was also in force during the Cold War and became even stronger after the ideological struggles accompanying the deteriorating relations with the USSR. As mentioned, in the 1950s the economic system in Mao's China was basically patterned after the Soviet model, forced

industrialisation and expropriation of capital and labour through a siphoning off of resources into heavy industry. Mao's China pursued such measures as - collectivisation of agriculture, nationalisation of firms, the incorporation of them into the SOEs, transformation of smaller-scale commercial activities into collective units.

Work-units (*danwei*) were established as a control mechanism. An employer or organisation to which each urban citizen was assigned, and provided a wide range of benefits. Each worker was incorporated into the Chinese WMSS system through his or her attachment to the work-unit, where welfare services and other benefits were provided, and at the same time, his or her entire life was controlled (Wong L 1998 p. 23). The *danwei* was the power base of the Chinese socialist regime. As the channel of three functions of the state agencies' power - production, distribution and political control - it dominated the civil life of the Chinese citizen. In the Maoist years private trade was abolished and all resources were brought under state control. As a result, the people became dependent on *danwei*, through which they gained access to the state's provision of foodstuffs and other daily necessities, and job allocation. It was through this *danwei* channel that the state allocated work and welfare, provision of daily necessities. The Chinese government systematically starved investment in civil commerce and other services. Service employment was far below the need to satisfy the actual demand (Deborah S Davis et al. 1995 pp. 72 - 3). Light industry and the tertiary sector to distribute its output were severely underinvested in. Thus China's First-Five-Year Plan followed the Stalinist model, developing an autarkic system for the national economy. China's economic isolation was encouraged by the Korean War (1950-53), suspicion of foreign influence, and an ideology of self-reliance. In 1957 with the incorporation of all private-run trade enterprises, foreign trade fell under Chinese state control (Howell J 1991 p. 120).

Later, even despite China's minor modifications of the Soviet type WMSS (with the state control devolved into lower level of administration), after the emergence of antagonism with the Soviet Union in the 1960s, the core system of the WMSS remained intact, and in essence similar to the Soviet model (Deborah D S Kraus R Naughton and Band P E 1995

### **B. The Fall of the Chinese WMSS**

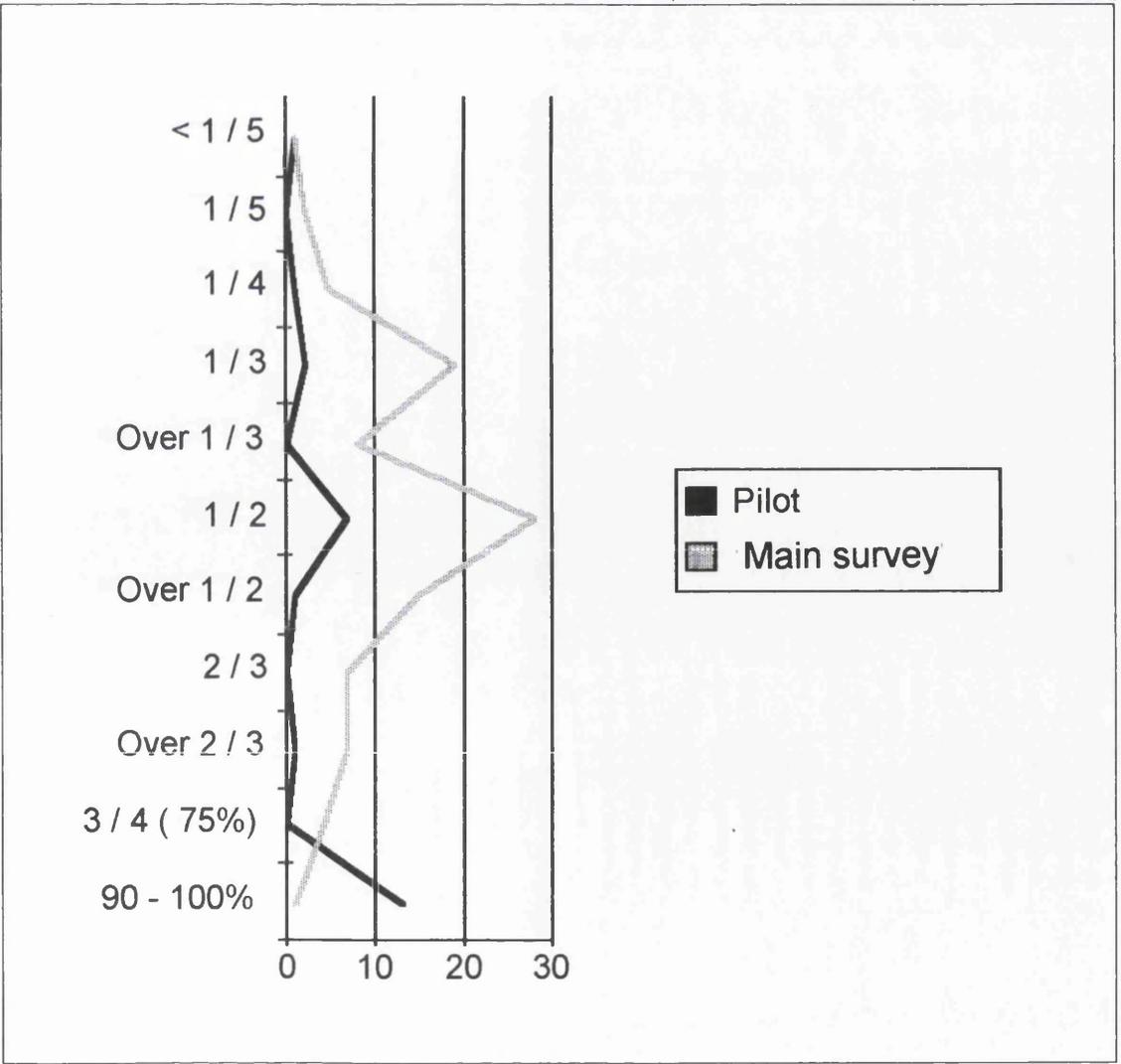
However, after Deng Xiaoping's reform from 1979 onwards and recent attempts at a more comprehensive dismantling of the former system, China's urban residents have been increasingly threatened by pauperisation due to high inflation, the insolvency of the SOEs and financial problems of the state agencies. Some SOEs were financially strapped, and the state began to renege on its former commitment of benefit provision to employees. The SOEs faced a danger of *de facto* disintegration. The SOEs started to allow employees to use their own assets to run some small trading enterprises (Howell J pp. 123 - 4). With reforms it was expected that the spawning of new enterprises at provincial and prefectural levels would provide some alternative employment prospects for those laid off from state employment. Commercial enterprises and factories were granted greater autonomy in foreign trade to manage day-to-day business. With marketisation marginalised urbanites turned to the unofficial economy for survival, seeking business opportunities abroad selling commodities or their own labour services, crossing the border and engaging in competition with Russian traders in Vladivostok.

### **C. The Research Results on the Effect of the Decline of the Chinese WMSS**

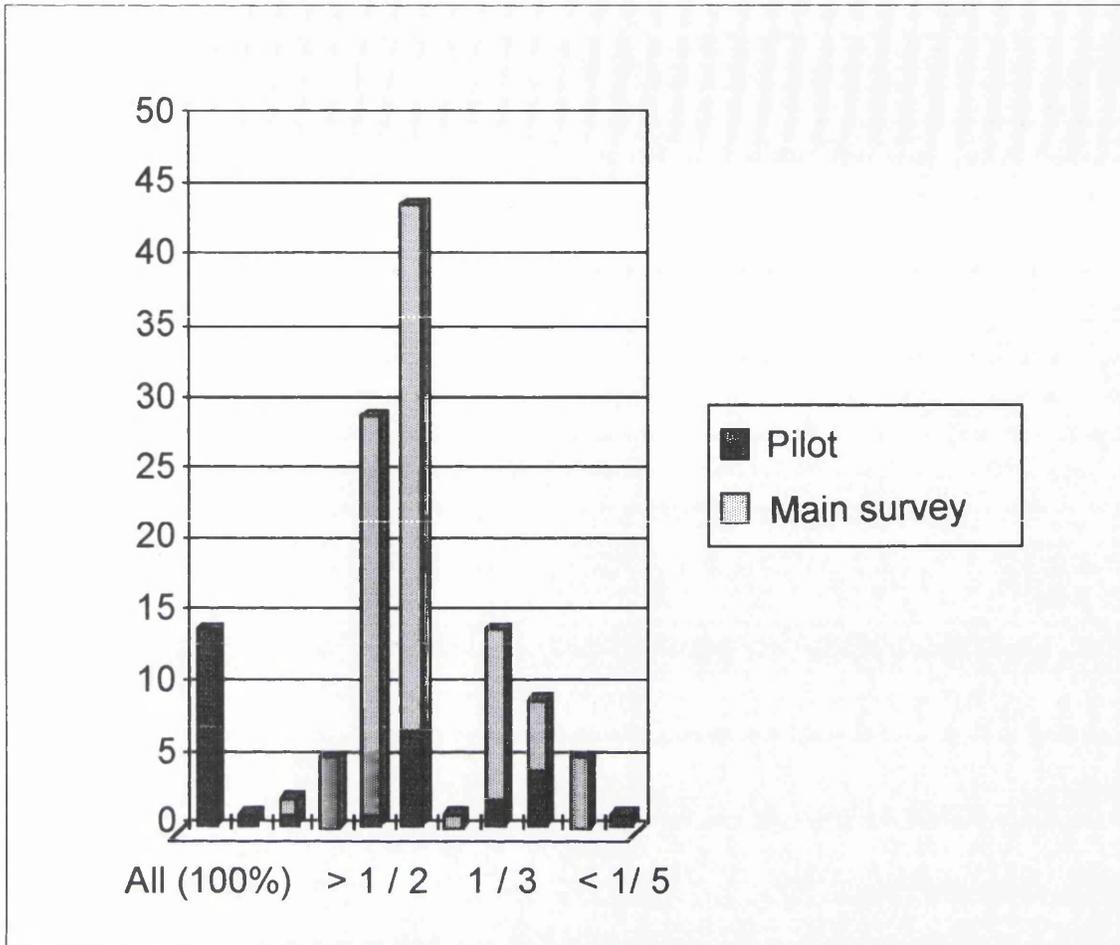
Firstly, private traders diversified income sources by cooperating with other family members - spouse, brothers, sisters and relatives - in China who helped them financially. As discussed already, traders in the Chinese Market had a division of labour with other family members. In many cases private trade in Vladivostok was either combined with earnings from services in China or private trade in Russia was actually the main income source, supplemented by additional jobs in Vladivostok - contract labour or border trade-related services to sustain the business in the Chinese Market. Thus, casual jobs including private trade in Vladivostok were at least supplementary to employment in China. In the main survey of 1995, 19 percent of the total answered that they had jobs in the state sector in China (17 respondents), combining them with private trade in the Chinese Market (the rest of the respondents - 81 percent - had jobs in the non-state sector in China).

How much, then of their total family income was generated by private trade ? The results of the pilot survey 1995 differed from those of the main survey 1995 (Chart 10 - 1). (A) is the percentages of earning through private trade in Russia out of total household income, whereas (B) represents percentages of earnings in Russia including other informal income-generating activities such as transport services for other traders, foreign exchange, contract labour, etc out of their total incomes. But in both (A) and (B), overall, private traders earned more than half of their total household earnings from business in Russia. The most common proportion was around half of total household income (in the pilot survey 50 percent of the total 48 valid answers and in the main survey 1995, 60 percent of the total of 104 valid answers), and this is an evidence of diversification of household income sources.

**Chart 10 - 1 Diversification of Household Income Sources - Traders with Chinese Citizenship**  
**(A) Share of Earnings from Hawking Business in Russia within the Total Household Income**  
 (Unit : vertical - share ; horizontal - cases)



(B) Share of Total Earnings Sent as Remittances to China (Unit : vertical - cases; horizontal - share)



Did they send money to someone in China ? About 74 percent of the total respondents (34 cases) in the pilot survey and 93 percent of the respondents (99 cases) in the main survey sent remittances to family - “family” here meaning parents, spouse, children, and siblings in China. The banking system was extremely underdeveloped in Vladivostok, and most remittances were hand-carried in cash.

Furthermore, traders with Chinese citizenship showed occupational flexibility with moves from the state to non-state sectors whether their moves were definite (leaving state employment completely and moving to private jobs) or temporary (moonlighting). For the sake of simplicity, leaving aside cases of family members working for the SOEs, our study here will focus only on occupational moves made by the respondents themselves (below).

**Table 10-1 Occupational Flexibility of Respondents Having Experienced Jobs in the State Sector**

	(Unit : number of cases)	
	Pilot Survey 1996	Main Survey 1996
Still in an SOE (moonlighting)	7	36
No longer working (moved to other jobs)	5	26
No comment	2	8

Thus, the data may be categorised for the purpose of further analysis into the following cases :

- (1) moonlighting by the respondents, and
- (2) complete shifts of occupation from the state to other sectors (cases where the respondents completely changed occupation from the state to other sectors).

### ***1. Moonlighting Supplementary to the State Employment***

As in the table above in the main survey 1996, there were 36 respondents engaged in trading business in Vladivostok while still registered (retaining posts) in the state sector in China. Some respondents did moonlighting in township and village enterprises (TVEs) and foreign enterprises. This suggests that labour is actually moving from the state to non-state sectors. This phenomenon may be a sign of the decreasing economic viability of SOEs under the increasingly fierce competition with non-state sectors (TVEs and foreign enterprises), causing *de facto* job mobility away from state employment. Foreign capital is penetrating into the Chinese economy, promoting integration with the international market through foreign enterprises, and multiplying business chances for TVEs, private and individual enterprises in order to service relatively thriving foreign enterprises (Iwata K and Tian X 1998 p. 76). Of the 36 total cases of moonlighting SOE workers, their main income sources were sectorally and geographically divided into : trading business in Russia (19 cases), service sector in China (11 cases), manufacturing work in China (3 cases), farming in China (1 case), border-trade related services (transport) (1 case), and construction work in Russia (1 case). Interestingly, leaving aside temporary jobs in Russia - trading, contract work, etc. - one third of the respondents had jobs in the service sector in China. Probably, the service sector is increasing in China to serve light industrial production and the efficient delivery of outputs. Thus respondents' income-generation can

be characterised by casual labour and employment in the service sector diverted at home in China and in Russia (jobs in the Chinese Market). As Slater J (1998 p. 278) commented, the prominence of service jobs in China among respondents' household income (apart from private trade) may be related to creation of service jobs (e.g. distribution or marketing) with tertiarisation of employment at home (see table 7 - 4 and table 7 - 5 again in Chapter 7). Extension of spawned service ventures to the RFE was probably backed up by trade-supporting investments from China's SOEs seeking chances for ventures within China and beyond. These ventures aimed to gain access to the Russian market via subcontracting sales agents on commission abroad, which resulted in causing emigrant traders' "exodus" to Russia.

**Table 10-2 Respondents' Jobs, Supplementary to the State Sector in China : Moonlighting**

(Unit : number of cases)

Jobs other than in the state sector	Main survey 1996
<b>(1) TVEs</b>	<b>9</b>
- TVEs only	6
- TVEs and private enterprises	2
- TVEs and collaboration enterprises	1
<b>(2) Foreign enterprises</b>	<b>5</b>
- wholly foreign-owned enterprises	5
- joint capital enterprises	2
- individual enterprises and joint capital enterprises	1
<b>(3) Private enterprises</b>	<b>2</b>
<b>(4) Self-employed (individual enterprises)</b>	<b>2</b>
<b>(5) Unemployed</b>	<b>1</b>
<b>(6) Unidentified / trading in Russia only</b>	<b>17</b>
<b>Total</b>	<b>36</b>

N.B. : Some respondents answered more than one option.

## ***2. Complete Occupational Shifts from the State Sector to Non-state Sector***

In cases where respondents completely gave up state employment and moved to other occupations, to what jobs did they move ? The shift was again to jobs in TVEs and foreign enterprises. The finding on sectoral and geographical shifts was : among the total of 26 respondents who left jobs in the state sector, the main income source shifted from the state sector mostly to hawking business in Russia (20 cases). Other destinations were the

manufacturing sector in China (3 cases), the service sector in China (2 cases) and border-related services (wholesale, etc) (1 case).

