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Innovation and Spatial Dynamics

“Cross-Border Integration: Case of the Russian Far East and North-East of China”

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Abstract:

Cooperation initiatives across national borders is growing phenomenon all over the world due to developing globalization and regionalization. Growing trend of spatial reorganization of production process, massive growth of markets and labor recourses, opportunities to “escape” from spatial and resource dependencies are stimulating international cross-border interactions and emergence of cross-border areas. This research paper highlights the case of the Russian Far East and the North-East of China region that has potential to develop into effective cross-border area. The analysis is following an extensive literature review both on theoretical and empirical evidences on cross-border areas, their characteristics, integration barriers and incentives and policy intervention methods. Main emphasis is done on the most recent policy on regional cooperation between the Russian Far East and the North East of China for the period 2009-2018. The study showed that cross-border cooperation is appropriate development path for this area and proposed in the policy initiatives correspond to initial integration stage characteristics. Despite inability to predict the future character of cross-border interactions in this area, due to early stage of integration relations, policy document indicated attempts to test innovation capacity of forming region.

Key words: cross-border area, integration process, proximities, integration policy

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1. Introduction¹

1.1. Background

The tendency to cooperate in order to benefit from mutual integration and development of cross border areas nowadays is recognized in different parts of the world. The brightest example of manifestation of regionalization phenomenon is observable in European area where expansion of European Union is “erasing” political, economic and social borders (Shadrina, 2006:400-406; Lundquist & Trippel, 2009). Due to occurring structural changes and grown potential of regionalization itself the number of cross-border areas grew significantly all over the world and continue to gain their capacity (Lundquist & Trippel, 2009). International cross-border collaborations have various possibilities in order to transform a border from a barrier into a potential possibility for positive development. This is particularly significant in the case of heterogeneous territories laying in geographical adjacency. By successful mutual cooperation, these areas may not only find “path out” from old national territorial dependency but also jointly identify challenges for improvement and opportunities hidden behind the border between them (Järviö, 2011; Trippel, 2013; Crouch and Farrell, 2004).

1.2. Aim and research question

In my research paper I focused on the cross-border area that is located in the East of Russia so-called the Russian Far East (RFE) and the North-East of China (NEC), including mainly Heilongjiang province (one of the biggest provinces in China that has the longest border connection with Russia ~3500 km), as well as Liaoning and Jilin. This area recently has been an object of concern due to territorial ownership issues (Iwashita, 2007). In 1996 the proclamation of “strategic partnership” between Russia and China was the reference point for creation of cross-border initiatives. The most recent, detailed and strategically important agreement on the RFE and the NEC cooperation was presented and established during 64th United Nation General Assembly session on 29th of September in 2009 in New York. President of Russian Federation Dmitrij Medvediev and paramount leader of China Hu Jintao officially affirmed program of RFE and NEC regional cooperation on the period from 2009-2018 that includes 8 main cooperation policy directions and more than 150 additionally attached key projects (LawInRussia.ru, 2010).

My research is focused on the actual existence of (cross-border) integration between presented above areas. The long history of uneasy relationships between Russia and China, particularly in East regions, implies presence of not only strong ‘barriers’ (e.g. institutional, cultural, economic, etc.) on the path to mutual cooperation but also integration opportunities based on the differences. Following presented research topic, my *research question* is formulated as:

What kinds of distances exist between the Russian Far East (RFE) and the North-East of China (NEC)?

Based on literature search I will present profile on the forming region in order to illustrate existing dissimilarities between bordering zones. Additionally, main policy

development directions and annex will be introduced and analyzed through the lenses of chosen theoretical approach. In order to shape my analysis, I added additional questions: On what stage integration process between RFE and NEC region was before new integration policy? Is it possible to identify main cooperation direction at this stage?

The text of the official policy document on Russian Far East and the North-East of China cooperation is exceptionally relevant data source for this research as in combination with theoretical approach it ascertains what kind of distances are prioritized (to reduce) in the recent regionalization policy between RFE and NEC thereby proving their existence and identifying directions for development of integration.

1.3. Theoretical support

The concept underlying the creation of cross-border areas is an outcome from a bigger discussion on globalization and regional development. Growing trend of spatial reorganization of production process, cross-border diffusion of industries and consumer goods, and massive growth of markets and labor recourses are stimulating international cross-border interactions (Mittelman, 1996). Technological change promotes reduction of the distances and cultural embeddedness creates the path towards standardization and harmonization of perceptions and tastes, leading to world culture and values that exceed the borders of the national state (Li 1997; p.5). From the regional perspective, the need in creation of this kind of new territorial entity is usually seen as a “path out” from old national territorial dependency and new path to regional improvement and development (Tripl, 2013; Crouch and Farrell, 2004). On the initial stage of integration process, the direction of development strategy is usually defined not only by integration plan chosen by neighboring nations but also by already existing conditions and relations between them (Tripl, 2013). Combination of existing factors usually shapes cross-border integration strategy directing it towards “traditional” or innovation-driven integration (Tripl, 2013).

This research is built on the theoretical discussion on the cross-border integration strategies. Special attention is made on differences between cross-border units. These differences may be also defined as barriers, distances or proximities that mutual cooperation policy is aimed to overcome, reduce or even benefit from during establishment of permanent relations (Boschma, 2005; Lundquist and Tripl, 2009, 2011). Theoretical basis for this research was “extracted” from the evolutionary perspective on cross-border regions as on areas with potential to develop into regional (lately national and international) innovation systems. This approach belongs to Karl-Johan Lundquist and Michaela Tripl (2009; 2011). It contains the discussion on the role of different proximities and barriers in integration process and the proposal for policy implementation regarding contextual dissimilarities of the border areas. Same theoretical framework is used in analysis of the text of the official policy document on Russian Far East and the North-East of China cooperation strategy. Main theory and related concepts are discussed in detail in the theoretical section (Chapter 3).

1.4. Previous research and significance

Literature discourse on this topic is mainly done on the European context (Cameron, 2010; Wilson, 2003; Dabinett and Richardson, 2005; Lundquist & Tripl, 2009, etc) and

lacking information on other world regions. At the same time, in case of the Russian Far East and North-Eastern Chinese provinces, cross-border integration process in this region is a new phenomenon worth scientific attention (Shadrina, 2006). This region is recognized as rapidly developing area of high economic potential disregarding highly dissimilar structural characteristics.

Since first attempts to integrate and improve regional cooperation strategies usually obtain economic and demographic characteristics, the case of RFE and NEC was not an exception. Bilateral trade performance has been based mainly on Russian natural resources of Far Eastern area (e.g. coal, oil, metals and timber) and Chinese manufactured products. Russia is one of the ten Chinese main trading partners and to large extends due to the Russian Far East resource base (Collins, 2011). From demographic perspective, economic cooperation is driving cross-border immigration from China to Russian territory. According to Russian Academy of Sciences (2009) Chinese migrants have become the major (migrant) worker group in the RFE representing mainly developing labour intensive activities, e.g. construction, agriculture and trading (Collins, 2011).