**Table 10-3 Respondents' Occupational Shifts to Non-State Jobs (Unit : number of cases)**

Changed jobs to :	Main survey 1996
<b>(1) TVEs</b>	<b>13</b>
- TVEs only	7
- TVEs and joint capital enterprises	3
- TVEs and individual enterprises	1
- TVEs and private enterprises	2
<b>(2) Foreign enterprises</b>	<b>3</b>
- joint capital enterprises	1
- collaboration enterprises	1
- wholly foreign-owned enterprises	1
<b>(3) Self-employed (Individual enterprises)</b>	<b>2</b>
<b>(4) Private enterprises</b>	<b>1</b>
<b>(5) Unidentified / trading in Russia only</b>	<b>7</b>
Total	26

N.B. : Some respondents answered more than one option.

In sum the respondents had occupational flexibility in employment either by having diverse income sources with “moonlighting” or by changing jobs to those outside the state sector, in both cases mainly to TVEs and foreign enterprises. This is because, for respondents, earnings from private trade in Vladivostok were supplementary or alternative to a salary in state employment.

### [ 3 ] “Chinese State Entrepreneurialism” (CSE) in the 1990s

#### 3 - 1. Introduction

In the late 1980s the Chinese state started a programme of reform of the SOEs under the slogan of “separating government and entrepreneurial functions” (Duckett J p. 37). With the former WMSS under *de facto* dismantling, commercial bureaux, industrial ministries and SOEs turned to new businesses and started to set up ventures different from their traditional administrative functions. With a heavy financial burden of pension and salary payments, the state agencies and deficit-making SOEs turned to new businesses as

alternative areas of survival in order to compensate for the loss of revenues and prevent large-scale open unemployment.

SOEs and public agencies at lower levels (individual industrial and commercial departments, and collective enterprises at provincial and municipal governments) probably entered the Russian market and set up profit-seeking, risk-taking businesses. In 1993 factories belonging to Shenyang and Mudanjiang municipalities set up joint ventures with Russian counterparts or established wholly-owned enterprises with Chinese capital in the RFE and expanded the horizons of their sales networks for textiles and other products (*Nichiro Kokusai Bijinesu Nyusu* No. 1 - 9 January to September 1993). In order to expand networks and organise mercantile penetration deep into the Russian market, the state agencies and SOEs encouraged entrepreneurs and traders (often officials and employees in the state sector) to emigrate to the RFE along with contract workers. Heilongjiang was in the forefront of this move, expanding marketing networks to the CIS and Eastern Europe via the RFE, and promoted Sino-Russian joint infrastructure projects that would facilitate cross-border transactions under the policy of “Opening the North (towards Russia, CIS Republics and Eastern Europe), while linking with the South (more industrialised southern provinces in China)”. Emigrant traders in search of profits in an emergent Russian market were given an impetus to start trading businesses. Departments and agencies in local governments generated cross-border circulation of goods and an “exodus” of emigrant traders, which created a flow of human traffic with Russia. A stream of Han and Chinese Korean traders thus established an extended outpost of China’s commercial networks in Vladivostok.

Commercial institutions were reorganised, and officials and SOE workers plunged into new businesses on a quasi-independent basis, while retaining ties with their home organisations. Emigrant traders purchased goods in Ussurisk directly from SOEs or indirectly from wholesale ventures. In 1992 the spawning of ventures and migration of emigrant traders into the city hence, generated transnational and informal economic activities to connect the RFE and NEC economies through creation of an immigrant

economy in the RFE, which served a mass of emigrant traders by providing them with accommodation and wholesale services (replenishment for commodity supply, etc.).

In China state purchasing and price control were relinquished in the urban commerce system and centralised distribution was deregulated more thoroughly in commerce than in any other sector (Duckett p. 142). With the financial imperative to adjust the formal state economic sector the old commercial bureaux were being streamlined, and the underemployed were being redeployed elsewhere. Second jobs were being permitted tacitly and even encouraged for them to plunge into. *Xia Hai* - a phenomenon of phasing out obsolete administration and staff meaning the officials or employees of SOEs plunging into new types of business - became common among employees of the state sector (ibid. p. 43). Confronted with financial pressure and the threat of abolition or transformation of commercial departments, salaries and bonuses were increasingly being phased out in the state sector. As a result, official and SOE workers were allowed to take their own entrepreneurial initiatives and risks in business in Russia.

With reforms, the state system of distribution was demonopolised, commercial and industrial departments also began decentralising, contracting out the lower end of operations in distribution to emigrant traders to connect distribution with outputs from factories (Duckett J p. 114).

In 1992 with an opening the new markets in Russia, streamlining strategy generated an impetus for new businesses in the RFE, causing a rush of entrepreneurs and traders to emigrate and set up small-scale businesses (e.g. wholesale, transport, etc.) in Primorskii Krai. But employees of the public agencies or SOEs only partially left their posts in the state sector and some even perhaps continued to receive salaries from the state. Furthermore, they often became enterprise employees or managers of affiliated businesses, and the ventures probably maintained some informal connections (e.g. staffing ties) with their parent agencies.

Mo B (1993 p. 164 and p. 319) notes that Chinese state entrepreneurial activities have been expanded not only throughout Russia, but also to Hungary, Romania, Czech

Republic, Poland and other countries in Eastern Europe. The majority of these new businesses established in these countries are from North China such as Hunan, Beijing, Tianjin, etc., while those established in the RFE are mostly from Hubei, Shandong and Zhejiang, in addition to various localities in NEC.

In the course of institutional streamlining within their commercial departments and SOEs, the Chinese state agencies hived off some business functions (enterprise management, etc.) to new profitable ventures from administrative functions (market regulation, issuing licenses, etc).

Industrial agencies no longer disapproved of the disintegration of their subordinate SOEs. Consequently, their subordinate enterprises and factories also separated auxiliary functions from manufacturing, and established some of the peripheral functions as semi-independent commercial business entities in order to increase sales of their own products abroad (Kobayashi M and Wu J L 1993 pp. 176 - 7). These processes produced a spawning of businesses, causing tertiarisation of the Chinese state economy as a whole and helped proliferation of private traders emigrating to Russia.

As mentioned, commercial bureaux were often transformed into a loose network of administrative and business subunits, composed of the former staff, the subordinate SOE wholesalers and retailers (ibid. p. 143). Restive SOE workers and redundant officials were “bought off” by the lure of rising incomes in new entrepreneurial activities although growth in job insecurity was also evident. Some started to work on a shorter-time basis, often a two- or three- day a week, not receiving the full salary (South China Morning Post 9 March 1990). SOEs were put under the pressure of reorganisation. Flow of goods and services were increasingly decontrolled, and former workers of SOEs and commercial bureaux of regional governments began to undertake new risk-taking businesses abroad in order to generate profits for themselves and for the financial benefit of their workplaces as a whole.

Thus, new businesses mushroomed under the “state entrepreneurialism”. Private trade emerged as a spin off and multiplication of economic subunits. Private trade disconnected

from core functions, stimulated semi-independent entrepreneurial entities to capture markets in Russia in the process of eliminating obsolete functions and streamlining overstuffed institutions. Establishment of retail and wholesale operations abroad extended commercial networks to Russia. The networks linked a range of activities - from production and processing in China or elsewhere to the retail operations engaged in by individual traders in Vladivostok.

### **3 - 2. A Concept of “Chinese State Entrepreneurialism” (CSE)**

A concept of an “Entrepreneurial State” (ES) was first coined by Bletcher M. It is defined as a state which emphasises entrepreneurship by state administrative or bureaucratic agencies as a central activity (Bletcher M 1991 p. 267). In the ES, bureaux or departments themselves directly undertake entrepreneurial activities although these ventures may be formerly independent, but remain informally under control of a bureau or agency. New state ventures are expected not only to assist the agencies in carrying out their assigned task, but also to earn profits (ibid. pp. 267 - 8). Duckett J (1998 pp. 154 - 5) also defined the ES as a phenomenon of state bureaux and agencies setting up new entrepreneurial businesses in order to produce profits for their bureaux and institutions, and thereby, facilitate the restructuring of the state economy (Bletcher M p. 28). SOEs or former agencies are gradually disintegrating like a large firm still holding ties to component parts falling apart with greater autonomy, and transforming the former system of tight integration into an association composed of semi-independent units (ibid. p. 287).

Here for the purpose of this research, the next subsection 3 - 3 will focus on relationships between the state entrepreneurial activities penetrating into Russia, and the revival of Asian traders in Vladivostok. In this thesis, the influx of Asian traders can be explained in terms of an expansion of the “Chinese State Entrepreneurialism” (CSE) to the RFE. The CSE, here is defined as a transitory phenomenon for restructuring the state economy under financial pressure - streamlining and redeploying redundant employees to new ventures. The CSE is thus the manifestation of the Chinese state’s transformation from the WMSS into an “entrepreneurial state” (ES), decomposed into several MFRs (market-facilitating

regions such as NEC). Expansion of the CSE had an impact on individual Asian traders because of direct involvement of the SOEs in the Russian market (for example, wholesale suppliers of commodities and services) or an indirect effect of affiliated ventures establishing a favourable business environment for Asian traders via subcontracting relationships with emigrant traders. As part of the communist legacy, parent agencies and SOEs, having more assets and resources to mobilise than private entrepreneurs, imperfectly dissociated entrepreneurial functions from the traditional administration, and created ventures, often “private businesses” operating abroad. As mentioned, these new businesses emerged as part of institutional streamlining, but they were also set up by initiatives and decisions of ex-official entrepreneurs now in Russia. The establishment of new businesses generated demand for retail operations abroad engaged in by emigrant traders, formed *Kitaiskii Rynok*, settlements of Asian traders, an immigrant community, and coordination of economic activities to link and manage production, wholesales and retail operations.

### **3 - 3. Research Finding with Implication of the CSE**

This subsection will apply the CSE concept in analysing the actual situation in the field, and study the relationship between Asian traders and new ventures by looking at the following indicative elements :

- (1) business scale larger than a simple family business
- (2) commodity supply from SOEs and Asian traders’ role as retail agents
- (3) financial support to traders by the SOEs
- (4) market information disseminated by SOEs
- (5) personnel ties of SOEs with new ventures and links with Asian traders
- (6) favourable business infrastructure for traders provided by regional governments

#### ***( 1 ) Business scale - beyond family businesses***

McGee T G et al. (1977 p. 85 ; 1970 p. 26) argued that hawking is such a small family business that there are few who employ wage labour in bazaar trading since family non-

wage labour may reduce or eliminate wage payment overheads and allow flexible operation at times of peak demand. Findings of the fieldwork, however, suggested that the scale of Asian private traders' business was larger than a simple family-size businesses - some traders were posted to trading businesses in Russia by enterprises in China, obtained start-up capital from firms or former employers, and were working with colleagues of their former work-units. This may suggest operation of the CSE phenomenon, where some private traders either still retain their former posts in the state sector or moved from them but retained ties. What was exactly the scale of trading business in surveys ? Businesses varied greatly in scale ranging from a small-scale business unit (the respondents working with one other person, mostly spouse or a friend ; 15 out of 23 valid answers in the pilot survey, and 10 out of 89 valid answers in the main survey) to a non-family large-scale operation (1 out of 23 valid answers in the pilot survey, and at least 6 out of 89 valid answers in the main survey). In the main survey, some respondents said they were even working with 20 to 40 people (4 respondents).

Overall, the results negated the conventional image that trading is only a small-scale family business. Because there were cases of traders working with employers, colleagues and employees and their labour inputs were much larger labour inputs than those of a family-scale business, it is plausible to conclude that private traders engaged in business in a more organised manner and on a larger scale than a mere family business, which is one of the conditions for it being a manifestation of CSE.

Then, who did they work with in their business ? What was the relationship with their co-workers ? Did they work only with family members ? As just mentioned, the respondents had more formal labour inputs (non-family wage labour) than mere family non-wage labour. The percentage of respondents who worked with formal wage-labour, employees, bosses and colleagues was particularly high in the main survey 1995 with 54 percent (57 cases), however, on average the percentage of formal labour input came to about 25 percent with the total despite the large variations between surveys between 12 and 54

percent.<sup>2</sup> Furthermore, the relationships of the respondents to the assistants were also neither limited to blood ties nor friends.

## ***( 2 ) Commodity supply from the SOEs and Asian traders***

As discussed in the last chapter with table 9 - 3, main survey 1995 showed that private traders replenished their stock of commodities from SOEs in addition to private wholesalers / manufacturers. Further research in 1996 revealed that these traders were sales agents working on commission as retail outlets under subcontracting or franchising relationships with SOEs, private wholesalers and manufacturers. In informal conversations with respondents during the pilot survey of 1995, 56 percent (27 traders) of the total questioned declared themselves as sales agents receiving supplies of goods from somebody else. Of the 27, 26 percent (7 respondents) received financial support of some kind from manufacturing enterprises / factories as well as preferential commodity supply from wholesalers. This tendency was also noticeable in the main survey 1995 - 41 percent (11 respondents). However, the research could not identify their exact relationship with the SOEs. One interpretation might be that, as part of streamlining reforms, wholesale SOEs split some of their obsolete functions into independent business units and set up ventures as private businesses, which might have extended subcontracting relationships with Asian private traders.

In informal interviews in 1996, 40 percent (22 traders) were found to be sales agents. Of these, 4 traders explicitly explained that they were hired to sell consumer items supplied by border-trade SOEs and other public-owned enterprises at provincial level (for example, Heilongjiang Foreign Trade Corporation) and the municipality level (Dunin (Dongning) External Trade Enterprise) in China.

What help did they obtain from others in their businesses ? In the pilot survey of 1995, 54 percent of respondents (27 cases) were given preferential supply of commodities from wholesalers and firms at reasonable prices (below the official market price). In the main survey of 1995, in addition to preferential commodity supply, 24.5 percent (26 cases)

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<sup>2</sup> The results were 12 percent (6 cases) in the pilot survey 1995, 54 percent (57) in the main survey in 1995, 16 percent (8) in the pilot survey 1996 and 21 percent (21) in the main survey 1996.

received various kinds of assistance from someone in China, including cash loans and manual labour inputs. But these kinds of assistance were not peculiar to retail agents on commission with SOEs but most of other respondents under subcontract with private enterprises, too. How much did they pay for goods supplied ? The result of the surveys showed cash payment ranging between 0.1 - 3 million rubles per goods delivery.

### ***( 3 ) Financial support to traders by the SOEs***

In the ES theory the new businesses - in official terms independent entities from their origins - were often said to be financially connected with their parent organisations (Duckett passim). Chinese SOEs established new ventures and these ventures then, subcontracted emigrant retail agents to distribute goods on its behalf. How did these emigrant traders obtain initial capital to start their business abroad ? Did the traders obtain loans or credit from formal credit organisations such as banks, the government or the former employers ?

In the main survey 1995, of 17 respondents registered in SOEs, few of them received start-up capital from formal sources such as their SOEs : the majority borrowed money instead from informal sources such as family, relatives and friends (see appendix c table 10). The number of respondents having institutional financial links with SOEs and government loans was only 1 case each in the pilot and main survey 1995.

In sum, the findings suggested that few traders had direct financial support from enterprises to which the respondents were attached, whether they were SOEs or private enterprises. The research could not discover the reason why the respondents borrowed money from informal sources of funding, family, relatives and friends, even though they had registered posts and official links with SOEs.<sup>3</sup>

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<sup>3</sup> Traders also sent remittances to family, relatives and friends in China. The destination of remittances were : although most of them sent remittances to their family - "family" (here refers to parents, spouse, children, and siblings), a few did send remittances to family through some enterprises or business entities at home, apart from directly hand-carried money handed out to families.

Respondents used some corporate links for sending remittances to their families : 20 percent (4 respondents out of the total valid answers) in the pilot survey 1995 and 5 percent (5 respondents out of the total number of 99 respondents having sent remittances) in the main survey 1995. But no detailed information was collected on how they sent the remittances, nor on what kind of relationships or links the respondents had with the enterprises.

#### **( 4 ) Market information disseminated by departments and SOEs**

With the extension of ventures abroad, managers of the ventures and emigrant traders acted as transmitters of market information from Russia to manufacturers and wholesalers in China including commercial departments and SOEs. Public commercial agencies and SOEs benefited from the CSE phenomenon, and were thus able to obtain live information about the emergent market and explore a possibility for expansion of sales of their own products. According to the CSE explanation, ex-officials, ex-employees of SOEs or still registered employees or officials build personal networks and access to information on businesses in Russia so that they may be well-placed or well-informed to explore new and risk-taking opportunities on their arrival in Russia. Even after they plunge into new business in Russia, they retain contacts with producers, distributors or relevant bureaux, with which they built up trust during their time working in the state sector.