According to the concept of cross-border (regional) integration, existence of interactions between international boundaries based on economic linkages (e.g. trade) does not necessarily indicate convergence of 'neighboring' areas. Interactions are not limited only by economic agreements, but should be accompanied by various social, cultural, institutional and other kinds of transactions, including shared motivation of actors to cooperate (Metrolux, 2011; Lundquist & Trippel, 2009). That raises several questions of the development directions of the Russian Far East and Chinese North-East provinces. How does mutual motivation to reach integration in this area is displayed? Will cross-border cooperation bring to beneficial convergence of two regions or it will stop on the simplex cross-border interactions? Nonetheless, it is not the main focus of this paper but the answer on the research question of this paper may contribute to the broader and deeper analysis on presented topic/context and may be significant supporting information for future integration policy corrections.

2. Methodology²

This chapter will present an overview of methodological approaches and tools that were used for this research. It begins with presentation of research design and research method and is followed by presentation of primary and secondary data. Conclusively, after brief presentation on primary data analysis technic it will be accomplished with section on limitation and related information.

2.1. Research design

Based on the focus of the research and research question, methodological framework was structured within exploratory research type. According to Research Design Manual (2011) exploratory research is usually conducted in order to provide with investigation for better understanding of situation or issue. This research type fits my research intentions to explore integration process in the Russian Far East and Northeast of China due to lack of cross-border integration study on this context.

As a main tool for clear presentation and analysis exploratory case study was used in order to learn from carefully selected examples by providing with profile on the cooperating areas, preconditions for integration and historical background. This technic corresponds to my research question by revealing insights coming before integration process across the national borders and allows producing hypothesis for following or alternative studies (MonroeCollege, 2011:26-30; Scott, 2014). In order to answer additional questions and analyze policy document in regard of theoretical framework were used basic information coding technics. This technics improved data presentation, helped to clarify findings and structure following analysis.

2.2. Research method and data

In order to have sufficient knowledge about studied issues (both theoretical and empirical) I based my research method on in-depth literature search. Methodological literature defines literature search as one of the research method technics that involves accurate reviewing of available materials relevant for topic of interest. These materials may be represented by all kinds of academic publications, newspapers and magazines, (on-line) databases, or other relevant published materials (StatPac, 2014). Relevance of material to research topic is defined by researcher and his/her research interests. The most obvious advantages of literature search method are inexpensiveness and flexibility, though specific data may require special access conditions (e.g. payment) and process of information gathering may be time-consuming.

Literature search for this research was focused on available publications about cross-border case studies, analyses of regional integration/trade policies and cross-border regional innovation systems. Relevant information was collected on following topics: the overall information on various cross-border areas in different parts of the world; preconditions, mechanisms and significance of cross-border areas and their distinctive characteristics; differences in and main barriers for integration process between areas with heterogenic nature. Besides, as a result, literature search revealed that the discussion about the Russian Far East and Chinese North-East regional integration has research gaps due to its relevant novelty and wide range of integration components.

Data search for this research was done through various academic sources, e.g. LUBsearch, Lovisa catalogue (through Lund University student account), free access on-line literature sources Google Scholar and Summon, and Lund University libraries.

2.3. Secondary data

Secondary data is information that is available to get through different data sources and have been gained not by researcher himself but by someone else during previous researches (Monroe College, 2011). It serves multiple purposes from broadening the knowledge of the researcher on the topic, acknowledging the need for conducting new research (e.g. weaknesses in previous researches or knowledge gaps) till being acquainted with latest findings and developments on the studied issue in order not to repeat the study (Bless, 2000:20). It is important for identifying key variables (characteristics, definitions) that should be considered in following analysis (Monroe College, 2011). The key advantage of using secondary data is provision with necessary information and saving time and efforts, which is an important factor for time- or resource-limited projects, e.g. master thesis. The main weakness of secondary data is its trustworthiness. The sources of secondary data used in this research were accurately selected in regard of source criticism techniques.

From the theoretical perspective, secondary data in this research was used in order to formulate main definitions, examine discourse on the topic of cross-border integration and find theoretical framework suitable for analysis of the case. The chosen approach (by Karl-Johan Lundquist and Michaela Trippel (2011) for this research was “extracted” from the discourse on evolutionary perspective on cross-border regions and their formation. Secondary data was also a main contributor to creation of a case study. It provided with necessary information relating to the general historical background and socio-economic characteristics of each region around the border. Secondary data collected during literature search made focus on primary sources more specific.

2.4. Primary data

The distinction between primary and secondary data may not be clear. Especially when it comes to documents (research articles, official documents, letters, newspapers, etc). It is important to understand that distinction between the sources should be done based on research question and the way the source is treated (Green, 2014; Robson, 2007, p. 150-155). In my research, primary data is represented by the text of the official integration policy document on Russian Far East and the North-East of China established and accepted during 64th United Nation General Assembly session 29th of September, 2009 in New York. The document consists of eight parts presenting key directions of integration policy including appendix with one hundred sixty one Chinese and Russian projects that are planned to realize till 2018. The document is presented in Russian language. Being a native speaker of this language and having sufficient knowledge skills on studied subject I did not experience understanding, translation and representation difficulties during my work with primary data. The analysis of the document was carried in frames of theoretical approach on policy intervention methods in cross-border areas (see Chapter 3).

2.4.1. Coding

Coding is a research tool of sorting, organizing and processing data. It allows summarizing and synthesizing main data findings for better presentation and analysis. The purposes of using coding in social research depend on the research methodology, e.g. in quantitative studies coding is usually used as data reduction tool whether in qualitative research it has opposite retention determinations (Richards, 2009; Green, 2014). Coding technic may be applied to various forms of data as documents, photographs, websites, transcripts, etc. The main goal of coding is to accurately revise research data till it is understood and may be classified according to research focus. Document coding usually involves system of key words indicating particular thought or aspect formed into category (Saldana, 2009:2-5).

Based on the chosen theoretical framework, the document used in my research was systematized using qualitative text analysis through coding. This approach is one of the predominant qualitative methods directed towards finding underlying motivations, ideas or other indicators (Bryman, 2012).

Document analysis was structured as follows: creation of a coding schedule based on the research relevant theoretical framework. Theoretical framework provided with necessary themes, using ‘proximities’ to categorize data and regions within cross-border areas to differentiate it. The additional codes (key words) were added during the processing of the data (document) in order not to filter valuable for research data. The results are presented in the section of discussion (Chapter 4, Table 5).