In August 1994 during preliminary study trips prior to the main research project, and an informal interview with Mr. Zhao Lian Jun, Director, the Committee of the Transborder Economic Zone, Suifenhe Municipal Government and an interview with Mr. Chen Yue Qing, Director of one of the local trading enterprises, the writer had an experience that may be related to information links between the municipality and the enterprise. At the beginning of the interview with Mr. Zhao, the writer was told that statistical materials on cross-border trade and exports of labour services were officially inaccessible for foreign visitors, since it was forbidden for Suifenhe officials to disclose this kind of information directly, but the the information was in fact given to the researcher by Mr. Chen Y, director, Suifenhe Foreign Trade Ltd., whom the researcher knew well, and who had worked in the municipal government. This is perhaps an episode of minor importance, but does imply that Mr. Chen, an ex-official but now a business manager has personal connections and access of some kind to information in the municipal government.

What about relationships between emigrant traders and SOEs ? Did they receive information on businesses in the Chinese Market from the work unit (*danwei*) ? The finding of the main survey 1996 was that among all the respondents valid answers, 30

percent (30 respondents) obtained market information on Russia from their work-unit (*danwei*), and that out of the 30, more than half (16 respondents) were still registered employees in SOEs, while 20 percent (6) of the 30 had left state employment and changed jobs somewhere, and the rest had an unclear relationship with SOEs, but at least had worked there. The number of non-state sector respondents who acquired information from their workplaces accounted for 2.3 percent (7), smaller than the number of respondents having links with SOEs (30).

### ***( 5 ) Personnel ties of SOEs with ventures and links with Asian traders***

#### **Personnel ties**

As mentioned, in 1992 and 1993 Chinese enterprises rushed into investment in the RFE. The number of cases of registered foreign investment from China rose suddenly in 1992 (although the statistics need to be approached with caution since they often include such cases as inactive joint ventures and enterprises established just on paper), and as of 1995, China still maintained its status as the largest investor in number of investment cases : the percentage of Chinese investors was 42 percent, the largest in number of the registered cases of investment in the RFE, and the percentage was 54 percent in Primorskii Krai in 1995 (Belov A 1998 pp. 244 - 5). Investors originated from borderland municipalities and major cities in Northeast China and North China regions - Dunin, Suifenhe, Mudanjiang, Harbin, Shenyang, Beijing. Heilongjiang Province directed enterprises under its jurisdiction to set up ventures in Russia and advised them to form “Chinese districts” in Russia as commercial outposts and a springboard for further mercantile penetration through emigration of wholesalers and retailers.

Commercial SOEs extended marketing networks of these commercial outposts, “Chinese districts” (oriental bazaars) further and deeper into Russia either :

- (1) by dispatching their former employees directly, allowing them to run their own businesses as managers of affiliated ventures or
- (2) by using a large number of emigrant “commercial tourists” as subcontracted retail agents with these affiliated ventures under their influence (Mo B 1993 p.

The CSE phenomenon was facilitated by the following factors :

- (a) Streamlining strategy to separate out the administrative functions in the state sector, and to externalise the peripheral functions of distribution especially at lower end as semi-independent economic units but maintaining them to parent SOEs within sphere of traditional influence of vertical integration
- (b) Redeployment of redundant staff to new businesses and reduction of politically costly unemployment
- (c) Casualisation of tenure jobs in the state sector

In the CSE, the officials-turned-managers and SOE workers retained contact with their workplaces in the state sector and business partners with whom they had dealt prior to their move to new businesses. According to findings of informal conversations and observation, some Chinese SOEs did engage in entrepreneurial activities in Vladivostok and Ussurisk as an extension of SOEs' drive for new businesses. In Vladivostok, for example, the Ningxia Hui Autonomous Region's SOE (the Commodity Supply and Foreign Trade Corporation in Yinchuan, China) - Mr. Kong's and his successor Mr. Chen Chun's company - provided lodgings for emigrant traders (as part of their venture business, a private business running a hostel accommodating 60-100 families of traders) and storage facilities for commodities. The two still retained posts in state sector in China as employees of their parent SOE while they worked in Vladivostok as wardens of the hostel. Mr. Kong's SOE invested in the property at *Katerinkogo 17*, Vladivostok, somehow managing to purchase it despite the city government's restrictions on foreign citizens use and purchase of property. Purchase of real estate was probably not allowed for foreign citizens when Mr. Kong's enterprise invested in 1992. The purchase required Russian citizenship, and only the right to use the property was granted, and therefore, his firm may have used a different way to purchase the property. The right to use the property could be arranged through establishment of joint venture businesses and arrangement with Russian partners (declared officially as owner of the property), provided that the Russian

property owners agree to let Chinese citizens use the property and the Chinese side invest in refurbishment and construction of buildings (*Nichiro Kokusai Bijinesu Nyusu* No. 2 p. 13 March 1993). The research, however, could not uncover the details of Mr. Kong's venture. His SOE's venture activity was sustained by rents of small-scale traders, and his SOE's venture certainly eased travelling of "commercial tourists" en masse entering Russia, and helped traders' family life and the businesses at the Chinese Market by providing tenants with a private security guard relatively free from harassment from the local police. In fact, Mr. Kong paid the police bribes to turn a blind eye to the hostel accommodating illegal immigrants in a surprise domiciliary search. According to Mr. Kong, his enterprise, as other SOEs and private enterprises usually did, put a "wanted" advertisements in newspapers in China for retail agents in Russian business, salary to be paid on the basis of their total sales.

The involvement of his parent organisation, the Ningxia Hui Autonomous Region's SOE, in ventures in Vladivostok was not only running the hostel for emigrant traders, but also issuing letters of invitation for "commercial tourists", arranging train tickets back home to China or trips to other business points in Russia, helping traders build business communications for other traders and businessmen in need of making contacts with some enterprises in China, arranging purchase and transport of commodities from Ussurisk to Vladivostok, offering spaces for storing goods brought in. His enterprise used only three floors of the building, from the 4th to the 6th floor, and the rest were left for use by Russians. A similar practice of Chinese SOEs' outward investment in Moscow was reported by Mo B (1993 *passim*) saying that ex- or present employees of SOEs established ventures in wholesale services and tourism maintaining ties with their home enterprises in China and supplying emigrant traders with goods for sale, arranging international train tickets at black market prices - three or four times the market price - for "commercial tourists" travelling from Beijing to Moscow.

The SOE from Ningxia Hui Autonomous Region had a regular personnel dispatch to the venture in Vladivostok since the post of warden running the hostel was taken over by Mr.

Chen, another man from the same enterprise in Ningxia. But it seems that the new venture acted very much on their own in daily management of running the hostel, despite the two managers' retained ties to their home enterprise. Their SOE invested start-up capital in the property, which allowed them to start the hostel business. Mr. Kong continued working in the SOE back in Ningxia, and is, as of the end of 1998, dealing with management of exports to Russia, other CIS Republics and Eastern Europe.

New ventures of SOEs are set up not only in these emergent markets, but also in developed markets, partly because of the need to attract inward foreign direct investment to enterprises in China. For example, Yanbian Foreign Economic Relations and Trade Corporation, one of the SOEs subordinate to the Commerce and Trade Bureau of Yanbian Ethnic Korean Prefectural Government, set up a liaison office in Tokyo, and sends personnel regularly. Probably, this is an extension of a domestic phenomenon in China, the CSE - SOEs' and public institutions' frantic drive for profit-making ventures.

#### **Ventures and Relationships with Emigrant Traders**

Are there any personnel ties between these ventures and individual traders? Findings of the fieldwork survey 1996 revealed that some of the private traders in the market were directly dispatched from their home SOEs as shown below in table 10 - 6.

Of the respondents moonlighting outside the SOEs as private traders (7 cases in the pilot survey and 36 cases in the main survey 1996), those who declared themselves explicitly as dispatched for retail operations accounted for 28 percent (2 cases) and 25 percent (9) respectively.

However, the sample survey did not reveal what kind of relationship private traders retained with the SOEs. Were they hired merely as retail agents under subcontract with the SOEs? Or were they sent out to this job as a result of streamlining of their home SOEs? Although the research work left these questions to be investigated further by other researchers, it seems clear that there are probably two forms of individual traders' involvement with the SOEs:

(1) as discussed earlier, the SOEs contract out the lower end of distribution by hiring

individual traders as retail agents on commission, and the traders receive earnings on the basis of sales success, in proportion to the scale of proceeds from the Chinese Market. In this case the SOEs use emigrant traders as a kind of advance guards to penetrate the Russian market, and to prompt geographical dispersion of these traders.

(2) emigrant traders are ex-employees diverted from the overstuffed SOEs as a result of institutional reorganisation of commerce in China, with a transformation from a vertical command structure to a more loose coordination of economic components. In this case, the SOEs use existing human networks of former business ties. They restructure their own and subordinate enterprises, and send the redundant staff for wholesale and retail work abroad, as part of their streamlining strategy.

**Table 10-6 The Number of Private Traders Dispatched to Conduct  
for Retail Operations from Their Home Enterprises**

(Unit : the number of cases)

	Pilot survey 1996		Main survey 1996	
	Urban	Rural	Urban	Rural
<b>A. Dispatched from the SOEs</b>				
* Of respondents with experiences of work in SOEs				
1. Still registered still in the SOEs	2	0	9	3
2. Deregistered	1	0	2	4
3. Registration unclear	5	0	1	0
<b>B. Dispatched from private sector</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>2</b>

N.B. For simplicity, cases in the table show only the declaration of respondents about themselves.

In informal interviews with traders in 1996, it was found that 20 percent (12 respondents out of the total 59 interviewed) were hired as retail agents probably in subcontract by enterprises to sell goods on commission. Of the 12 cases, two were clearly hired by the public enterprises under a provincial government and a border municipality - Heilongjiang Foreign Trade Co. Ltd. and Dunin (Dongning) Foreign Economic Relations and Trade, which made arrangement for their move to Russia (for example, arranging their letters of invitation). Three others of the 12 received a letter of invitation from Russian enterprises. There was also a respondent who said that he was recruited by a private enterprise in China. The rest did not make clear in their relationships with enterprises in China.

In addition to cases of subcontracted retail agents, there was occupational diversion from contract labour. 2 respondents said that they were initially hired as contract labour by Labour Bureaux in municipalities in China, came to Russia, and shifted to the more profitable private trade - this was 3 percent of the total interviewed. Labour Bureau, Yanbian Korean Prefectural Government, for example, were directly involved in export of contract labour, according to a finding of an interview in November 1995 with Mr. Jin Y C, a chief officer, Committee of Foreign Economic Relations and Trade, and Mr. Wang F L, a business representative in the Office of Overseas Employment, Yanbian Prefecture - both of them were introduced as friends of Mr. Kong and Mr. Zhao, members of the immigrant community in Vladivostok. According to Mr. Jin and Mr. Wang, these two departments jointly sent contract labour abroad (more than 22,000 people sent overseas including Russia during 1989-95) under an inter-governmental agreement. Interestingly, with its direct involvement in this business, the Office of Overseas Employment received 30 percent of earnings of each contract worker. As discussed, in the interview Mr. Jin told the writer that workers dispatched tend to stay in the host countries, forming a labour pool for private trading business. Exporting contract work is thus a profit-making business to help finance the budget of the office. Other border municipalities such as Suifenhe City Government also increased labour export to Russia from 963 to 2,670 people during 1988-93. Suifenhe increased the value of exports of contract labour by nearly ten times from 8.84 to 88.35 million Swiss Francs during the same period. It increased the number of projects involving labour export from 15 to 100. Thus, labour export is also, one of the public agencies' entrepreneurial activities abroad and it creates labour reserves for private traders as a byproduct of the public agencies' entrepreneurialism.

#### ***( 6 ) Departments creating business infrastructure for private traders***

So far the main point discussed has been how the departments and SOEs established ventures in Russia, and how the propagation of these ventures had helped generate "oriental bazaars" in Russia, causing the indirect effect of an "exodus" of emigrant traders to Vladivostok, and influencing their business activities by providing them wholesale

services (supply of commodities for sales) in Russia. In NEC dismantling of the WMSS caused that system to be transformed into CSE in NEC. But at the same time, municipalities, as commercial promoters of regional economies provide good infrastructure so that private traders can produce profit-making businesses. In 1992 the Chinese State Council designated several “open border cities” in NEC, some on the border with Russia. In a study trip to NEC in summer 1994, the writer interviewed officials of border municipalities (Suifenhe, Hunchun and Heihe) and committees of transborder economic zones (equivalent of special economic zones in South China). These interviews revealed that the all the three “border cities” below invested in infrastructure for transborder transactions such as building of covered market halls, extended transport links of roads and railways with the RFE and Siberia for the commercial benefit of emigrant business managers and private traders. Reportedly, other municipalities and the provincial governments of Heilongjiang, and to lesser extent, Jilin, also eased customs inspection and procedures at border-crossings. These measures for infrastructural development and policy-making to create a favourable business environment helped emigrant traders’ business. In Russia in this sense, all the three border municipalities were examples of MFRs (market-facilitating regions) to promote transborder transactions with Russia. The findings of the interview were as follows :

### *Suifenhe*

According to Mr. Zhao Lian Jun, Director of the Committee Transborder Economic Zone, the authority would hope to exploit the location of Suifenhe, which has a geographical advantage as a transit distribution point, requiring fewer days in freight from Yokohama (Japan) to Harbin (via Suifenhe - 15 days) than other routes (via Dalian - 45 days). The city’s development strategy also includes being a transit trade centre in Eurasian landmass connecting Niigata (Japan) to Manzhouli and Chita over to Western Europe via Suifenhe. As of August 1994, Suifenhe enjoyed a freight volume of several million tons - the largest among the land ports of Heilongjiang (e.g. Heihe - 300,000 tons,

Hulin and Mishan - 40,000-50,000 tons), and with expansion of the existing railway infrastructure planned, the city expects to increase its freight volume to 5 million tons in the near future. Suifenhe invested about 440 million yuan in development of industrial and commercial estate with an area of 5 square kilometres near the border with Russia, connected with Vladivostok and Nakhodka via a railway and a road. About 100 enterprises including 60 SOEs and collective enterprises are located in the industrial zone. In a bonded area were two warehouses newly built so that commodities imported from Russia could be processed properly for further outshipment to the third markets abroad. Construction of an office building for customs inspection was also completed in recent years, which helped growth of border transactions and human traffic. In a covered market hall, Russian-made mink coat, furs, hats, and military watches were being sold, together with "Kamaz" lorries and "Lada" passenger vehicles in the field just outside the hall. In the hall, Chinese-made clothes, trousers, umbrellas, TVs, cassette tape recorders with "Karaoke" functions, and other electrical goods were also sold to "commercial tourists" from Russia. With calculators, Russian tourists and Han Chinese shop keepers were negotiating over Japanese-made TVs in pigeon Russian.

### Heihe

Heihe and Blagoveshchensk face each other across the Heilongjiang River (the Amur River in Russian). In an interview with the researcher, Mr. Zhang Jun Pen, an official, the Committee of Foreign Economic Relations and Trade said that the municipal authority had built a covered market hall within the Transborder Economic Zone on an island in the middle of the Heilongjiang as a meeting point between Russian and Han Chinese traders, exchanging imports from Russia - winter coat, hats, etc., for Chinese-made shoes, clothes, bags, radio, etc. On the Chinese bank, hawkers were selling various commodities and services - taking photographs of visitors and foreign tourists, pin-ball machines set before the stall, etc. With an increase in tourism, a sight-seeing boat was in service, and in the middle of the 80-100 metres wide river were buoys, indicating the Russo-Chinese

borderline, where Russian border guards were waving in a friendly manner to tourists on the boat. This showed the mild situation on the border in general. In winter, when the river is completely frozen, traders might be able to cross on foot unnoticed by border guards. Just across the river on the other side of the bank, in Blagoveshchensk, a goods train was moving along the river. Heihe and Blagoveshchensk, the two cities on the border planned to construct a rail and road bridge. But at the time of visiting Heihe, in summer 1994, it seemed that the project for the construction of the bridge was making no progress, perhaps because of political reasons and border security. Meanwhile, a regular boat service connected the two sides of the river between Russia and China. In border trade foodstuffs, clothing, electrical goods, fruits and vegetables were exchanged for imports of scrap iron, timber, etc. from Russia. In the period 1988-92 the flow of cross-border human traffic grew rapidly with Russia from 9,400 to 617,600 people, with an increase in the two-way flow of commodities from 59,500 to 656,500 tons. Under Heilongjiang's Provincial Government policy, "Open the North while linking with the South", the city had expected to be a major transit and information centre in Sino-Eastern Europe trade by linking with southern provinces (Guandong, Fujiang and other developed provinces) in exports to Russia, and Eastern European markets. When the writer visited the city, he was told that after the initial surge of transborder trade in the late 1980s and the early 1990s, Heihe's trade had rapidly decreased over the past several months in 1994. The Heihe authority regarded barter as a major obstacle hindering further development of cross-border transactions : use of hard currencies was still low in trade. In the interview, the official sensed the acute need to develop more advanced financial mechanisms to ease payment for the commodity transactions, and said that the city authorities were seriously considering to changing the means of payment in trade from barter to hard currencies.