2.5. Research quality and limitations

As a researcher I am aware of possible biases of research theory and methodology chosen for this study. From the theoretical perspective, the fact that main concept of this paper was a part of more advanced approach may seem problematic. Nonetheless, there are no strict limitations to do so. According to Karl-Johan Lundquist and Michaela Trippel (2009, 2011), the authors of this concept, cross-border innovation system should be recognized as “the last and the most advanced form of cross-border integration” (Lundquist and Trippel, 2009). This last stage of integration cannot appear all of a sudden without preconditions, and more importantly without being built on the previously successful incremental modes of integration, usually less or not innovation-oriented (Lundquist and Trippel, 2009). Despite that the focus of the paper is done on initial integration stages in the Russian Far East and North East of China regions, chosen approach leaves possibilities for later investigation from innovation perspective in studied area without limiting this research. Also, majority of the studies on cross-border integration are focused on the relatively small areas closely adjacent to the border. Based on the definition of cross-border region (CBR) used in this paper, cross-border areas may not only vary in its internal heterogeneity but also in terms of geographic characteristics. For example, Centrope (cross-border) region includes four different countries (Austria, Slovakia, Hungary and Czech republic) with more than 7 million people, four different languages and capital areas of Vienna and Bratislava (Lundquist and Trippel, 2011). Another cross-border area located between Swedish and Finish border on the Northern peripheral areas is oppositely to Centrope region geographically has large area with low population density and remoteness from economic centers and (inter)national markets. This

definitional flexibility left no limitations for researching cross-border area of the RFE and the NEC despite its uniquely great geographical and demographic characteristic dissimilarities.

From the methodological perspective, in order to hold coding process accurately, I chose key words and categories carefully and strictly following theoretical guidance. Also, literature search and collection of secondary data through it may be questioned in regard of risk of (authors') biases. The reliability of this research is based on the comparison and matching of the received data from secondary and primary sources in order to avoid unjustified conclusions.

^{1,2} Parts of presented above sections were used in the final assignment (Research Proposal) for Research Design course (EKHM 40), 2014
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3. Theoretical approach

This chapter will introduce theoretical approach used in my research. The chapter is structured as follows: Section 1 presents main characteristics of cross-border region, Section 2 discusses integration process in general terms and in regard of cross-border integration, Section 3 introduces the concept of proximities, Section 4 is focused on the integration barriers. The chapter concludes with the discussion on policy intervention methods/strategies and stages of development of different types of cross-border areas.

3.1. Cross-border area

For the purpose of this paper and in order to avoid misinterpretations of following concepts I decided to provide the reader with the guidelines towards intelligibility about definitions of basic terms used in this research. The central definition of this paper is “cross-border region” (CBR) which is a border zone of two or more different national states (may involve several regional or local units belonging to different national states). This definition is covering all areas despite their internal heterogeneity emphasizing their geographical adjacency. Neighboring territories may greatly vary in terms of geographic (size, location, resource abundance), economic, political, cultural (language, history, traditions) aspects. Endogenous characteristics of CBR units play important role. Internal heterogeneity manifesting through national differences in governance strategies and structures, existing institutional systems, economic developments and other factors may strongly influence the nature of relations and possible development of cross-border region (Anderson and O’Dowd, 1999, Lundquist and Trippl, 2009).

What kinds of relations are implied? In general, by accomplished integration process is usually understood unobstructed and mutually beneficial unification of two or more actors (Järviö, 2011).

Research on cross-border areas showed that border territories usually have two common negative features that force them to incorporate but at the same time obstruct this process. First, from national regional system structure and location, those territories are recognized as peripheral regions. National communication and traffic networks are usually located in relative remoteness from peripheral areas that determine frequently poor underdeveloped infrastructure (Krätke and Borst, 2007). Typically, cross-border integration is incorporation of adjusted territories belonging to different national states in order to find beneficial “path out” from old national (spatial, resource, etc.) dependency (Trippl, 2013; Crouch and Farrell, 2004). Another cross-border developmental obstacle is associated with the clash of dissimilar border environments and general economic risks in case of cross-border integration. Differences in economic structures, institutional and social systems, culture, language and other are typically seen only as barriers that may cause high transaction costs (Houtum, 1998).

Heterogeneity between cross-border unites is important though. It has ability to define and shape the nature and perspectives on future cooperation. Obviously, effects may be negative. Differences may cause economic (as well as social, cultural, political, etc.) impediments on the path to integration and desirable benefits (Lundquist and Trippl, 2011). But from the positive perspective, for example, the difference between cross-border actors

may initially open new economic opportunities, as increase of local and cross-border consumption, competition, labor and specialization. Jointly identified barriers and proper integration strategy has potential to improve socio-economic conditions of integrating areas (Järviö, 2011). Trans-border unification may stimulate competition between regions in frames of national state from both sides of the border by strengthening position of border adjacent regions (Krätke and Borst, 2007).

At this point, it is important to understand that same conditions, namely differences between CBR units, in regard of integration, may be seen as both opportunities and obstacles.

3.2. Integration process

The concept of “integration” or “spatial integration” is usually referring to opportunities for and intensity of (cultural, economic, etc.) interactions between adjacent territories and may display the willingness to cooperate (De Boe and Grasland, 1999). These interactions may take place on different spatial levels from territory between different cities to integration on interregional or international level (Decoville et al., 2010). The process of integration hence is seen in creation of “intense and diverse patterns of interaction and control between formerly separate (social) spaces and maintenance of newly-created linkages” (Lee, p.397-399, 2009). By interactions are usually understood not only economic activities but also various political, social or/and cultural relations including migration flows.

While all these connection spheres are highly important to spatial integration concept understanding, certain authors have argued that spatial integration can also be seen as a process towards reduction of (structural) differences between incorporating territories (Grasland, Deboe, Healy, 1999; Decoville et al., 2010). In the sight of this point of view, integration is seen as a process leading to convergence of spatial units, particularly, as a process towards political, social and cultural homogeneity (Grasland, Deboe, Healy, 1999). However, direct interrelation between spatial integration and convergence is far from reality due to development of cross-border areas. Indeed, as it was already mentioned, relations between integration areas can be based on substantial differences between territories and be highly asymmetrical. These conditions may lead to strong and stable integration in terms of presented above interactions, but in terms of territorial homogeneity they will diverge territories. The existence of steady and strong interactions does not necessarily signify convergence of the territories. At the same time, territorial convergence does not guarantee stable interaction linkages across the border. According to Decoville et al. (2010) integration as a process of “convergence between distinct territories, resulting from the intensification of the specific interactions between social, political and economic actors” (Decoville et al., 2010).

Research body on the prospects of (cross-border) regional integration is huge and varies from context to context. Stefan Krätke (1999), for instance, researching German-Polish border area in regard of general European integration policy proposed two scenarios for regional development for two highly dissimilar territories. So-called ‘high road’ and ‘low road’ represent two ways of facilitating development of the border area through different mechanisms (Krätke, 1999; Scott, 1996). ‘High road’ regional development path is focused around regions’ development based on innovation and intensive engaged cooperation. This path directs regional policy towards creation of stable and supportive institutions efficient in promotion of cooperation in (regional) economy (Krätke, 1999; Krätke and Borst, 2007). In

cross-border areas it should be expressed through development of industrial and technological competence and increased cross-border support between firms. Shared motivation and changes should be present on both sides (Krätke, 1999). Despite growing innovation-based competitiveness among regions in European context, ‘low road’ is still one of the dominant approaches and typical for Eastern Europe border zones. Polish-German border region is recently oriented towards this path. It relies on competitive advantage (e.g. price competition), differences in employment standards and low wages. It is predominant economic relation approach among majority of cross-border areas due to dissimilar nature of bordering units and their asymmetrical interactions. Commonly, one side of the border benefits from cooperation by taking advantages from income and wage differences between neighboring territories (Krätke, 1999). Despite the fact that comparison of RFE and NEC region to European cross border zones seems rough, from ‘low’ and ‘high’ roads perspective, the main threat of integration process in this area is also hidden in its asymmetrical conditions and possibilities to “take advantage” (resources, employment standards, etc.) from neighboring territory rather than choosing ‘high’ road relations (Kyznecova, 2009). However, Krätke and Borst (2007) admitted that it is not correct to recognize border only as development perspective of regional or national economy. Cross-border cooperation typically faces more integration obstacles than regions within one national state. Level of economic development, different institutional structures, language barrier and general trust built inconvenient platform for ‘high’ road path impeding interactive learning (Krätke and Borst, 2007). In case of Polish-German cross-border cooperation, Krätke (1999) specifically emphasized institutional (laws, rules, fees), cultural (business frameworks) and social (communication, language) dissimilarities issues that regions face in their integration attempts. He stated that integration is built on connected to each other regional production systems and mentioned above barriers may raise transactions costs and outweigh benefits (e.g. reduction of production costs) possible in cooperation (Krätke and Borst, 2007). He argued that reduction of these barriers would stimulate cross-border integration development (Krätke, 1999; Krätke and Borst, 2007).

Michaela Tripl expressed similar to Krätke’s approach ideas on integration process development. Differences between cross-border area units are again considered crucial for its future perspectives on mutual development, as they are willing to define its direction. More specifically, these dissimilarities usually shape the form or character of cross-border integration pushing towards “traditional” integration process or innovation-driven integration process (cross-border regional innovation system) (Tripl, 2013). Following these logics, the first “path” of traditional integration process will be characterized by basic integration mechanisms, e.g. increase of cross-border labor mobility, enlargement of (local) consumer, market extension, etc. Second innovation-driven integration path will be more oriented towards knowledge flows cross the border, creation of common innovation/knowledge space, and as a result cross-border regional (lately national) innovation systems (CBRISs) (Tripl, 2013).

Another approach on (cross-border/international) integration can be taken from macro level perspectives. For example, main statements of the theory of interdependence may explain motivation for economic relations establishment on the international level. It is also frequently applied to other different spheres of international policies (Nogueira and Messari, 2005). Interdependent relations are usually accompanied by complementarity as interdependent

actors are mutually reliant on each other, and complementarity makes these relations beneficial. In particular, complementary relations are able to emphasize, improve or supplement (economic, social, etc.) characteristics of involved in cooperation actors (Saraiva et al, 2011; OxfordDictionary, 2014). In some cases, joined activities in border areas may reduce competition between those cross-border units but increase their competitiveness in the interregional level (Krätke, 1999). In relation to my research, it is important to mention that initiatives and decisions taken by one actor will have effect on other(s) and “reciprocal effects to a greater or lesser intensity will depend on the degree of integration of the system” (Saraiva et al, 2011).

Next section will introduce concepts relevant for this research by presenting differences without negative or positive connotations, but as ‘proximities’ between cross-border actors.

3.3. Proximities

The term ‘proximity’ received its new semantic load in the early 1990s, when the French School of Proximity Dynamics proposed new perspectives on characterization of differences between actors involved in (economic) integration process. The study made an important contribution to research on organizational and innovation development. Different kinds of proximities (sometimes mentioned in the literature as ‘distances’ or ‘dissimilarities’) were aimed to structure and clarify interplay of differences between collaborating actors and understand their vague nature and potentials (Boschma, 2005).

In respect of cross-border regions, in majority of the cases ‘neighboring’ territories have highly dissimilar or even contrasting environment characterized by different economic histories, institutional set-ups, political and social dynamics, technological development, innovation capacities and culture. Moreover, regions may have dissimilar positions (e.g. center or periphery) in the national regional system. In this regard, the concept of proximities is used in cross-border region analysis in order to categorize different types of differences between units of cross-border area and be able to understand their impact on possible outcomes from integration (Lundquist and Trippl, 2011).

There are several classifications that group proximities differently depending on the analytical reasons. For example, Boschma (2005) in his work identified five dimensions of distances (cognitive, organizational, social, institutional and geographical) in order to show that even small fluctuations in specified distances may be harmful for innovativeness and learning process between territories or organizations (Boschma, 2005). Proximity literature discourse, mostly identify three categories of proximities relevant for cross-border regional analysis: physical, functional and relational (Boschma, 2005; Torre and Gilly, 2000; Lundquist and Trippl, 2011). Relevant for this research categories of proximities are presented below.

3.3.1. Physical proximity (geographical proximity)

Despite the fact that ‘proximity’ is no longer associated only with geographical meaning, it is important not to underestimate the role of physical (or geographical) distance (both in absolute and relative sense) between actors in adjusted territories (Boschma, 2005). Geographical closeness is a basic determinant of time and cost in integration process and that is why it is critical aspect. Physical proximity of neighboring territories identifies

geographical conditions for agglomeration economies, the level of accessibility, and clearly, transportation and transaction costs. From knowledge exchange perspective, accessibility degree is crucial in terms of costs and time required for actors' interaction (Lundquist and Trippl, 2011). Boschma (2005) stated that short distance between actors might "bring people together" and create favorable conditions for interactive learning (exchange of tacit knowledge, contact linkages, etc) (Boschma, 2005).

It is a mistake to assume that bordering territories do not face geographical proximity issues. The quality of existing transport infrastructure and administrative (usually politically promoted) set-ups define level of accessibility on the way of goods and people mobility (Lundquist and Trippl, 2011; Boschma, 2005). For example, Öresund Bridge connected Danish territory (including Lolland, Bornholm, Sjælland, Lolland-Falster and Copenhagen) and Southern Sweden (Skåne) in frames of Öresund region development project. Improvement of infrastructure reduced physical distance and had impact on the development and unification of the region (City of Malmö, 2011). Only in 2010 the bridge was crossed over 118 million times by car and 76 million times by train for business, commuting and leisure reasons. Migration data showed that around 12,000 Danes permanently moved to Malmö and over 4,000 Swedes moved to Copenhagen (Øresundsbro Konsortiet, 2010). Öresund Bridge together with general infrastructure improvement had a huge impact on reduction of physical proximity between cross-border area's units (Lundquist and Trippl, 2011).