### Hunchun

Hunchun is located in the triangular borderland of Russia, China and North Korea within the Tumen GT ("Growth Triangle") (see Map 6). In an interview with Mr. Yun Shou Jun,

the secretary of the Transfrontier Economic Cooperation Zone Committee, on the 24th August 1994, the researcher was told as follows. Because of the city's involvement in multinational development project, the central government directly financed part of the project with 1 billion yuan investment in infrastructural development, transport links with neighbouring countries (Russia and North Korea), including a railway connection from Hunchun to Kraskino, telecommunications, power generation, etc. The issue of transport development was very important since domestic transport access was particularly bad in Hunchun, taking more than 5-6 hours by car from Yanji, the capital of Yanbian Prefecture, which provides Hunchun with further access to Beijing and Changchun via Yanji Airport .

With the endeavour for international development of the Tumen River Project, the city became a focus of potential Northeast Asian multinational development. Paddy fields were rapidly changed into the Development District of the Transfrontier Economic Zone, with an area of 24 square kilometres, where 17 liaison offices of foreign enterprises were already established. In the Zone an investment area was established especially for South Korean enterprises. In the Zone there were 120,000 telephones. And for the future foreign investors and residents in Hunchun, recreational and residential real estate development was planned, involving creation of a man-made lake with a magnificent view as a potential tourist spot, with investment of 40 million yuan expected. Developers from Hong Kong and Guandong were involved in the planning. In the interview, the writer was told that some South Korean *chaebol* - Daewoo and Samsung - were also planning to invest here. However, it is not clear how after the financial crisis in 1997 in East Asia has affected the local situation. At the time of interview there were two South Korean enterprises which had invested in factories producing socks and underwear, some of which were being exported to Russia. Construction of railroad links with Russia was of particularly great importance for Jilin Province, since Hunchun would then be able to use Port Zarubino on lease, and this would give Jilin access to Japan and South Korea, great potential buyers of or export outlets for the local products through the Sea of Japan. However, railroad construction on the Russian side was making progress only slowly, and Hunchun was

offering labour to stimulate the completion of the railroad connection project.

Cross-border human traffic between Hunchun and Russia rose somewhat from almost none before 1992 to 7,926 people on official business trips to Russia, and 7,843 entries from Russia to Hunchun in 1992. Barter exchange grew from almost nil to 1.2 billion yuan during 1988-92. The city's population grew from 180,000 with inflow of transient floating population to 280,000 within just twelve months of 1993.

On the 28th November 1995, the writer visited Hunchun again and arranged an interview with Mr. Zhang Tie Jun, a vice director of the Hunchun branch office of a trading enterprise (Shenzhen Industry and Trade Development Corp. from Guangdong Province) and more importantly, who was Mr. Kong and Mr. Zhao's close friend. According to his explanation, a new bonded warehouse was under construction with an area of 100,000 square metres. As of November 1995, US\$ 50 million had been invested for this purpose, but the development capital ran short later. The Transfrontier Economic Zone Committee, Hunchun suffered from this fall in foreign investment for infrastructure. At the time of this interview, the writer was told that Hyundai Steel planned to invest US \$ 20 million infrastructure, but what has actually happened since then is not clear.

## **Conclusion**

As discussed above, a particular international situation and ideological struggles in the 1960s during the Cold War produced a confrontation of two distinct WMSSs, the Soviet Union and China. The ideology neither united the working class nor produced world solidarity of workers, but ironically generated the two autarkic military security regimes and national economic institutions. Political tensions and fears of war created a mechanism of resource mobilisation diverted to the socialised industrial sector. Under the command economy the states were politically committed to rapid industrialisation of heavy-manufacturing under the ideological norm of guarantees of "full employment" in the RFE and NEC. However, with the end of the Cold War, around 1989 to 1992, this quasi-war-time structure was exposed to the winds of change. The dismantling of the former system

followed different courses in the RFE and NEC. The RFE lacking sufficient light industry took on the character of a mercantile “rent-seeking” regional economy, where local industrial managers and politicians sought “rents” by manipulating regionalised foreign trade and maximising profits for themselves in a narrow consumer market. Russian managers of SOEs and common small-scale traders were keen on protecting their business interests in the local market, which helped produce xenophobia. NEC, on the contrary, by increasing production of exports of some light industrial goods, plunged headlong into CSE (“Chinese State Entrepreneurialism”) propagated state-led new ventures to the RFE via subunits of SOEs and public agencies, supplemented by outward investment from China to exploit and expand business horizons of opportunities in Russia (Duckett J 1998 pp. 169 - 72). When the demise of the former system produced interpenetration of commodity flow and human traffic of “commercial tourists”, geographical differences in production capacity of textile products generated one-way mercantile traffic of Asian traders’ penetrating Vladivostok, since a traders’ edge in commercial competition depended on his access to networks of producers and wholesalers for restocking.

The xenophobia in Vladivostok fit into a definition of “rent-seeking” activities put forward by Bhagwati J N (1982 pp. 989 - 90) and Killick T (1989 p. 13). The “rent-seeking” activities yield only pecuniary returns without production of goods or services via increased production but focusing on mere licensing or quotas - i.e. efforts to protect against competitors and to gain protection and budgetary subsidies from central government (Duckett J 1998 p. 170). Here, leaving aside the argument of how to measure the “productiveness” of the NEC economy and the “unproductiveness” of the RFE economy, what is clear and more important is that China as a whole has something to export, especially textile, clothing, shoes, etc., whereas the RFE in this sense does not have the local production capacity. Thus, the argument boils down to the geography of light industrial production. After the fall of the WMSSs, their divergent path to marketisation led to a commercial conflict in cross-border transactions. Commercial

networks of competitors linking with their patron state, were seen with contempt and suspicious eyes, as if it were a coalition of geopolitical interests among some ethnic groups conspiring to generate chances of separatism and link with “their” patron state attempting to expand sphere of influence within the RFE. The commercial conflict helped strengthen a perception of a “Yellow Peril”, which was backed up by traders’ sense of their belonging to some “national” self-identified groups, whether “Russian” traders’, “Han” traders’ or “Chinese Korean” traders’. This perception of mercantile ethnonationalism, in turn created a sense of separation of one group from the other, and generated inclusion of some (Slavs) and exclusion of others (Chinese Koreans and Han Chinese) (Smith G et al. 1998 pp. 13 - 4).

# CONCLUSION

## Introduction

How is the post-Cold War demilitarisation in NEA related to the revival of a trading network of ethnic Koreans in Vladivostok ? This chapter comes back to the question which was presented at the beginning of this thesis.

In this study it has been argued that the rise and fall of the Soviet State caused the regulation and deregulation of the borders and of transborder trade, and hence, the decline and rise of a trading network in Russia's eastern periphery. The geopolitical and geoeconomic context in NEA has determined the patterns of the city's interaction with Manchuria (NEC) and other countries in NEA. Thus here lies importance of the historical context for the reunion of Korean traders in the city.

In this chapter the first section will discuss the historical rise and fall of the reunion of Asian traders (mainly Chinese Koreans). The second section will sum up the research findings on the three dimensions of the dismantling of WMSSs. The third section will then conclude with presenting a summary of the findings, and then discuss areas for future research that need to be undertaken on the subject of transborder migration within the context of the RFE's growth in economic relations with NEA countries.

## [ 1 ] Historical Changes

The rise and fall of private traders in Vladivostok can be explained by historical changes in the political and economic systems surrounding the city. The city's history was formed by its dual identity as a centre of commercial trade and a military outpost.

### 1 - 1. Bolsheviks' Rejecting "Extra-territorial National Autonomy"

Due to the underdevelopment of the local consumer industry in Russia's eastern periphery in the Tsarist period, the Russian market was traditionally composed of collections of regional markets with ethnic distinctive characteristics. The lack of a nation-

wide single market prevented the emergence of a unified bourgeoisie in the country as a whole (Rieber A J 1982 p. xxv). Traders of non-Slav origin on the periphery were closely linked to patron states outside Russia (e.g. ethnic Koreans to Korea) (ibid. p. 421). In the RFE before the Russian Revolution a trading network was observed between them along cultural and territorial lines. Non-Russian traders not only reaped commercial and investment advantages from their close contact with foreigners of “the same kinship” but also benefited from easy access to producers abroad and distribution know-how (ibid. p. 75). In response to Asian encroachment in market, the local Russian traders perhaps came to ask the regional authorities that restrictive measures be imposed on Asian traders and their trading networks - reducing the duration of their visits to Russia, placing them under strict police surveillance, confining them to living in certain areas, etc. (ibid. p. 60).

After the Russian Revolution and the subsequent rise of the Soviet State, fears of war eventually led to the Stalinist military autarkic system, i.e. the Bolsheviks’ adoption of the USSR as a territorial state instead on the basis of a stateless world proletariat. This workers’ state, the USSR, thus, came to have state borders in order to defend itself from encirclement by supposed hostile states and minimise the chances of unrest among ethnic minorities being influenced to counter-revolutionary elements beyond the border. In fears of war - civil war and foreign intervention - the Bolsheviks rejected the Austrian Marxists’ notion, “extra-territorial national autonomy”. They started to set their direction to the establishment of the Soviet WMSS. Thus the rise of the WMSS is a byproduct of war threats perceived by the Bolsheviks in the late 1920s and the 1930s. Their subsequent choice for a solution to the nationalities question. Thus in the late 1930s the ideological setting and a peculiar social structure led to the suppress of transfrontier contacts. With an attitude of hostility to Asian traders having foreign connections, private foreign trade was strongly discouraged. Therefore, it is no surprise that with the fall of the Soviet State in the 1990s Russia once again confronted this classical issue of nationalities and its dealing with a reappearance of a transborder network in Vladivostok.

## **1 - 2. NEA under the Cold War**

In the NEA under the Cold War, the geopolitical context stopped the free flow of capital, goods and labour on each side of the Cold War. This quasi-wartime structure separated markets by restricting relations between South Korea and China, South Korea and the Soviet Union, and the Soviet Union and China.

### **( 1 ) Asian NIEs ( South Korea )**

With the political division of Korea after the Korean War, the Korean Peninsula became a focal point of the Cold War. South Korea for a long time minimised contacts with China and the Soviet Union as hostile states ; on the one hand, the economic development of South Korea was strongly encouraged by the US, giving preferred access to its market as a front-line state in East Asia ; on the other, South Korea was viewed as “a colony of American imperialism” by China and the Soviet Union. And none of these states permitted citizens to travel to countries in the hostile camp (Kim H 1995 p. 305).

In NEA with the rise of the Asian NIEs, South Korea was, created in a loose sense, under the quasi-war-time structure in NEA just mentioned, despite a quite different way of organising and controlling the economy from the USSR and China. It had a sophisticated means of regulating national economic organisations.

After the Korean War, South Korea emerged with economic assistance of the US and the military alliance against communism in East Asia. The credit policy, exchange-rate management, application of Generalised System of Preference (GSP) for preferred export to the US market, wage control, suppression of trade unions, etc. All these measures were directed to attract inward foreign investment and support big private businesses such as *chaebols*.

### **( 2 ) The Rise of Soviet and Chinese WMSSs**

International rivalries in war in the 1930s impelled the Soviet State to reorganise the domestic economy by channelling resources to heavy-manufacturing industry under strong state leadership and social control. The need to mobilise resources, in turn vastly expanded the role of the state in the economy (West J L 1998 p. 174). The Soviet-Chinese border

transactions had nearly ceased to exist by the mid 1930s. This situation continued up to the early 1980s, except for the brief period of communist fraternal relations in the 1950s (but the transactions were still state-managed).

The Soviet State provided subsidies for essential supplies for settlements of the Slavs in this strategic outpost, Vladivostok. Russians were posted as state agents to defend fortresses in the eastern borderland.

In the Soviet and Chinese States private traders and entrepreneurs were incorporated into state entities organised by the central authorities, and private traders were eventually forced out of existence almost entirely in the RFE (in the 1930s) and NEC (in the late 1950s and the early 1960s). The state commercial system was vertically structured by a complex hierarchy of administrative organs - from ministries at the central level, commercial departments or bureaux at local levels that regulated SOEs' purchasing, wholesale operations and then down to the lower end, state retail shops in direct contact with final consumers .

### **1 - 3. The Post-Cold War NEA**

#### **( 1 ) Transformation of the WMSSs**

However, by the late 1980s political changes and demilitarisation began to transform the rivalries of competing states. As a result the interpenetration of various markets occurred within NEA. The features of the Soviet WMSS disappeared in the RFE. With economic reforms, China increased transactions with capitalist NEA countries. With the end of the Cold War, cross-border contact and trade grew between Russia and China, China and South Korea, etc.

The global manufacturing and distribution system in the late 1970s started to disintegrate autarkic economic organisations. With a complete opening of the border in 1992 a flow of commodities and private traders penetrated the Russo-Chinese border in both directions.

With the fall of the two WMSSs, the states in both countries retreated from centralised distribution, abandoning the former commitments to controls of movement of labour, subsidised provision of essential goods, life tenure in state employment in the RFE and

NEC. Private traders rose in economic insecurity as a cushion against shocks for the marginalised in the reforms of the former WMSSs : private trade probably, offered the low income groups a means of income-generation and an access to goods at affordable prices. Interpenetration of Vladivostok was facilitated by correction of the two distorted state economies, causing informal transborder flow of commodities and human traffic of private traders.

## **( 2 ) The reunion of Asian traders after the fall of WMSSs**

The Soviet State overcommitted itself in defending the long borders of Eurasian landmass, too thinly populated in the eastern periphery (Chandler p. 122). In 1992 with the breakdown of the USSR, Russia lost the ability to control this borderland. Shifts of import sourcing in essential items and labour services permitted minorities to revive alternative ties and allegiances with formerly hostile states in NEA.

Vladivostok is a good example of the weakening centre's control over the eastern borderland. Ethnically diverse population rose, fell and has risen again in its history. As mentioned, in 1937 as a fortress of Soviet socialism private traders had been eliminated from the city. But from the early 1990s why did private traders start to come back to Vladivostok ? It is not "demographic pressure" flooding the city, but demand for the long-neglected retail services that has drawn them to the city. The correction of the former regime led to the rise of consumer services in the city, drawing Asian traders from China. Here as argued in the last chapter, what is really at stake is difference in manufacturing capacity (e.g. clothing and textile products). Since NEC has increased production of goods for export, it has begun a penetration into the undersupplied RFE market in 1992 .

In 1992 the RFE's border opened again and transactions with China began again. With the end of the Cold War, the break-up of the two WMSSs revived traditional ethnic ties in the border regions. The trading networks were not exclusively Korean but certainly included in them (as in the case of immigrant Chinese Korean traders in Vladivostok from China extending their trading ties with South Korea and elsewhere, and probably Russian Koreans helping the Chinese Koreans to come to Vladivostok and to procure commodities

made in other countries). As earlier argued, this is a “come-back” of a nationalities question left unresolved by the USSR in the past, which again demands to be resolved.

## [ 2 ] The Dismantling WMSSs and Effects in Three Dimensions

This section will sum up the findings of the fieldwork research in brief - the effects of the dismantlement of WMSSs system in the three dimensions of demography, distribution and employment.

### 2 - 1. Migration Control ( Demography )

Of the three dimensions of the effects of demilitarisation, the research focused especially on the demographic aspect in the 1990s.

#### *The “Korean Trading Diaspora”*

Does a trading diaspora of ethnic Korean traders really exist at all ? If so, how does it work in Vladivostok ? The KTD was the main focus of the research. In the existing literature this argument is only briefly put forward by Wada H (1998 January the *Sekai* p. 137). But serious research had never been undertaken. This thesis has developed and examined the argument of the post-Cold War reunion of ethnic Koreans with empirical research in Chapter 8. The finding is that although cross-border transactions were not exclusively dominated by Koreans, there was some evidence of their trading links. Chinese Koreans had, at least to some extent, access to South Korean products and to third countries other than Russia and China. With the erosion of the formal state economies in NEC and the RFE, ethnic connections flourished again with the rise of a bazaar economy. Thus in Vladivostok networks of cultural and economic relations with NEA countries replaced or supplemented the former administrative command systems. To sum up, despite reservations about ethnic exclusiveness, the revival of a trading network of ethnic Korean traders was observed to some extent, and analysed in the context of post-Cold War changes in NEA.

### 2 - 2. Distribution - Mercantile Penetration by the GCC

In the transition, goods and services were increasingly marketised for cross-border

transactions. The breakdown of the WMSSs led to a rise of unofficial traders responding to adjustment failures of the malfunctioning former distribution when the rigidities of the state trade were reduced in the transition. With shifts in import sourcing in the RFE in 1992 Vladivostok was opened to new sources of supply, which at the same time led to an influx of traders from China, and thus caused in part reunion of a diaspora composed of ethnic Korean traders. But the precise extent of these traders' transnational transactions as a whole is not known.

The focus here is Chinese Korean traders from China. Here, systemic changes in distribution in NEC are relevant. In the 1990s with the process of gradual disintegration of the Chinese WMSS and state commerce in NEC, insolvent SOEs allowed employees to use company assets to sell whatever stock or assets are available for subsistence (Wang L 1988 p. 203). Large commercial SOEs were being devolved into semi-autonomous units, and at the same time smaller-scale traders were emerging as a result of the casualisation of distribution. In the gradual process of dissolution of the NEC's former state distribution, decentralised distribution displaced the rigid hierarchies on which state enterprises formerly relied. This caused an emergence of private traders undermining the former vertical command system. Many retail outlets were released from the direct control of state enterprises on contract to private traders (Hodder 1993 p. 98). Retail outlets were increasingly dissociated from state administrative organs and private trade was being established by being hived off from the state entities as a separate or semi-independent business. Thus with incomplete disintegration of the former Chinese commercial system, the quasi-state subunits probably overlapping with private traders formed a hybrid, loosely integrated network of commerce with increasingly fluid relations between state and private ownership.

Of more importance than the internal changes in the former WMSSs is an external factor encouraging the growth of immigrant traders, i.e. the transnationalisation of the South Korean textile industry, extending overseas networks of production and distribution to the RFE. Large retailers, designers and trading enterprises in South Korea established

factories in NEC to distribute their outputs to Vladivostok. This was part of a market diversification strategy to shift the textile production and diversify their overseas market to include non-quota markets. The globalisation of the South Korean textile industry generated an impetus for penetration of the consumer market in Vladivostok. Probably, this penetration also produced better opportunities for transborder contacts and the reunion of ethnic Koreans dispersed in NEC and the RFE. In this light no doubt it is a leader of the South Korean textile industry who predicted the formation of a “Greater Korean Commonwealth” (Kim H 1995 p. 308). Thus the coming of immigrant traders is not just a local phenomenon in Vladivostok, but is related to the globalisation of South Korea’s production and distribution system. So changes in distribution should be seen rather as a reflection of systemic change taking place in post-Cold War NEA, particularly in the former socialist regions - the RFE and NEC - in response to transnationalisation of South Korea’s textile industry.

Hence, G. Gereffi’s idea of a GCC (“Global Commodity Chain”) helps explain the context in which Chinese Koreans come to Russia and work in Vladivostok. Demand for retail goods - clothing and shoes - is the primary cause of the cross-border movement of private traders from China to Vladivostok, and a reunion of a network of ethnic Korean traders. The city was then incorporated into a wider “commodity chain” by demand-driven importation of the lower end of distribution, retail services, perhaps organised by some South Korean textile companies (Gereffi G 1997 pp. 43 - 91). The coming of traders from China may hence, reflect a combination of (1) industrial capitalism and a rise of intra-industry cooperation in NEA (South Korea and China), and (2) the growth in demand for retail goods in the city drawing Chinese Korean traders.

With the depreciation of the ruble and a possible decline in real incomes of Russian households, low-income Russian groups might be left no option but to purchase goods produced in China (Thornton J 1998 p. 5). But this must be studied in a different research.

## **2 - 3. Employment**

The breakdown of the two WMSSs reduced permanent full-time state employment in

NEC and the RFE and increased casual occupations in 1992-98 (Cook L 1993 *passim* ; Wong L 1998 p. 170). With reductions in their wages SOE workers in the two regions turned to informal income-generating activities to secure economic survival. Unofficial businesses started to grow in NEC and the RFE and penetrated the border in both directions.

Chapter 10 focused on employment aspects of the effects of the dismantlement of the Chinese WMSS. As state commerce emerged in a gradual manner with the rise of the Chinese WMSS, so has it disintegrated step by step with the fall of the WMSS (Duckett J pp. 154 - 5). As part of the streamlining of commercial agencies and SOEs, new ventures mushroomed with “state entrepreneurialism”. And this perhaps, produced a frantic movement of officials and SOE managers into new ventures in markets abroad like the RFE. With devolution of power away from the state sector, plus the opening of China to foreign businesses, the Chinese State allowed workers in the state sector to restructure their lives largely outside the SOEs and the life-tenure system of the work-units (*danwei*). With the Chinese SOEs’ creating affiliated ventures in Russia, the parent SOEs and affiliated ventures created informal ties, and encouraged emigration of retail agents and contract labour.

### **[ 3 ] Concluding Remarks**

#### **3 - 1. Assumptions and Findings Summary**

Based on the research findings, the thesis is summarised as follows :

With political changes in NEA after 1992 (the end of the Cold War), the WMSSs were probably transformed into a collection of interpenetrating MFRs (market-facilitating regions in NEC and the RFE) probably characterised by commercial business circles tied with local governments. In this sense the RFE and NEC after 1992 may be reverting back from the WMSSs to “merchant capitalism”. As of the mid 1990s, the patriotism and xenophobia of Russian traders is perhaps, produced by the narrow “rent-seeking” behaviour of local business groups in the RFE in their competition with Asian rivals -

presumably against commercial encroachment of Asians supposedly linked with their patron state - such as South Korea. This xenophobia is often related to the regional alliance of commercial groups with the Krai Administration. With heightened competition local traders may have condemned the emergence of an Asian trading network as a threat to Russia's national security. This competition was a result of increasing life insecurity among Russian workers and Asian workers from China. Perhaps, differences in production capacity helped create a predominantly one-way commodity flow and a predominantly one-way human traffic from NEC to Vladivostok.

### **3 - 2. Areas for Further Research**

Although the main focus of this thesis was small-scale traders, what was found to be an essential background was perhaps the role of officials-turned-business-managers and development planners of municipalities in the RFE and NEC. If the ex-bureaucrats or ex-SOE managers create the business environment, it is important to know that business wars may be occurring in their efforts to gain control of the flow of commodities and services at the expense of others. It is possible to assume that business managers and local politicians in the RFE and to a lesser extent in NEC are setting the tone of accusation such as those directed at Asian traders by Russian managers of commercial enterprises, whereas smaller scale traders simply follow this populist xenophobia, generated by the leading circles.

This thesis had a limited body of primary source data. In future research, the relation between the state and private traders should be more thoroughly investigated both by (1) a historical approach using archives of the late Qing Dynasty and Imperial Tsarist Russia to study the state-merchant relationships, and by (2) a contemporary survey through more in-depth comparative case studies of the business elite class in both countries, thereby exploring the possibility of transformation of the former state-dominated systems.

### **3 - 3. Final Remarks**

As of 1999, despite the utopian vision of the Tumen River Plan, it was neither urbanisation nor economic development of Vladivostok that pulled Chinese citizens to the city. Given the disengagement of the state from urban development, it was rather the

vacuum in consumer services and goods in the city that has drawn traders to fill the gaps in supply of essentials (Burawoy M 1996 pp. 1105 - 17). This makes a sharp contrast with pre-revolutionary capitalist Russian society. In the late nineteenth century a bazaar economy was replaced by a permanent market to service the growth of domestic manufacturing industry in western Russia (Blackwell W L 1968 p. 195). Accordingly, migrant traders, who had dominated commercial transactions, gradually decreased. In western Russia in the late nineteenth century, the rise of Russian industrial capitalism reduced petty traders and cottage industries by establishing modern factories and organising commerce. By contrast, however, with the economic decline in the post-Soviet era the situation in Vladivostok may be developing in the opposite direction - with capital, labour and other resources being re-diverted back to the commercial sector.

It is unlikely that a rise in border transactions would eventually lead to dynamic growth of modern capitalism. On the contrary, these contacts might remain static and even hinder further marketisation. But if it is right to assume that the rise of regionally separate bazaar economies impairs development of modern capitalism in the RFE - as Rieber suggests - and if the arrival of Asian traders delays the pace of the region's development, then is it right for the local authorities in the RFE to restrict immigration of Chinese citizens? This certainly requires further discussion and research. It might be concluded, here provisionally that the restriction of Asian traders was, from the viewpoint of the Primorskii Krai Administration, a legitimate action to protect the infant consumer industry in the RFE region. But on the other hand in reality, the Krai needs imports of essential consumer goods and labour services to produce necessities and foodstuffs. Therefore, Nazdratenko, Governor of the Krai Administration is put in a difficult situation in choosing between the two options. The question at stake here is rather how to harmonise the goals of state security and economic integration so that "border controls would effectively promote trade while regulating it (properly) according to the state's interests," that is to say, reconciling conflicting interests - protectionism to prevent resources from being drained and an open border for imports of necessities for the local population (Chandler A pp. 103

- 12). At present the Russian government's policy to develop consumer industries is not successful in the RFE (unless a drastic change brings a boom to the region, drawing a large population of migrant labour). In the absence of such rapid growth, the Krai Administration may continue to turn a blind eye to immigrant traders and contract workers in Vladivostok importing goods and labour services informally as it did in the nineteenth century. Thus an answer to the question is a matter of degree - to what extent to open the border, and to what extent to control the border.

With the financial crisis, an unstable economic situation continues in East Asia in the late 1990s. Thus it is probably unlikely that South Korea can spare resources for large-scale investment in the RFE at present. As of the end of 1998, we do not know whether the RFE will suddenly change (an optimistic scenario) or it will continue as it is (pessimistic scenario) (Kaneda I 1997 p. 75). Meanwhile, a fear of the "yellow peril" prevails in the RFE, producing the threat of ethnic border conflict between Asians and Slavs. According to one estimate, the population of the RFE decreased from 8 to 7.4 million in the 1990s and is expected to continue to fall, to 6 million in the year 2010 (Bradshaw M J 1998 12 October, Lecture "The RFE in a New Millennium"). When North Korea collapses, it may produce refugees, which may create additional destabilising factors for the security of the NEA region, particularly the RFE and NEC, creating a mosaic ethnic composition in the regions. However, speculation about the future is beyond the limit of this thesis, and any serious prediction would require much further research. At present it seems that the only effective solution to the danger of potential ethnic strife in the triangular borderland (Vladivostok, Yanji and Chongjin) near the Tumen River Delta is policy co-ordination of all the NEA governments, which these countries historically have neglected.

## **APPENDIXES**

**APPENDIX A PROCESS OF RESEARCH**

**APPENDIX B QUESTIONNAIRES AND INTERVIEW FORMS**

**APPENDIX C SUPPLEMENTARY DATA TO THE MAIN TEXT**

## APPENDIX A : PROCESS OF RESEARCH

### [ 1 ] Time Progression of Research

Main data were collected on the following schedule.

#### 1 - 1. Study Trip to the RFE and NEC ( Summer 1994 )

Various places were visited for informal study trip such as the Chinese Market in Vladivostok, bazaars in Ussurisk and Grodekovo in the RFE, and transborder economic zones in Hunchun, Suifenhe and Heihe, etc in NEC.

#### 1 - 2. Preliminary Observation by Informal Interviews ( May - June 1995)

##### 1. Interviews with policy-makers in charge of controlling private traders (May 1995)

7 cases were selected.

##### 2. Interviews with Russian entrepreneurs hiring contract workers from China (June 1995)

22 cases of Russian employers.

#### 1 - 3. Sampling Surveys 1995 - 1996

##### 1. The first sample survey, conducted by trained Russian interviewers, asking questions in front of private traders' stalls (August - October 1995).

106 samples (main survey) plus 50 supplementary samples (pilot survey) from the universe of 500.

##### 2. The second sample survey was conducted by trained Russian interviewers, in front of private traders' stalls (August - October 1996) :

100 samples (main survey) from the universe of 500 ; plus 50 supplementary samples (pilot survey)

##### 3. Supplementary research on Russian traders in China (September 1996)

46 samples from the universe 200 households in Balyaeva . This was to identify the emergence of unofficial economies across the border.

##### 4. Case studies by informal interviews with Russian shoppers (September 1996)

55 cases.

## **1 - 4. Detailed Interviews with Private Traders ( September - October 1996)**

Detailed interviews with private traders asking how they immigrated (September - October 1996) : 59 cases

## **1- 5. Follow-up Trip to Vladivostok ( the End of October - Early November 1998 )**

After the writing-up of the thesis draft, the writer studied changes in the Chinese Market and lives of some of the Asian traders after the financial crisis in East Asia through this follow-up trip.

## **[ 2 ] Universe and Sample Sizes**

There is no accurate statistical data on the number of immigrants from China because, as we have discussed before :

- (1) the number of immigrants is constantly changing ;
- (2) many immigrants from China remain unregistered due to Russia's disorganised administration of visas and border control ;
- (3) the data are confused and chaotic. The data categorise neither immigrant groups (business managers, contract workers, traders) nor stock / flow. They are all lumped together ;
- (4) the data are kept confidential without explicit reasons being given.<sup>1</sup>

### **2 - 1. Universe**

The estimated universe was set at : 1) 500 traders, and 2) 100 Russian enterprises employing contract workers of the PRC.

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<sup>1</sup> Passport - Vizavoi Sluzhibui UVD , Primorskii Krai , & Sluzhiba Obshestvennoi Bezoapasnosti UPR i BVIR UVD . Dokladnaya Zapiska 25 Nov. 1993. G. 25 / 1- 2318, p. 1 ; For example, during 10 months in 1993, according to the local newspaper, there were more than 165,000 immigrants from China in Primorskii Krai. But according to the data by Passport & Visa Services in Primorskii Krai, there were only 70,000 officially registered immigrants from PRC in this period.

## **( 1 ) Private traders**

It is unknown whether traders have an agreement to limit their total number in order to avoid excessive competition. The data were from preliminary observation conducted several times between 1995-6. The estimated total number of traders from China was set at about 500 traders' stalls ;

## **( 2 ) Russian employers, hiring contract workers from China :**

Here the writer studied the possibility that traders may shift between occupations through interviews and questionnaires with Russian employers. The size of universe was obtained from the Institute of Ethnography and History. According to the data, there were about 100 enterprises in Vladivostok officially registered as hiring Chinese citizens in Vladivostok as of September 1995. The number of Chinese employees (Chinese citizens) fluctuates between 2 and 340 people per enterprise.

This research considered only Russian enterprises hiring contract workers from the PRC, due to the lack of comprehensive information about other categories.<sup>2</sup>

Thus, we set the estimated total size of contract workers from China at 100 cases of Russian enterprises hiring contract workers from China.

## **2 - 2. Sample Sizes and Ways of Sampling**

The sample size of traders are : 100 samples of traders ; and 20 samples of 100 Russian enterprises employing contract workers from the PRC.

The process to determine the sample and method were set as follows :

### **( 1 ) Private traders**

In *Balyaeva*, private traders do business in immobile stalls. Every fifth stall run by Asian traders was chosen at random , starting from the first. When we encountered stalls run by Russian Koreans or Vietnamese, the samples were replaced by the next stall run by a Chinese citizen.

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<sup>2</sup> Aleksandrov A V (1994 p. 47). There are several types of organisations hiring foreign labour from the PRC : (1) Russian enterprises ; (2) Sino-Russian joint ventures ; (3) enterprises of 100 percent Chinese-owned capital. Some enterprises hire foreign labour without the permission of the local administration ; others employ more workers than they are allowed in the license issued by the local administration.

In addition to traders from China, a sample survey of Russian traders was conducted by distributing questionnaires in the second fieldwork of September 1996. This was designed,

( 1 ) to see how Russian traders merge with traders coming from China, so that we could draw a better picture of the unofficial transborder economies ; and

( 2 ) to identify the demand for consumer goods in the bazaar.

The universe of Russian traders was between 150 and 200 households. Of them, 46 were selected, that is every fourth case. The replacement was done in the same way as the case of traders from China.

The total number of shoppers visiting *Balyaeva* is subject to daily fluctuations. In 1995 it was between 14,000 and 17,000 people ; in 1996 it was between 6,700 and 23,000. We detected the decrease in demand for consumer items imported from China, in parallel with the decline in official imports from China. Limited case studies of the shoppers and visitors were attempted by a selection of 55 cases. This gives only a suggestion of the consumer items purchased by Russian shoppers and their perception of Chinese products.

## **( 2 ) Russian employers hiring contract workers from China**

Questionnaires were distributed to 20 Russian employers.<sup>3</sup> Interviews were conducted with the help of the Institute of Ethnography and History.