3.3.2. Relational proximities

Relational distances between bordering territories is a set of intangible dimensions (differences) that are usually originating from historical, cultural and many other vague preconditions. Literature discourse on relational proximity revealed importance of shared regulations and norms, institutional structures, organizational/business and technological cultures, mutual understanding, motivation and trust for a successful integration (Lundquist and Trippl, 2011). Relational proximity is complex due to enclosure of all kinds of social dimensions. Usually, relational proximities may be separated within the group into organizational, social, institutional, cultural, and technological sub-groups/proximities (Boschma, 2005, Lundquist and Trippl, 2009).

Relational distances between cross-border units are key determinants of possible collaboration in any cross-border areas regardless the purpose of CBR creation. Depending on the research focus, different authors may emphasize the role of specific proximities. In my research I focused on the following proximities:

- **Institutional proximity** is typically associated with macro-level institutional framework (Boschma, 2005). Lundquist and Trippl (2009) clearly defined institutional proximity as a level of dissimilarities in policies, laws and norms between cross-border area units. Institutional proximity might obtain social characteristics. It is important to mention that institutional part of relational proximity covers both formal (e.g. regulations, laws) and informal (e.g. organizational culture, values) institutions (Lundquist and Trippl, 2011). Interactions (in case of innovation perspective, knowledge exchange) are more efficient when actors share similar or same

institutional regulations. Shared laws, norms and rules reduce initial uncertainties and provide with general pro-cooperative mood whether standardization of 'routines' automatically lowering transaction costs (Usai et al., 2013).

- **Social proximity** defines the level of social embeddedness between integrating regions. Social embeddedness on the micro-level is usually expressed through open trustworthy relations that define the level of social open attitude among the population. One of the central aspects is trust. (Boschma, 2005). Empirical evidence showed that it is easier to promote integration in the regions that share common economic and/or socio-cultural settings because of the presence of trust in these environments (Krätke, 1999). The creation of cross-border areas implies a "clash" of different institutional, cultural and economic structures and trust may stabilize or even control it (Boschma, 2005). Social proximity is also referring to reputation effect based on experience, repeated contacts and reputation of the future partners. Barriers on this level may be expressed through various fee and extra costs on interpreters/translators, legal advice, banking connections and other communication methods (Boschma, 2005; Lundquist and Tripl, 2009).
- Among other relational differences, **cultural proximity** is important component in highly heterogeneous cross-border units. It characterizes the level of shared values and knowledge in order to reach the level of certain competence (business practices, cultural acceptance and share, language, etc.) in order to promote perceived societal acceptance of cross-border area formation (Boschma, 2005). According Cappellin (1993), it is important to promote the idea of 'regional identity or sense of belonging,' because sharing of same values and culture is one of the efficient ways of integration stimulation as it develops trust and social support (Cappellin, 1993).
- **Cognitive proximity** between integrating areas or organizations usually indicates how close integrating partners are in a sense of their knowledge base. It is essential component for beneficial integration as it offers shared knowledge and experience base for integration actors (Boschma, 2005). General dissimilarities in the knowledge level, on one hand, signify high potential of lagging regions in a sense of mutual learning and development, but at the same time be the main obstacle on the way of knowledge flows and cooperation (Maggioni and Uberty, 2007; Lundquist and Tripl, 2011). It is important to define correctly the degree of cognitive difference. Integrating actors should be close enough (in terms of their knowledge bases) to cooperate proficiently but at the same time different enough to be able to learn and complement each other (Tripl, 2013).

Nonetheless, Boschma (2005) also argued that the relations between different aspects of relational proximity are interconnected. For example, institutional proximity is highly interconnected with social and cultural proximities, because social actions and cultural background are extremely embedded in institutional environment and other way around (Boschma, 2005).

3.3.3. Functional proximity

Functional proximity to large extent is interconnected with geographical factors as it deals with the issues of accessibility and physical distances from knowledge exchange perspective (Boschma, 2005). Knowledge does not defuse easily within the regions with high differences in their innovation performance either. In the literature the meaning of functional proximity varies a lot. Maggioni and Uberty (2007) defined functional proximity as relations of spatial or geographical distance to the issue of accessibility. It is also frequently referred to functional proximity as and asymmetry in innovation performance and capacity between neighboring areas (Maggioni and Uberty, 2007; Lundquist and Tripl, 2011; Boschma, 2005). But overly extended functional distances, displayed through strong knowledge or capability asymmetry, will limit the chances for mutual beneficial integration.

3.4. Integration barriers and policy intervention methods

Based on the presented above material, it is possible to summarize that on the path to successful integration different types of proximities or distances between cross-border units may be seen both as potentials development opportunities and as basic barriers. That is why for policy implementation, especially in its initial stage of planning and primary intervention, it is important to prioritize particular proximities and make them “measurable” by classifying them along two essential dimensions: costs and time (Lundquist and Tripl, 2011). From the perspective of costs (or financial efforts) proximities may vary in need of financial investments in order to be reduced. Some proximity’s reduction mechanisms demand only large investments while others comparatively economical for budgets (Lundquist and Tripl, 2011). Time dimension will determine the time frames for proximities’ transformation or removal. Same as financial costs, proximities greatly vary in their time consumption and while some distances may be reduced very quickly, others may take years (Williamson, 2000; Lundquist and Tripl, 2011).

Table 1: Proximities, time and financial efforts.

Propensity of change over time		
Costs	High Physical distance	Functional distance Cognitive distance
	Low Hard institutional distance	Social distance Soft institutional distance

Source: Lundquist and Tripl, 2011.

Table 1 displays the relationships between particular proximities and time/financial efforts required in order to reduce or remove them. Based on this typology, obstacles related to physical or geographical closeness demand capital but may be reduced very quickly. From policy intervention perspective, reduction of geographical distance between cross-border units usually contains the establishment or improvement of infrastructures (both transport and

communication). This is essential step in any kind of integration initiatives (Boschma, 2005; Lundquist and Tripl, 2011).

Barriers or differences in hard institutional distance, same as geographical barriers, also may be abolished in the short term. Requiring relatively low financial efforts, policy actions will involve (international) agreements and adaptation of common regulations and laws between cross-border actors. From innovation development perspective, same actions should be oriented toward facilitation of knowledge flows cross the border (Lundquist and Tripl, 2011).