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<sup>3</sup> For reference on the method of research about contract workers, see Kim W B (1992b pp. 1068 - 70)

## **APPENDIX B : QUESTIONNAIRE AND INTERVIEW FORMS**

### **1. Informal Interviews**

- (1) About Private Traders' Business Activities (with Officials in Local Authorities, etc.)**
- (2) About the Policy of Contract Workers Employment of Contract Workers by Russian Enterprises (Officials in Local Authorities, Research Institutes, etc)**
- (3) About Employment of Contract Workers (Russian Employers of Contract Workers)**
- (4) About Private Traders' Own Activities (with Asian Private Traders)**

### **2. Questionnaires**

- (1) Questionnaires of Sampling Survey on Private Traders 1995**
- (2) Questionnaires of Sampling Survey on Private Traders 1996**
- (3) Questionnaires to Russian Private Traders 1996**
- (4) Questionnaires to Russian Shoppers 1996**

# INFORMAL INTERVIEWS

## [ 1 ] About Private Traders' Business Activities with Officials in Local Authorities, etc.

Serial No.

### *Interviews with Officials in Local Authorities on Policy on Private Traders' Business Activities*

Interviewer's Name :

Date of Interview :     /     / 1995

Time of interview :

Position Held by the Interviewee :

Department of Local Government :

If interview incomplete

Best time to call back : Time                      Date

1. Do Chinese traders often change places of business from one to another ?

1. Yes. 2. No. 3. Difficult to say.

2. Are there any specified areas which permit hawking activities by Chinese traders ?

1. Yes. 2. No. 3. Difficult to say.

3. Are Chinese traders being dispersed out of the city and country ?

1. Yes. 2. No. 3. Difficult to say.

4. Are there controls for Chinese traders coming with goods for sale ?

Especially :

1 ) visa control ?            1. Yes. 2. No. 3. Difficult to say.

2 ) high import taxes ?    1. Yes. 2. No. 3. Difficult to say.

3 ) who decides the above two measures ?

1. central government

2. local government

3. others (            )

5. Has the number of Chinese traders declined ?



## List of Respondents

1. Chief Director, the Entrepreneurship and Trade Bureau, Vladivostok City  
Government
2. President, the Entrepreneurship and Trade Committee, Vladivostok City  
Government
3. Local Police Guard, in Charge of the Chinese Market, Department of  
Interior Affairs (UVD), Primorskii Krai
4. Director, Department of Demography, Human Resources and Nationalities  
Relations, Primorskii Krai Government
5. Officer in Charge of Immigrant Labour, Primorskii Krai Branch, Federal  
Migration Service, Primorskii Krai Government
6. Officer, Office of License for Private Trade, Primorskii Krai Government
7. Officer, Administration of Public Security “TOO”, in Charge of the Chinese  
Market
8. Officer, Administration of Public Security “TOO”, in Charge of the Chinese  
Market
9. Senior Researcher, Institute of Labour, Vladivostok Branch, the Russian  
Federation
10. Director, Administration of Public Security “TOO”, in Charge of the  
Chinese Market

**[ 2 ] About the Policy of Contract Workers Employment of Contract**

**Workers by Russian Enterprises**

**Serial No.**

***Interviews with Officials in Local Authorities / Research Institute of Labour  
on the Policy of Employment of Contract Workers by Russian Enterprises***

Interviewer's Name :

Date of Interview :     /     / 1995

Time of interview :

Position Held by the Interviewee :

Department of Local Government :

If interview incomplete

Best time to call back : Time                      Date

1. Is there any specially permitted sector of industry which is allowed for foreign workers

1. Yes. 2. No 3. Difficult to say

- If Yes , which sector ?

- If Yes , are the majority of foreign workers in that sector Chinese workers ?

1. Yes. 2. No 3. Difficult to say

2. Why does this specified sector need a foreign labour force ?

2-1. Are the costs of employment of foreign labour lower than those of Russian workers ?

1. Yes. 2. No 3. Difficult to say

2-2. About social expenditures for workers...

- Are housing expenses paid to foreign workers ?     1. Yes. 2. No 3. Difficult to say

- Are medical expenses paid to them ?                    1. Yes. 2. No 3. Difficult to say

- Are educational expenses paid to them ?                1. Yes. 2. No 3. Difficult to say

- What else is paid ?    (    )

3. Are Chinese workers expelled by local authorities ? 1. Yes. 2. No 3. Difficult to say

- What are the causes of being expelled ?

- What are the possible solutions for this experiment ?

## **List of Respondents**

1. Officer in Charge of Foreign Labour, Department of Labour and Occupation, Vladivostok City Government
2. Chief, Passport - Visa Service, Department of Interior Affairs, Primorskii Krai (UVD)
3. Vice Director, Passport - Visa Service, Department of Interior Affairs, Primorskii Krai (UVD)
4. Officer, Passport - Visa Service, Department of Interior Affairs, Primorskii Krai (UVD)
5. Vice Director, Department of Foreign Labour, Primorskii Krai Government
6. Vice Director, Department of Demography, Human Resources and Nationalities Relations, Primorskii Krai Government
7. Senior Officer, Department of Demography, Human Resources and Nationalities Relations, Primorskii Krai Government
8. Officer, Department of Foreign Labour, Primorskii Krai Government
9. Director, Institute of Labour, Vladivostok Branch, the Russian Federation
10. Senior Researcher, Institute of Labour, Vladivostok Branch, the Russian Federation

**[ 3 ] About Employment of Contract Workers ( Russian Employers of Contract Workers)**

**Serial No.**

***Questionnaires for Russian Employers on Contract Workers***

Interviewer's Name :

Date of Interview :    /    / 1995

Time of interview :

Type of Employer's Business : 1) Construction 2) Agriculture 3) Factory - Light Manufacturing

4) Services ( Oriental Medicine , Massage , . etc )

Location of Employer's Business Activities :

If interview incomplete

Best time to call back : Time                      Date

**Introduction**

1. Why did you start to employ Chinese workers ?

- For completion of special jobs , in what type of job / jobs exactly do you hire them ?

- Are they skilled workers ?                      1. Yes. 2. No. 3. Difficult to say

- Are the wages lower than Russian wages ? 1. Yes ( Lower ). 2. Higher. 3. Same

- Do you provide them welfare benefits besides wages ? 1. Yes. 2. No.

2. When did you first employ them ?

3. On the basis of what their speciality do you employ them in general ?

4. How many Chinese workers do you hire in total ?

5. Do you employ them for temporary jobs ?

1. Yes.
2. No
3. Difficult to say.

6. Do you employ them seasonally ?

1. Yes.
2. No.
3. Difficult to say.

7. Do you employ them on a contract basis ?

1. Yes.
2. No.
3. Difficult to say.

7-1. Is there inter-governmental agreement on labour contract or inter-enterprise contract ?

1. inter-governmental contract
2. inter-enterprise contract

7-2. Generally , how long is the contract ?

7-3. Who negotiates and decides the wages of Chinese contract labour ?

## **[ 1 ] Recruitment Pattern**

8. I would like to ask you about how you recruit foreign workers , especially Chinese workers.

Do you recruit them through Chinese labour services companies ?

1. Yes.
2. No.
3. others ( )

9. Do you pay them in cash ?

1. Yes.
2. No.

- If No, how ? ( )

- Do you pay Chinese workers directly or indirectly through a Chinese intermediary ?

1. directly to Chinese workers
2. indirectly through Chinese companies

- When you employ foreign workers , do you provide them with any support aside from the wage ?

1. Yes
2. No

- If Yes, what kinds of support?

1. free accommodation
2. health insurance
3. holidays
4. others ( )

10. Do they improve the labour productivity of your business ?

1. Yes.
2. No.
3. Difficult to say.

## **[ 2 ] About the Possibilities for Occupational Change of Chinese Workers to Hawkers**

11. When the term of contract terminates , are the Chinese workers obliged to go home ?

1. Yes.
2. No.
3. Difficult to say.

- Can Chinese workers take other jobs, for instance, as hawkers ?

1. Yes.
2. No
3. Difficult to say

- Do they stay in Russia illegally ? (from cases you know of)

1. Yes. 2. No.

If Yes , Please give us some cases in your business.

### **[ 3 ] Relations with the Local Authorities**

12. Do local authorities control Chinese immigration tightly ?

1. Yes. 2. No 3. Difficult to say

- If Yes , how are you reacting to these measures ?

- Has the scale of employment of Chinese workers declined since the introduction of visa requirements ?

1. Yes. 2. No 3. Difficult to say

13. Is it possible to continue with the informal employment of Chinese workers ?

1. Yes. 2. No 3. Difficult to say

- If Yes , how ?

14. Are there informal understandings between employers of foreign workers and the local authorities to relax the employment regulations ?

1. Yes. 2. No 3. Difficult to say

## List of Respondents

1. Managing Director, Civil Engineering Company, “Dal’more Produkt”
2. Director, “TEP” Tekhniko-Elektromekhanik Pokazatel’
3. Manager, “Minitazhnoi Upravlenie”
4. Legal Consultant, “Vostok Investor”
5. Section Chief, Civil Engineering, “Vlad Bank”
6. (Anonymous for the benefit of respondent) : Housing Construction
7. Manager, “Primor Stroitel”
8. Manager, Vladivostok Branch, “Ten-Datsin”
9. Senior Specialist, “AKFES”
10. Manager, “Vladelets”
11. Manager, “Sadgorod”
12. (Anonymous for the benefit of respondent) : ship repair
13. Director, “Primorspets Ribstroj” : housing
14. Director, DVMP (FESCO) : home interior and design
15. (Anonymous for the benefit of respondent) : restoration of old architectures  
in the city of Vladivostok
16. Secondary School Sovetskogo Raiona Vladivostoka “SSHN 63”
17. Manager, “OKS” : reconstruction of petro station
18. Engineer, “OKS”, construction of cottages in the suburb of Vladivostok
19. Director, joint venture "VIZIT" : commerce
20. Director, “ROLIZ” : repair of hotels

21. (Anonymous for the benefit of respondent) : housing construction in the suburb of Vladivostok

22. Director, “Katerinkogo Stroite’stvo” : housing construction

## [ 4 ] Interviews with Private Traders

{ An instruction } Identify some cases of private traders and construct hawkers' biographies on how they came to Russia. Ask the following questions during informal conversations with them (49 samples)

Serial No.

### *Detailed Interviews with Private Traders from the PRC*

[ 1 ] How were you recruited for this job ?

[ 2 ] How was your business financed ?

[ 3 ] How did you get to know about the situation in Vladivostok before you came here ?

[ 4 ] How do you ship in and ship out goods ?

[ 5 ] Do you have any debts which you must pay off to finance cross-border movement from China ? (for example, travelling costs or initial business capital)

1 ) Yes / No

2 ) How were your debts incurred ?

3 ) How do you pay off these debts ?

[ 6 ] In Russia, were you employed by foreign-related companies ?

( including joint ventures between Russian enterprises and foreign enterprises )

1 ) Yes

2 ) No

[ 7 ] Which companies were you employed by ?

1 ) Korean companies 2 ) Japanese companies 3 ) Chinese companies 4 ) American companies 5 ) other ( )

[ 8 ] In China, were you employed by foreign-related companies ?

(including joint ventures between Chinese enterprises and foreign enterprises)

1) Yes 2) No

[ 9 ] Which companies were you employed by ? (including joint venture)

- 1) Korean companies
- 2) Japanese companies
- 3) Russian companies
- 4) American companies
- 5) other (            )

**Thank you.**



2. Farming work
3. Working for factories
4. Medical jobs (such as an acupuncturist, moxa specialist, masagist, other medical specialist of Oriental medicines or other Western medical services)
5. Hawking
6. Others

**[ 2 ] Income & Wage Differentials between Russia and China**

3. How much do you currently earn per day in rubles? (average of maximum and minimum variations by seasons, or by weeks, and consider the rate of inflation too)

1. You are earning ... ( ) rubles per day
2. Earning is more than when in China
3. Earning less than when in China
4. Earning about the same as in China
5. Don't know / no response

**[ 3 ] Status in *Hukou* Registration : Urban or Rural Status**

4. Back in China, your home (i.e., registered) is in ...

1. City
2. Rural area

5. In China do / did you engage in ...

1. Farming job
2. Other
3. Rest
4. Non-agricultural job

6. In China did you give up your land?

1. Yes
2. No

**[ 4 ] “ Social Benefits “ Obtained in Home Countries / Other Regions Prior to Moves to Vladivostok in the Russian Far East**

7. What kind of “ social benefits “ (e.g., subsidised housing costs / job security / pension / low cost medical treatment / low cost education, etc.) did you have in China ?

1. Subsidised housing costs
2. Job security ( i.e., life-time employment )
3. Pension after retirement
4. Low cost medical treatment
5. Low cost education (secondary or high school)
6. Other

**[ 5 ] Motivation to Come to Vladivostok**

8. Who decided that you should come to Russia to trade ?

1. By yourself
2. By head of your family (such as father or the eldest brother or other )
3. Others

9. Did you bring ... with you ?

1. “ family “ (spouse / children/ parent / brothers / sisters)
2. “ relative “ (uncles /aunt /nephew / niece)
3. person from the same village / towns / city / regions
4. person from the same work group in China
5. person from the same school
6. friend, but not from the groups as above
7. other

**[ 6 ] Frequency of Flow Crossing the Sino-Russian Border**

10. How often do return to China ?

1. more than once a week
2. once a months
3. every three months
4. once in 6 months
5. once a year
6. once in two years
7. once in three years
8. less frequent than once in four years



1. “ family ” members ?
2. “ relatives ”
3. friends
4. employees

18. If you work with a family member, do any members of your family have a job anywhere besides lending a hand in your hawking business ?

1. Yes

Job type (      )

Place of work (      )

2. No

19. If you have assistants, were they in Russia already ?

1. Yes

2. No

20. From which countries did you bring them ?

1. China

2. Kazakhstan

3. Other (      )

4. Didn't bring

21. How long did you employ your first assistants ?

1. less than 3 months

2. 6 months

3. 1 year

4. 2 - 3 years

5. 4 years

6. over 5 years

22. Do you work for ... ?

1. your boss in company

2. company which is run by someone you know (such as friend, , etc.)

3. other (      )

23. With whom do you work with ?

1. “ family members ”
2. “ relatives ”
3. friends
4. employees

## **Part II Distribution Networks Based on Ethnic Affinity**

### **[ 9 ] Types of Commodities and Services Offered for Sale in Retail Trade**

24. What do you mainly sell ( including services ) ? ( Please answer single main item )

### **[ 10 ] Supply of Goods for Sale**

25. Where do you get goods ?

1. wholesalers
2. retailers
3. directly from factories or companies
4. self-produced by yourself
5. other (                    )

26. From which country did you get them ?

1. China
2. Russia
3. Japan
4. South Korea
5. other (                    )

27. Where were they made ? ( if you know )

1. China
2. Russia
3. Japan
4. South Korea
5. other (                    )

28. How often do you obtain goods ?

1. more than once a day
2. daily delivery
3. more than once a week
4. weekly
5. less than weekly
6. don't know / not applicable

### **Part III Financial Support for Hawking Business**

#### **[ 11 ] How financial support works among Chinese immigrant community**

29. How do you pay for these goods ?

1. obtain goods on credit
2. cash on receiving
3. other (            )

30. How much do you pay for the purchase of goods in one-time order ?

1. (                    ) per day
2. (                    ) half a day
3. (                    ) per a week
4. (                    ) per a month
5. other (            )

31. Does anyone help you with ..... ?

1. goods supply
2. cash
3. protection
4. other (            )

32. From whom did you obtain loans or credit ?

1. informal financial institutional networks with favourable credit or loans
2. borrowing from family
3. borrowing from friends
4. borrowing from relatives
5. borrowing from former employers personally

6. preferential loans from government sources
7. private bank loans
8. company / factory help
9. self-financed
10. other (                    )

**[ 12 ] Changes in Hawking Business Conditions**

33-1. Are you earning better / worse / about the same when compared with the beginning of your

business in Russia ?

1. better
2. worse
3. same

33-2. Why is this so ?

( Better )

1. demands of consumer goods increased in Russia
2. profits grew due to high inflation
3. sphere of commercial activities widened due to privatisation programme of small-scale business
4. other (                    )

( Worse )

1. shortage of consumer goods was essentially alleviated with better goods from Russian
2. other competitors in supplying goods from China
3. the amount of available goods declined to meet the local demands, due to Russian government control of border trade
4. other (                    )

34. Do you send your earnings to anyone in China ?

1. No
2. Yes
  1. family
  2. other (                    )

**Part IV Remittances by Chinese Hawkers**

35-1. What percentage of your total earnings in Russia do you send ?