From the time perspective, soft institutional barriers in contrast to hard institutional ones will require more time due to their reflexive nature (Williamson, 2000). Cultural, language and other identity-based barriers are possible to remove or mitigate only by 'patient' long-term policy programs. Promotion of social embedded systems, cultural exchange and joints events may 'introduce' cross-border actors to each other, help in order to develop trust and acceptance, but soft institutional distance (especially in highly-heterogeneous CBR) will take years or decades before first natural manifestation of cultural band and common identification will occur (Lundquist and Tripl, 2011).

Functional and cognitive differences represent the last types of barriers that can only be removed with high financial investments and require years for implementation. In order to overcome difference in specialization or regional innovation capacity massive investments in research and development (R&D) sector are needed. It is also important to take into consideration learning capabilities of the cross-border actors. The mechanisms of functional integration are complex. Too little functional proximity may lead to misunderstanding, while excess may lead to lack of sources of novelty (Boschma, 2005).

That is why the assumption, that cross-border innovation system should be recognized as "the last and the most advanced form of cross-border integration," sounds reasonable (Lundquist and Tripl, 2009) and requires already established and stable collaboration on the fundamental integration levels (physical, institutional, social, etc).

Before moving to the discussion on policy strategies and their stages of development it is important to mention that the process of removing or transforming various barriers between cross-border actors is dynamic process with hardly forecast consequences. As it was mentioned in Section 2 and 3 different categories of proximities are interrelated and depending on the context the modifications in one type may affect other barriers and their opportunities to change (Boschma, 2005; Lundquist and Tripl, 2011).

3.5. Policy strategies

This section will discuss possible development path of cross-border areas based on proposed by Karl-Johan Lundquist and Michaela Tripl strategy for creation of adequate innovation driven cross-border RIS (2011). The first stage of proposed algorithm is stressed in regard of main focus of this paper and its emphasis on the initial conditions on the threshold to any kind of integration.

Table 2. Policy problems for different stages of cross-border (RIS) development

	Stage I	Stage II	Stage III	Crucial Policy Level
Cognitive distance				Regional / Local
Functional distance				
Soft institutional & cultural distance				
Hard institutional distance				
Physical distance				
POLICY ACTIONS DIRECTED TOWARD:				
	Promoting physical accessibility & integration: Investment in infrastructure Harmonising basic legal & regulatory frameworks Promoting the acceptance of cross-border region building	Promoting integration in key areas: Harmonising laws & regul. in key areas (labour market, educational systems, etc.) Identifying science & business areas with sound levels of functional & cognitive prox. Redirect public research & higher education in areas with sound levels of functional prox. Promoting knowledge links by creating hard & soft institutions in key areas Promoting the development of shared CBR identity & culture	Developing joint strategies to avoid future lock-in: Joint strategies for scouting & promoting new areas of relatedness Coordinated strategies for allocation of public R&D & higher education resources Common efforts to attract FDI & R&D facilities from national / EU level Further development of institutional thickness	

Source: Lundquist and Tripl, 2011.

According to the Table 2, the first policy initiatives on the early stages of integration are stressing the reduction (or removal) of physical barriers. According to definition of cross-border region it is an area consisting of two or more (belonging to different national states) units and their geographical closeness is implied. Policy actions, on the first stage of cross-border development, are directed toward strengthening of interconnection between units through improving or in some cases establishing transport and communication infrastructure (Lundquist and Tripl, 2011). Another initial development step and the core policy mission is to “harmonize” regulatory and basic legal frameworks in order to mitigate differences between hard institutions. These actions will create basic preconditions in forming area for future mutual economic interactions and people/knowledge flows. However, focusing on these two important basic initiatives it is almost impossible to avoid intervention in other processes (Lundquist and Tripl, 2011). For instance, in order to encourage long-run changes and cooperation first stage policy actions require strategy for gradual mitigation of soft institutional proximity between regions. One of the general issues on the Stage I is promotion of acceptance of cross-border cooperation regardless the chosen “path” of integration (Tripl, 2013). Sharing information about culture, traditions, specific business practices through various cultural events and exchange groups will promote better societal understanding and acknowledgment of cross-border region formation (Tripl, 2013; Lundquist and Tripl, 2011). It is important to stress the dominant role of national level policy actors on this

particular stage of integration process. It is in their competence and responsibility to influence and control the reduction of physical and (hard) institutional differences through strengthening infrastructure ties, coordinating and creating mutual integration laws, “opening” borders end etc (Tripl, 2013; Lundquist and Tripl, 2011).

Stages II and III are more complex in their tasks and considerably different from the Stage I. However, new development policy tasks on these levels are based on the preconditions created on the preliminary stage. Though second stage is still characterized by focus on the institutional (both hard and soft) proximity issues (e.g. proceeding mutual harmonizing laws process and strengthening social ties). New goal is to simplify innovation or knowledge integration. This is a stage of identifying and dealing with existing functional and cognitive proximities between integrating units and stable cross-border governance institutions are crucial for further development. Dealing with functional differences, policy initiatives are usually directed toward various joint research funding programs, promotion of exchange of experience, expertise and ideas, creation of knowledge links across borders, etc (Tripl, 2013; Lundquist and Tripl, 2011).

Stage III is the period of tuned innovation-driven integration process where main goal is to sustain this mutual cross-border development in order to avoid potential “lock-ins.” Constant facilitation and search for new perspectives in scientific as well as industrial spheres and promotion of cross-border level cooperation, knowledge exchange and contribution may be seen as key directions in policy strategies at this point. Practically, it may be seen in support of clusters and promotion of newly structured industries that “share same knowledge base or innovation and technological platform” (Cooke, 2008; Lundquist and Tripl, 2011). Third stage of policy intervention in cross-border integration should be characterized by constant support of the knowledge and science base infrastructure elements, e.g. through coordinated (finance) investments in public R&D and other educational organizations, support of mutual science parks, technology transfer agencies working on cross-border space, etc (Krätke and Borst, 2007; Lundquist and Tripl, 2011).

The structure of this theory allows analysis of the policy initiatives towards creation and maintenance of cross-border regions. It is also may suggest possible development perspectives of cross-border cooperation. In my research this theoretical framework was used in order to analyze official policy document on Russian Far East and the North-East of China cooperation. It allowed me to look on the integration agenda through the lenses of different proximities and their integration development impact.

4. Empirical findings

This section will introduce main empirical findings presented as combination of secondary and primary data. Starting with a brief overview on socio-economic characteristics of cross-border units, namely Russian Far East and North-East of China it will be followed by general background and descriptive overview of relations of neighboring areas. This section will be concluded by presentation of the policy document (program of RFE and NEC regional cooperation on the period from 2009-2018) signed in 2009 by president of Russian Federation Dmitrij Medvediev and paramount leader of China Hu Jintao.

4.1. Overview on the Russian Far East region

The Russian Far East is the largest region in Russian Federation that located in the extreme east of Russian territories between the Pacific Ocean and Eastern Siberia region. Total area of the region is 6169,3 thousand km² that is 36.4% of total country's area. The Russian Far East or Far Eastern Federal District (Dal'nevostochnij federalnij okrug) includes nine administrative units: Amur oblast, Jewish Autonomous Oblast, Kamchatka Krai, Magadan Oblast, Primorsky Krai, Sakha Republic, Sakhalin Oblast, Khabarovsk Krai and Chukotka Autonomous Okrug. Official language of the region is Russian (FEBDF, 2010).



Demographic situation in the region obtain descending characteristics from births, mortality and migration perspectives. Total population of RFE region is 6.3 million people that represent only 4.6% of total population (Kyznecova, 2009, FEBDF, 2010). The region is also characterized by abundant natural resources due to diverse terrain and climate of the region. For example, regional share of extracted coal is 69% of total coal mining in Russia. Same trend is seen for nickel (79% of Russian total), copper (79% of Russian total), platinum (90% of Russian total), wood (42% of Russian total), gold (75% of Russian total) and fishery (82% of Russian total) (FEBDF, 2010). One of the main problems or even paradox that RFE region faces is unequal distribution of technological, natural and human resources despite existing geographical settings. Most economically active and demographically developing areas are located on the South of the region, for example, 31% of the Russian Far East companies are located in Primorsky and Khabarovskij Krai, while natural resource are located on the Northern parts of the region. However, raw material abundance is overshadowed by underdeveloped industrial and social infrastructures (FEBDF, 2010; Kyznecova, 2009).

Following table in more detailed presents positive and negative perspectives on socio-economic development of the region.

Table 3: Analysis of the socio-economic development factors of the RFE region

Factors	Positive	Negative
Political factor:	- High support from the government	- Incoherence in international policies directed to border relations with China - Failure of previously proposed regional development programs
Geographical factor:	- Geographical proximity to “Pacific Rim” countries as potential markets	- Remoteness from main economic and cultural centers - Inaccessibility or remoteness from European markets - Extreme climate - Ecological issues
Natural resources:	- Abundance of various natural resources (coal, oil, metals, diamonds and timber) - Water and land resources	- Poor industrial and technological structure - Low level of involvement of natural resources into economic circulation - Lack of search activities due to lack of funding - Low efficiency in use of natural resources
Demographic factors:	* * *	- Severe population decline - Labour shortages - Aging population
Economic potentials:	- Diversified GRP structure - Favorable conditions on “neighboring” markets for export products produced in a region (besides natural resources e.g. machinery, mechanical appliances)	- Lack of investments in modernization, mainly technological upgrading, of processing industries - Incomplete utilization capacity in manufacturing - Insufficient financing of

<ul style="list-style-type: none"> - Infrastructure: - Transport infrastructure - Financial infrastructure - Innovation infrastructure 	<ul style="list-style-type: none"> - Availability of areas with high potential for economic and infrastructure development - High development potential of transit functions. Formation of transport and logistic centers at the intersections of rail, automobile, river and sea routes. - Dynamic development of the banking sector - Presence of the main elements of innovation infrastructure (Innovation/technology business centers, etc.) 	<ul style="list-style-type: none"> mobilization capacity - Slow development of high-tech products - Limited conditions for agricultural development - Low level of competition (on certain types of produced in a region products) - Lack of development of the road network - Lack of regional financial resources for the construction and maintenance of the roads. - General deterioration of transport infrastructure - Lack of long-term resources among credit organizations for large investment projects - Insufficient amount of regional banks - Innovation infrastructure is in its initial formation stage - No elements of venture capital financing in innovation infrastructure
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Source: Summarized from Kyznecova, N.V. (2009) Report on socio-economic problems of the Russian Far East, Far East Consulting Center, May 31st.

According to the report on socio-economic problems of the Russian Far East (Kyznecova, 2009) before RFE and NEC cooperation agreement, main “threats” of the RFE development were identified as inconsistent development policy implementations in order support regional development and failure of controlling demographic decline and mass migration outflows from the region. From the economic development perspective, main obstacles were seen in existence of powerful competitors (e.g. Chinese, Korean manufactures), risk of becoming raw-material “appendage” for Northeast Asian countries and (qualified) labor shortage (Kyznecova, 2009).

overall economic development of the NEC region, population is experiencing serious unemployment (Lisheng, 2005).

Many believe that North East of China is ready to change, improve its position in the national system and revitalizing strategy has potential for that. Firstly, the need in technical improvement of old industrial bases was identified as a basic practice for reviving top industries (Lisheng, 2005). Also, it is important to acknowledge that from regional development perspective central government emphasized stimulation of regional structural and institutional rejuvenation instead of continuation of old strategies (e.g. state-provided funds). As “new path” was seen in liberalization, therefor by institutional and structural changes were implied riddance of the previous planning system mechanisms, creation of a new market system, promotion of market forces and non-state (private) sector and attraction of foreign investments. One more important condition for a change is seen in increase of reliability on regional governance in order to promote region’s self-sufficiency (Lisheng, 2005; Zheng and Li, 2006). It is interesting to notice that new strategy highlights the need in promotion of institutional innovation. State-owned enterprises are expected to be more involved into mixed (international) ownerships and various private economic sectors. Regional economic cooperation with Russia, Japan and South Korea are seen as possibilities to improve economic situation of the region through expanding domestic (as well as foreign) markets (Lisheng, 2005).

Table 4: Analysis of the socio-economic development factors of the NEC region

Factors	Positive	Negative
Political factor:	- Support of regional development by the central government	- “Northeast syndrome” (dongbei xianxiang). Consequences of previous protracted economic stagnation displayed in difficulty to adapt new structural changes, e.g. institutional “heaviness”
Geographical factor:	- Proximity to South Korea, Japan and Russia - Soft climate	- Inaccessibility or remoteness from European markets
Natural resources:	- Presence of specific natural as coal, steel, recoverable oil deposits, timber	- “Pressure” on natural resources - Ecological issues - Shortage of non-renewable resources - Resources exhaustion issues

Demographic factors:	- Growing population	- Growing population - Strict “one-child” policy
Economic potentials:	- Favorable conditions on “bordering” markets for export products produced in a region - Rapid development of service and manufacture industries - Labour availability - Promotion of non-state sector	- Consequences of heavy industry lock-in - Low social consumption rate - Limited conditions (ecological and climate) for agricultural development - Severe unemployment
- Transport infrastructure	- Highly developed transport infrastructure within the region - Big international connections points (e.g. airports, harbors) - High development potential of transit functions.	- Poor transit apparatus - Lack of checkpoints between the region and Russia - General low capacity of the harbors
- Innovation infrastructure	- Main component of revitalizing NEC program is increase of innovativeness of the region - Presence of the main elements of innovation infrastructure (Innovation/technology business centers, etc.)	***

Source: Summarized from Lisheng, D. (2005) China’s Drive to Revitalise the Northeast, China; and Zheng, L. and Li, W. (2006) The Feature of Service Industry Development on the Old Industrial Bases in China’s Northeast.