1. half
2. one third
3. one quarter
4. less than one fifth

35-2. How do send your earnings ?

1. in the form of commodities brought here with earnings
2. cash carried by yourself / anyone of your household member / relatives / friends
3. through banks
4. others (                    )

36. What percentage of your family income come from business in Russia ?

1. half
2. one third
3. one quarter
4. less than one fifth
5. not applicable

37. On what do you spend your savings ?

1. timber
2. rare metals
3. steel
4. sea food
5. construction materials
6. chemical fertilisers
7. others

### **Part V. Geographical Penetration of Hawkers' Market into Russia**

38. How far into Russia do you go to sell goods / services in your business go ?

1. within Vladivostok region
2. within Primorskii Krai

3. whole Far Eastern region
  4. all over Russia
  5. beyond Russia (e.g. Eastern Europe)
39. How do you send goods there (i.e., by what means of transport ?)
1. by trucks
  2. by hand
  3. by train
  4. by boat
  5. by plane
40. From how far do people come here to buy your goods / service ?
1. from Vladivostok region
  2. within all Primorskii Krai
  3. whole Far East region
  4. all over Russia
  5. beyond Russia (e.g. Eastern Europe)

**Part VI : Government Regulations &  
Control Over Import and Immigration**

41. What kind of Russian government controls exist that hinder your business ?
1. high import taxes imposed on commodities brought in from China
  2. control over Chinese immigrants' business
  3. dispersal of hawkers from locations
  4. licenses
  5. confiscation of goods
  6. fining for offences
  7. visa controls
  8. other (            )
42. Do you pay anyone to protect your business in Russia for security ?
1. officials
  2. police

3. border guards
4. transporters
5. other

43. How do you hire them ?

1. by yourself
2. by collective funds of immigrant hawkers community
3. other (                    )

44. How much do you pay ? (                    ) rubles / yuan / US\$

45. What other costs do you pay, besides payment for goods, when you run your business in Russia ? (                    )

### **Part VII : Personal Features of Private Traders**

#### **[ 13 ] Nationality**

46. Are you .....

1. Chinese citizen of Chinese ( *Han* ) ethnic origin ?
2. Chinese citizen of Korean ethnic origin
3. Chinese citizen of other origin (                    )

#### **[ 14 ] Locality of Origin**

47. Where are you from in China ? ( i.e., the place of registered residence )

1. Heilongjiang
2. Jilin
3. other places in Jilin
4. Liaoning
5. Shandong
6. Beijing
7. Shanghai
8. Fujiang
9. Guandong
10. other (                    )

**[ 15 ] Age**

48. How old are you ?                      m / f

**[ 16 ] The Duration of Hawking Operation in Vladivostok City**

49. In what year did you come to Vladivostok for the first time ?                      ( 19                      )

**Thank you very much for your co-operation.**

## [ 2 ] Sampling Survey on Private Traders 1996

### *Questionnaires of Sampling Survey to Private Traders , 1996 (100 Samples)*

Date : 1996 / /

Time : :

Interviewer's Name

Sex of Chinese hawker : M / F

Main goods on sale : ( )

### [ 1 ] Urban status or Rural Status in China's Population Registration System

1. In China your registered place of living is in ..... :

- 1) city
- 2) rural areas

### [ 2 ] Specialisation of work in Chinese Community

2. In Russia , what kind of jobs do you do in addition to hawking business ?

- 1) factory worker
- 2) construction workers
- 3) timber logging
- 4) farmer
- 5) transporter ( Carry goods for other people )
- 6) wholesalers
- 7) hawkers' job here only
- 8) other jobs ( )

### [ 3 ] How Do They Get Information to Work In Russia ?

3. Did anyone introduce the business to you in Russia ?

- 1) Yes
- 2) No

4. How do you get to know the business here ?

- 1) collected information by myself
- 2) brought to Russia by my family (parents/children/brothers & sisters)
- 3) brought to Russia by relatives





2) No

14. In which sector have you worked ?

1) state-sector

2) non-state sector

15. In which sector have your other family members worked ?

1) state-sector

2) non-state sector

16. Does anyone contributing to your household income, have job experiences in  
..... ? :

1) state-owned enterprises

2) group enterprises

3) township and village enterprises

4) private enterprises

5) individual enterprises

6) equity joint ventures

7) contractual joint ventures

8) wholly foreign owned enterprises

9) other for example, self-employed business (            )

10) none

17. If you have anyone who has working experiences in the public sector, is he or she still really working in the public sector ?

1) Yes 2) No

#### **[ 7 ] Needs of Diversifying the Household Incomes**

18. Are your earnings from a single main job ( ONLY ONE JOB ) in China good enough to satisfy all the needs of your good living in China ?

1) Yes 2) No

#### **[ 8 ] Diversified Sources of Household Income**

19. Does your household have more than double sources of earnings ? ( For example,

earnings in China and earnings through hawking business in Russia ? )

- 1) Yes
- 2) No

**[ 9 ] Main sources of Household Incomes**

20. What is the main source of your earnings to keep your household running ?

- 1) farming in China
- 2) manufacturing in China
- 3) services in China
- 4) hawking in Russia
- 5) farming in Russia
- 6) construction works in Russia
- 7) timber logging in Russia
- 8) fishery works in Russia
- 9) manufacturing (factory work) in Russia
- 10) medical services in Russia
- 11) transport services related with Sino-Russian border trade ( for example, freight )
- 12) other services related with Sino-Russian border trade
- 13) other (                    )

**[ 10 ] Sideline Work for Households**

21. What is your sideline work for your household income ?

- 1) farming in China
- 2) manufacturing in China
- 3) services in China
- 4) hawking in Russia
- 5) farming in Russia
- 6) construction work in Russia
- 7) timber logging in Russia
- 8) fishery work in Russia
- 9) manufacturing (factory work) in Russia
- 10) medical services in Russia
- 11) transport services related with Sino-Russian border trade (for example, freight)
- 12) other services related with Sino-Russian border trade
- 13) other (                    )

**[ 11 ] Where Do They Come From ?**

22. Could you tell me which part of China you are from ?

- 1) Liaoning 2) Yanbian Prefecture 3) Other Jilin 4) Heilongjiang
- 5) Other (            )

**[ 12 ] Ethnic linkages**

23. Now about your ethnic background. You are Chinese citizen. But ethnically , are you a  
..... : 1) Chinese ? 2) Korean ? 3) Others ? (            )

24. Do you do business with people of the same ethnic group ? *(for example, with Han Chinese or Koreans in receiving freight of goods)*

- 1) always
- 2) usually
- 3) often
- 4) sometimes
- 5) rarely
- 6) never

**[ 13 ] Local linkages**

25. Do you do business with people coming from the same place as you ? *(for example, with people of the same locality in receiving freight of goods)*

- 1) always
- 2) usually
- 3) often
- 4) sometimes
- 5) rarely
- 6) never

**[ 14 ] Kinship or Friendship ties**

26. Do you work with ..... ? :

- 1) family members
- 2) relatives
- 3) friends

4) colleagues from the same work group

5) employees

6) employers

7) other (            )

**Thank you very much for your help.**











## **[ 4 ] Questionnaires with Russian Shoppers**

### ***Questionnaires to Russian Shoppers***

**[ 1 ]** What kind of goods do you look for in this market ?

- 1 ) clothes
- 2 ) shoes
- 3 ) other consumer goods (                      )

**[ 2 ]** In your opinion, in general the prices of goods sold here are ... :

- 1 ) less expensive than goods in other markets
- 2 ) more expensive than goods in other markets
- 3 ) more or less the same

**[ 3 ]** In your opinion, the quality of goods sold here are ... :

- 1 ) higher quality than goods in other markets
- 2 ) lower quality than goods in other markets
- 3 ) more or less the same

**[ 4 ]** Did you find anything here that you wanted to buy ?

- 1 ) Yes
- 2 ) No

**[ 5 ]** What was it ? (                                      )

**[ 6 ]** Why do you like this ? Because of ... :

- 1 ) affordable price
- 2 ) reasonable quality
- 3 ) both affordable and high quality
- 4 ) other reason (                                      )

**[ 7 ]** Have you been to China for shopping ?

7 - 1. Have you been to China for a shopping tour ?

- 1 ) Yes

2 ) No

7 - 2. If yes, when you went to China, in your opinion , generally speaking , ..... :

1 ) the prices of consumer goods are less expensive in China than in Russia

2 ) the prices of consumer goods are more expensive in China than in Russia

3 ) more or less the same

7 - 3. In your opinion , what kind of goods especially are less expensive in China than in Russia ?

( )

[ 8 ] In your opinion, are the prices of goods in this market more expensive than the same commodities in China ?

1 ) yes

2 ) no

3 ) difficult to say

[ 9 ] I should like to ask something about you.

9 - 1. Sex : 1 ) Male 2 ) Female

9 - 2. How old are your ?

1 ) younger than 20 years old

2 ) 20 - 29

3 ) 30 - 39

4 ) 40 - 49

5 ) 50 - 59

6 ) more than 60 years old

9 - 3. Where do you come from ?

1 ) Vladivostok

2 ) another place in the Primorskii Krai

3 ) Khabarovsk Krai

4 ) another place in the Russian Far East

5 ) another place in the Russian Federation

[ 10 ] After inflation, has your official wage (only one official source of income) been sufficient to feed your family ?

1 ) sufficient

2 ) insufficient

[ 11 ] In your opinion, what kind of goods have become expensive, in particular ?

1 ) food items ( )

2 ) non-food items ( )

3 ) other ( )

[ 12 ] Until the break-up of the former Soviet Union , did you work in the public (state or socialised) sector ?

1 ) Yes

2 ) No

[ 13 ] At present, are you a ..... ? (Please indicate your current situation from the categories below) :

1 ) student

2 ) pensioner

3 ) invalid

4 ) engineer

5 ) shuttle traders / *kommersant* (commercial worker) / worker at trading firms

6 ) sales person at kiosk

7 ) worker at manufacturing firm

8 ) farmer

9 ) doctor

10 ) nurse

11 ) teacher / professor / lecturer

12 ) journalist

13 ) military

14 ) researcher

15 ) jurist / judge / lawyer / procurator

16 ) policeman

17 ) architect / construction worker

18 ) artist / musician / actor / writer

19 ) other ( )



2 ) No

[ 20 ] Do you have additional sources of earnings aside from your work at the governmental sector ?

1 ) Yes

2 ) No

[ 21 ] If Yes , what kind of work do you do for your additional income ?

( )

[ 22 ] How much do you earn per month ?

1 ) ( ) rubles per month

2 ) No reply

[ 23 ] Do you think of yourself as ... ?

1 ) low income group

2 ) middle income group

3 ) high income group

**Thank you very much for your help**

## **List of Some Visits for Informal Observation and Enquiries**

### **Japan**

1. Mr. Tadao Sakuma, Senior Managing Director, Eurasia Investment Promotion Co. Ltd., Niigata Japan
2. Mr. Makoto Nobukuni, Director, Research Division, Economic Research Institute for Northeast Asia
3. Mr. Katsuyoshi Nakajima, Director, Office for the Promotion of International Economic Exchange, Niigata Prefectural Government
4. Mr. Shinsaku Suzuki, Chief Assistant, Industrial Planning Section, Niigata City Government
5. Mr. Yasufumi Yutani, International Division, Osaka Chamber of Commerce and Industry
6. Mr. Shinobu Ogino, Assistant manager, Former USSR Republics and CEES Desk, International Investment Banking Department, Daiwa Securities Co. Ltd.
7. Mr. Koichi Kuroko, Economist, Economic Studies Division, Institute for Russian and East European Economic Studies (ROTOBO)
8. Mr. Takayuki Hochi, Researcher, Research Development Division, Institute for Russian and east European Economic Studies (ROTOBO)
9. Ms. Kiyoko Ishio, General Manager, Public Relations, Nittchu To'hoku Kaihatsu Kyokai (Japan-China Northeast Development Association)
10. Professor Hidetoshi Taga, Faculty of Law, Niigata University
11. Mr. Shinji Kowata, Senior Researcher, The International Centre for the Study of East Asian Development, Kitakyushu
12. Li Kai, Visiting Senior Researcher, The International Centre for the Study of East Asian Development, Kitakyushu
13. Mr. Moon Daewoo, Researcher, The International Centre for the Study of East Asian Development, Kitakyushu
14. Professor Emeritus Shinichi Ichimura, Kyoto University

## **Russia**

1. Ms. Elena V. Leskova, International Trade and Foreign Affairs Department, Primorskii Krai Government
2. Ms. Nadezhda N. Novikova, Lawyer, International Trade and Foreign Affairs Department
3. Mr. Zagmyonov A, President, External Economic Relations and Regional Cooperation, Primorskii Krai Government
4. Dr. Mikhail Shinkovsky, the Dean, the College of Communications, the Far Eastern State University
5. V. P. Dikarev, Vice President, Far Eastern State University
6. Dr. Aleksandor L Sergeev, Assistant Professor, China Affairs, Department of Asian Studies, Far Eastern State University
7. V. Silishchev, President, Company “Letuchii Gollandets”
8. Mr. Hisashi Mochizuki, Vice-Consul, Consulate-general, Japan at Vladivostok (1995)
9. Mr. Shuji Yamao, Vice-Consul, Consulate-general, Japan at Vladivostok (1996)
10. Fr. Michitaka Yamaguchi, Catholic Bishops’ Conference of Japan, CARITAS Japan
11. Mr. Kunio Kimura, K.S. Enterprise Inc.
12. Mr. Viktor Takeda Eurasia Investment Promotion Co. Ltd., Representative, Vladivostok
13. Dr. Viktor Larin, Institute of History, Archaeology and Ethnography, Far Eastern Branch, Russian Academy of Sciences
14. Dr. Tamara G. Troyakova, Institute of History, Archaeology and Ethnography, Far Eastern Branch, Russian Academy of Sciences
15. Dr. Evgeniy Plaksen, Senior Researcher, Department of Survey and Opinion Poll, Institute of History, Archaeology and Ethnography, Far Eastern Branch, Russian Academy of Sciences

16. Mr. Woo-Hyok Jang, President, Sunnie International Ltd.
17. Mr. Igor B. Svetlov, Director, Company “RETVIZAN”
18. Mr. Nikolai Kazakov, US Peace Corps
19. Mr. Valeri Ovsyannikov, Far Eastern Recreation Centre
20. Mr. Makoto Nakazoe, Director, Vladivostok Bureau, ANN-HTB (Hokkaido Television Broadcasting) (1995)
21. Mr. Fujio Ohra, Director, Vladivostok Bureau, ANN-HTB (Hokkaido Television Broadcasting) (1996)
22. Robin “Roy” Hastings, Adjunct Professor, Graduate Programme in Public Policy and Administration, California State University
23. Dr. Viktor N Bykov, Senior Researcher, Pacific Economic Development and Cooperation Centre, Economic research Institute, Russian Academy of Sciences
24. Dr. Evgeny P. Zharikov, Senior Researcher, Pacific Economic Development and Cooperation Centre, Economic Research Institute, Russian Academy of Sciences
25. Mr. Vladimir G. Saprykin, Chairman, International Relations Committee, Vladivostok City Government
26. Ms. Elena N. Verihova, Senior Officer, Department of External Economic Relations, Vladivostok City Government
27. Ms. Elena Iosifovna Krivoruchko, Vice-chief, Department of Labour, Employment and Demographic Policy, Primorskii Krai Government
28. Ghennady Krestsov, Scales Trading Limited
29. Amir Glimovich Khamatov, Chairman, Far-Eastern “Russia-Japan” Association (Regional Branch in Vladivostok)
30. Miss. Lisa N Petter, Programme Officer, International Research & Exchange Board
31. Miss. Nina Selenovie, Primorskii Krai Library
32. Dr. Park Hyeon Seop, Visiting Professor, Far Eastern State University
33. Mr. Viktor B. Sakharov, President, International Stock Exchange of

Vladivostok

34. Professor Baklanov P Ya., Pacific Institute of Geography, the Far Eastern branch, Russian Academy of Science
35. Mr. Kim Tel'mir Afanas'evich, President, Kraevoi Fond, Primorskii Koreitsev, "Vosrozhdenie"
36. Mr. Woo-Jae Kuk, Director, Dong Kwang Co., Ltd.
37. Mr. Zhao Guo Bing, The Primorye Centre of Entrepreneur, "Tai Ji" in Vladivostok
38. Mr. Li Gan, Vice Director, External Trade Company, "TENKO"
39. Mr. Chen T D, Senior Consultant, Hainan Economic and Trade Company in Heilongjiang
40. Mr. Kong Ling Guo, Director, a Hostel for Traders from China and Vietnam (1995-96)
41. Mr. Chen Chun, Director, a Hostel for Traders from China and Vietnam (1998)
42. Mr. Yang Yong Lu, a Wholesale Trading Businessman in Vladivostok

### **China**

1. Ms. Yan Yafei, Assistant Professor, Faculty of Law, Jilin University
2. Mr. Jin Yong Chun, Section Chief Engineer, Foreign Economic Division, Foreign Economic Relations and Trade Committee, Yanbian Prefecture
3. Mr. Zheng Cheng Ji, Vice Director, the Foreign Trade and Economic Cooperation Bureau, Yanbian Prefecture
4. Mr. Wang Feng Lou, Business Representative, Overseas Employment Cooperation Office, Employment Service Bureau, Yanbian Prefecture
5. Mr. Piao Jing Zhi, Director, Yanji Foreign Economic Relations and Trade Committee, Yanji City Government
6. Mr. Li Zhong Chao, Vice Major, Yanji City Government
7. Mr. Yu Chang Long, Vice Director, Government Office, Yanji City Government

8. Dr. Ling, Assistant Professor, Foreign Studies Department, Yanbian University
9. Mr. Jin Chang Zhao, Department of Commerce, Tumen Municipality
10. Mr. Sheng He Rong, Director, Department of Commerce, Tumen Municipality
11. Mr. Zhao Lian Jun, Government Office, Suifenhe City Government
12. Mr. Chen Yue Qing, General Director, “Sin Tuan” Trade and Economic Relations Co. Ltd., Suifenhe
13. Mr. Zhang Jun Pen, External Economic Relations and Trade Committee, Heihe City Government
14. Mr. Yun Shou Jun, the Committee of the Transfrontier Economic Cooperation Zone, Hunchun City Government
15. Mr. Zhang Tie Jun, Vice Director, Shenzhen Industrial and Trade Development Corp. Hunchun Office

## **APPENDIX C : SUPPLEMENTARY DATA TO THE MAIN TEXT**

### **Chapter 7**

1. Respondents (Asian Traders) with Jobs in the State Sector : the Main Survey 1995
2. Respondents and / or Family Members with Experience of State Employment in China
3. Asian traders' Perception of Earnings in Russia, Compared with Earnings in China
4. The Reasons for Coming to Russia 1996
5. Private Traders' Sources of Information about Trading Business in Vladivostok

### **Chapter 8**

6. Home Locality of Private Traders

### **Chapter 9**

7. Frequency of Private Traders' Procurement
8. How Do Traders Purchase Goods ?

### **Chapter 10**

9. Diversified Sources of Income among Russian Traders and Shoppers
10. Sources of Initial Business Capital

**Table 1 Respondents with Jobs in the State Sector: the Main Survey 1995**

(Unit : number of cases)

	Urban	Rural	Total
State sector	7	10	17
Non-state sector	39	33	72
1 ) Self-employed	3	1	4
2 ) Foreign enterprise	1	1	2
3 ) Private enterprise	24	28	52
4 ) Others	11	3	14
Void	11	6	17

**Table 2 Respondents and / or Family Members with Experience of State Employment in China**

(Unit : number of cases)

**1. Both respondents themselves and their family members have worked in the state sector**

	Pilot survey 1996	Main survey 1996
	9 (18%)	65 (65%)
*(1) Still working	5	33
(2) No longer working	3	25
(3) No comment	1	7

**2. Either respondents themselves or their family members have worked in the state sector**

	22 (22%)	25 (%)
(A) Respondents themselves		
have worked in the state sector	5 (10%)	5 (10%)
*(1) Still working	2	3
(2) No longer working	2	1
(3) No comment	1	1
(B) A family member has		
worked in the state sector	17 (34%)	20 (20%)
*(1) Still working	8	7
(2) No longer working	6	11
(3) No comment	3	2

**3. No one (including respondents) in the family has worked in the state sector**

	18 (37%)	10 (10%)
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**Table 3 Asian Traders' Perception of Earnings in Russia, Compared with Earnings in China**

(Units : the number of cases ; percentage in parenthesis)

	Pilot Survey 1995	Main Survey 1995
More	43 (86 %)	85 (80 %)
Same	5 (10 %)	4 (4 %)
Less	2 (4 %)	2 (2 %)
No comment	0	19 (14 %)

**Table 4 The Reasons for Coming to Russia 1996**

(Units : the number of cases ; percentage in parenthesis)

	Pilot Survey	Main Survey 1996
1. Wanted to change jobs in China	4 (8 %)	4 (4 %)
2. Little chance of getting a well-paid job in China	12 (24 %)	20 (20 %)
3. Perceived better earning opportunities in Russia than in China	17 (34%)	20 (20%)
4. Wanted to have supplementary income sources in order to feed a family	12 (24 %)	41 (41 %)
5. Came to visit family and relatives	2 (4 %)	1 (2 %)
6. Wanted to study in Russia	2 (4 %)	11 (11 %)
7. Others	1 (2 %)	3 (3 %)

**Table 5 Private Traders' Sources of Information About Trading Business in Vladivostok**

1. Knew about this business through friends. (I came to Russia by being employed by foreign trading company of Dunin City to sell goods in Vladivostok)
2. family (I came to Russia by being employed by some company to sell goods in Vladivostok)
3. friends (But I found myself this hawking job)
4. relatives (I came to Russia by being employed for contract labour by the Department of Labour in Russia)
5. friends (I came to Russia by being employed for contract labour by the Department of Labour in Russia)
6. friends (I came to Russia by being employed by a company )

7. relatives (But I found by myself this hawking job)
8. family (And I was helped by friends to start a hawking job in Russia)
9. family (I came to Russia by being employed by the trading firm of Heilongjiang to do hawking business )
10. friends (And I found this hawking job with the help of the friends)
11. Knew it by myself (Business client / partners in Russia invited me to come to Russia to do business)
12. relatives (And I was invited by those relatives to come over to hawking business in Russia)
13. friends (And I was helped by some friends to start a hawking job in Russia)
14. other people (And I came together with my family to earn money in Russia)
- \*15. people living in the same locality (neighbours) (And my sister introduced and arranged my settling in Russia)**
16. **other people who returned from Russia to my home town (I came to Russia and found this hawking business by myself)**
- \*17. other people who returned from Russia to my home town (And I was helped to start my hawking business by my school mate)**
18. Knew it by myself (And I came to Russia by myself by being employed by some other people to sell goods in Vladivostok)
- \*19. Knew it through friend (She invited me and made arrangements to come over to Vladivostok to do business)**
- \*20. friend (He invited me and made arrangements to come over to Vladivostok to do business)**
21. I often heard many people saying that there is more profitable business in Russia (And I came to Russia by myself by being employed by the sales agency of a wholly-foreign owned enterprise)
- \*22. I often heard people saying that there is more profitable business in Russia (And I was introduced to this job with the help of arrangements by a person from the same locality )**
23. Knew it through colleagues of the same company ( I was introduced to this hawking business by the president of my company in China )
- \*24. Persuaded many times by my friend to come over to Russia for hawking business (And I was invited with the help of arrangements made by my friend who has already settled in Vladivostok)**
- \*25. Persuaded by Russian friends to come over to Russia for hawking business (And I came to Russia with the help of these Russian colleagues to do hawking business )**
- \*26. I often heard people saying that there is more profitable business in Russia (Russian friends made arrangements for my coming to Vladivostok)**
- \*27. I often heard people saying that there is more profitable business in Russia**

- (And my parents who had already settled in Russia made arrangements for my coming)**
- \*28. I often heard people saying that there is more profitable business in Russia  
**(And I came to Russia with the help of arrangement made by my friend)**
29. I often heard people saying that there is more profitable business in Russia. Therefore I came to Russia to start a joint venture business with some friends ( Some other people introduced me to this hawking business)
30. I myself have come to Russia before. And I knew for myself that it is profitable to do hawking in Russia (A company in China introduced me and made my arrangements)
31. I myself have come to Russia before. And I knew for myself that it is profitable to do hawking in Russia (A person from the same locality introduced me to this job)
- \*32. **Prior to my coming here my wife has come to Russia to do hawking business. She told me that it is very profitable to do hawking business here. (She was in Russia already before I came. She made arrangements, and I came with her and work with her)**
- \*33. **Persuaded by my boyfriend who came before me. I came here. (He made arrangements. He borrowed a stall for business)**
- \*34. **Knew it through my school mate (He does business alone. He asked me for help, and made arrangements for my coming. Now we do hawking business together)**
- \*35. **through my sister and other people (My sister was already doing hawking business in Russia before I came. She needed help for her business, and then made arrangements for my coming. We do the business together)**
- \*36. **through my former teacher and school mates who came to Russia and returned to my home town. I heard them say that it is very profitable in Russia (My teacher helped me to start this hawking business)**
- \*37. **through school mate who came to Russia and returned to my home town (He helped me to start this hawking business in Vladivostok)**
- \*38. **through my brother who came to Russia and returned home (My brother was already in Russia before I came. He wanted my help and made arrangements for my coming)**
39. **through friends (My friend helped me to start business in Russia)**
40. I knew some other people who went to Russia for hawking business and returned to China, earning more money and becoming richer (A friend helped me to start this business)
41. I often heard people saying that there is more profitable business in Russia (People from the same locality helped me to start my business in Russia. They form a community in Russia, helping each other)
- \*42 **I often heard people saying that there is more profitable business in Russia (My old school mate who has settled already in Russia made arrangements for my coming and helped me to start my business in Russia)**

43. I knew it through a person from the same locality who came to Russia and returned to my home town (He helped me to start business in Russia)
44. I knew it through some other people who came to Russia and returned to my home town (I found this job myself and started by myself)
- \*45. I knew it through some person from the same locality who came to Russia and returned to my home town (He and my old school mate helped me to start business in Russia)
46. I knew it through some other people while I was in China (He introduced me to this job)
47. I knew it through some other people while I was in China (But I found this job by myself)
48. some people in the same locality (They helped me to start business in Russia)
49. relatives (They helped to start hawking business in Russia)
50. some people from the same locality (They introduced me to this job)
51. some other people (My friend introduced me to this business and we now work together)
52. some people from the same locality (They introduced me to this business)
53. I often heard people saying that there is more profitable business in Russia (but I found this job by myself)
54. I knew it through my friend (A colleague from my work place introduced me to this job)
55. my friend (He introduced me to this job)
56. some other people (And I found this job in Russia by myself)
57. some other people (A person from the same locality helped me to find this job)
58. some other people (A person from the same locality helped me to find this job)
59. I often heard people saying that there is more profitable business in Russia (My friend introduced me to this job)

**Table 6 Home Locality of Private Traders (Unit : number of cases)**

	1995		1996		Supplementary
	Pilot Survey	Main Survey	Pilot Survey	Main Survey	
Yanbian	30	38	7	40	25
Other Jilin	3	18	5	14	18
Heilongjiang	13	42	23	27	42
Liaoning	4	8	9	11	8
Beijing					1
Shanghai					1
Hubei			1	3	2
Jiangsu					1
Shandong			1	2	
Hunan					

Inner Mongolia			1
Void	1	3	1

**Table 7 Frequency of Private Traders' Procurement (Unit : number of cases)**

	Pilot survey 1995	Main survey 1995
1. > once / week	9 (22.5%)	13 (13%)
- daily	1	
- once every three days	3	
- others	5	
2. Once a week	14 (35%)	62 (62%)
3. < once a week	7 (17.5%)	25 (25%)
- once every 10 days	1	
- once every 15 days	1	
- once a month	1	
- once every two months	3	
- once every 6 months	1	
4. Void	10 cases	6 cases

N.B. In the main survey of 1995 there is no detailed data of procurement frequency comparable to the cases in the pilot survey, due to differences in questions.

**Table 8 How do Traders Purchase Goods ? (Unit : number of cases)**

	Pilot Survey 1995	Main Survey 1995
1. Goods brought in directly from firms / factories	8 (16 %)	61 (58 %)
2. Distributed through wholesalers	30 (60 %)	36 (34 %)
3. Procured through retailers	3 (6 %)	2 (1.8 %)
4. Home-produced	None	2 (0.9 %)
5. Mixed channels	8 (16 %)	5 (5 %)
(1) From firms / factories and wholesalers	8	4
(2) Home-production and wholesalers	None	1
Void	1 (2 %)	None

**Table 9 Diversified Sources of Income among Russian Traders and Shoppers**

(Unit : number of cases)

**(A) Traders :****Income sources**

(a) State sector	12 cases
- state sector only	4
<u>- state sector and individual business, etc</u>	<u>8</u>
(b) Private enterprises	17 cases
- private enterprises only	4
<u>- private enterprises and individual business</u>	<u>13</u>
(c) Individual business	16 cases
- individual business only	11
<u>- individual business and other earnings</u>	<u>5</u>
(d) Other earnings	1 case
Total	46 cases

**(B) Shoppers :****Income sources**

(a) State sector	28 cases
- state sector only	16
<u>- state sector and individual business, etc</u>	<u>12</u>
(b) Private enterprises	12 cases
- private enterprises only	6
<u>- private enterprises and individual business</u>	<u>6</u>
(c) Individual business	4 cases
- individual business only	4
(d) Other earnings (e.g. pension, scholarship)	11 cases
- other earnings only	10

- other earnings and individual business	<u>1</u>
Total	55 cases

**Table 10 Sources of Initial Business Capital (Unit : number of cases)**

	Pilot survey	Main survey 1996
Family and relatives	7	52 (of them registered 11 cases)
Friends	22	8
Firms / factories	8	7
Others	0	3
Former employer	0	3
Government loan	2	1
Informal financial association	0	1
Self-financing only	11	16 (of them 2 SOEs)
Void	0	15 (of them 4 SOEs)
Total	50	106 cases

## **BIBLIOGRAPHY**

# BIBLIOGRAPHY

## Periodicals and Journals

### English

Beijing Review

China Africa

China's Foreign Trade

China Today

China Newsletter (Issued by JETRO)

Choice (the Human Development Magazine issued by the United Nations  
Development Programme)

Economic Reporter

Far Eastern Affairs (Official translation of *Problemi Dal'nego Vostoka*)

FEER (Far Eastern Economic Review)

Financial Times

New China Quarterly

Newsweek

North Korea News

People's China

The Asian Wall Street Journal

The Economist

The Nikkei Weekly

The Korea Post

The USSR Ministry of Foreign Trade ( Moscow )

Time

Studies on Russian Economic Development

## Japanese

*AERA*

*Asahi Shimbun*

*Chosen Jiho*

*Ekonomisuto*

ERINA Report (Economic Institute of Northeast Asia, Niigata, Japan, Japanese)

*Gendai Koria*

*Gendai Chugoku Kenkyu*

*Higashi Ajia Rebyu*

*Jetro Sensa*

*Jitsugyo no Nihon*

*Kaigai Jijo* (Academic journal issued by Takushoku University)

*Keizai Hyoron*

*Keizai Semina*

*Nichiro Bijinesu Nyusu* (Eurasian Investment Co. Ltd., Niigata, Japan, Japanese)

*Nittchu To'hoku*

*Sapio*

*Sekai*

*Shukan Toyo Keizai*

*Sekai Shuho*

Tokyo Business Today

*Roshia (Soren) To'h Boeki Chosa Geppo* (Monthly Bulletin on Trade with Russia & Eastern Europe issued by Rotobo : Institute of Russia and East European Economic Studies)

*Roshia To'h Keizai Sokuho* (Issued by Rotobo : Institute of Russia and East European Economic Studies)

Voice

Wedge

Russian

*Bol'shoi Vladivostok*

*Delovoi Ludi*

*Delovoi Mir*

*Gudok*

*Izvestiya*

*Komersant*

*Konkurent*

*Krasnoe Znamya*

*Literaturnaya Gazeta*

*Pravda*

*Rodina*

*Rossiiskoi Vestnik*

*Rossiskaya Federatsiya*

*Tikhi Okean*

*Tikho Okeanskii Kuriel*

*Utro Rossii*

*Vladivostok*

*Vladivostok Vremya*

*Zaratoi Rog*

**Statistics Year Book**

Almanac of Statistics, Dalian City

Almanac of Statistics, Shenyang City

Almanac of Statistics, Liaoning Province

Almanac of Statistics, Jilin Province

Almanac of Statistics, Heilongjiang Province

Almanac of External Economic Relations and Trade in Heilongjiang 1990 China

Heilongjiang People's Publisher

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*Dal'nevostochnoe Tamozhennoe Upravlenie Vladivostok Kraevaya, Administratsiya*

*Komitet po Vneshne Ekonomicheskim Svyazam*

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*Narodnoye Khozyaistvo Rossiiskoi Federatsii 1992, Statisticheskyy Ezhegodnik*, Moskva 1993

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