4.3. Background

The knowledge of (historical) background is essential element of any kind of relationships analysis. It usually identifies the basis of relations and as a result may explain why actors act in a certain way. It is extremely relevant in case of the Russian Far East and Northeastern part of China. The history of this area contains conflicts and tensions, as well as support and cooperation. Moreover, two bordering countries are extremely different in their

culture, traditions, language and religion. That is why some of economic historians tend to see contemporary integration issues in region's history and heterogeneity (Iwashita, 2007).

The most topical issue that two countries faced in studied area is territorial problem. The negotiation process initiated by Chinese and Russian governance in 1964 on border position and territorial property rights lasted till 2005. The negotiations were not always diplomatic and were accompanied by severe armed conflicts (Zagrebnov, 2009). Among those, the mostly recalled are Sino-Soviet border conflict on Damanskij Island and on Zhalanashkol Lake. The existing border on Bolshoj Ussurijskij Island (officially approved in 2008) still concerns Russian population of Khabarovskij Kraj as it is located in vicinity of Khabarovsk city. Bolshoj Ussurijskij Island that before belonged to Russian territory nowadays equally shared with China (Sherbakov, 2011).

Relatively recent period of territorial argues left a mark on population of the region (especially Russian population) and their attitudes towards cooperation (Iwashita, 2007). The most radical view is seeing China as a major threat and cooperation as a "hidden colonization" of the Far East of Russia. According to this point of view, Russian territories are attractive to Chinese "passive invasion" and seen as a source of natural resources and space. Supporters of this point of view express general mistrust in agreements on strategic partnership (1996) border demarcation agreement (1996) and on territorial property rights and border location (2005). As a result, the main outcome from this position is a general lack of trust and detachment from 'neighbors' (Iwashita, 2007). In practice, in different administrative units the level of distrust varies. For example, till 1996-1997, Primorskij Kraj had openly negative attitude to neighboring Chinese areas (due to promoted by the local governance the idea of "Chinese threat"). Primorskij Kraj was able to overcome xenophobic attitude, mostly after demarcation of the border in 1996, new local governance and economic cooperation projects, but same attitudes circulated lately to Khabarovskij Kraj and other regions (Iwashita, 2007). At the same time, positive outlooks toward cooperation with Chinese Northeast provinces exist and especially seen in close to border areas. The brightest example is a protest of border population of the Amur Oblast and Primorskij Krai against official arrest operations of illegal Chinese workers on the Russian side. These close to border zones and their population are depended on the Chinese markets (food, clothing, etc.) and removal of those could have serious economic problems. Protests led to changes in labour control and immigrant working conditions (Iwashita, 2007).

Trade is important element of cross-border relations of the RFE and the NEC. China is one of three major trade partners (including Japan and South Korea) of the RFE region (Zagrebnov, 2009; Lee, 2013). At the same time, the degree of trade dependence with China varies a lot from one administrative unit to another. For instance, China is covering main share of the border zones' trade: Amur Oblast (90%), Jewish Autonomous Oblast (99%), Primorsky Krai (50%) and Khabarovskij kraj (43%). Other administrative units are partnering with South Korea, USA, Japan, Belgium and others (Lee, 2013; Goskomstat, 2012). Contribution of trade with China in regard of the Russian Far East GRP also varies. It would be expected that trade connections with China are vital for Khabarovskij and Primorskij Krajs as these two territorial units contain more than half of region's population, or numbers of GPR contribution will be higher in border zones and lower in remote territories (Lee, 2013).

Table 5. Trade with China contribution to GPR (in percentage), 2011.

Administrative unit/province	Trade with China contribution to GPR (%)
Amur oblast	8,5
Jewish Autonomous Oblast	5,0
Kamchatka Krai	6,8
Magadan Oblast	1,5
Primorsky Krai	23,0
Sakha Republic	2,7
Sakhalin Oblast	9,4
Khabarovsk Krai	4,9
Chukotka Autonomous Okrug	1,7

Source: Lee, R (2013) *The Russian Far East and China: Thoughts on Cross-Border Integration*, Foreign Policy Research Institute, November 2013.

But the percentages of Amur Oblast and Jewish Autonomous Oblast seem surprisingly low for areas where Chinese share of trade is dominating. The explanation is hidden in typical for this area phenomenon *shuttle trading*, also known as *suitcase trade*. This kind of economic activity is also considered as one of the most important elements of general perception improvements of Chinese people by Russian population and vice versa (Alekseev, 2001; Iwashita, 2007). According to definition by OECD glossary, shuttle trading is “an economic activity in which goods and products bought abroad are resold by individual entrepreneurs in small private shops, on markets, etc (OECD Glossary, 2001). It is also can be defined as “legal” smuggling cross the board (Lee, 2013). Shuttle trading started in early 1980s. Due to limitations in trading policies and constant complications with visa policies (before visa-free agreements and recent cooperation programs), people from both sides found the way to sell, exchange and transport goods cross the border as private owners. These trade possibilities received attention mostly by Russian entrepreneurs who were buying cheap goods on the Chinese side and reselling them on the Russian territory avoiding declaration and tax duties. Due to illegal nature of the phenomenon data is rather estimated then exact. But even according to estimated data numbers are impressing: only in one checkpoint (Heihe, Heilongjiang province, 1995 and 1996) its value was 49 million dollars per year that is about half the volume of legal trading (Iwashita, 2007). Russian Far East was ‘flooded’ by Chinese products that were needed in the periods of deficit (Zagrebnov, 2009). According to the social researchers on gentrification and economic development of the region, phenomenon of shuttle trading facilitated development of the cities in the border zones from both sides, promoted the development of common economic zones, markets, touristic destinations (initially) without administrative influence and increased social acceptance of neighboring nations (Kostileva, 2010; Iwashita, 2007).

In the 1990s, the RFE and the NEC signed agreement on visa-free entry to border cities and simplified the process of obtaining working permissions. This policy change had ambiguous impact on perception of ‘neighbors’ from both sides of the border (Zagrebnov, 2009; Iwashita, 2007).

Mass migration of Chinese people to the Russian Far East was mostly determined by two factors: labour shortage in the RFE and rapid development of cross-border trade. Two main groups of immigrants are representing people crossing the board: low-income work force with poor skill of Russian language and businessmen with high income and education with sufficient knowledge of Russian language. First group was attracted by wages and were usually employed in agrarian, construction, trade and public catering sectors. Second group of Chinese immigrants aimed to promote own business on Russian territory. The main supplier of labour force to the Russian Far East was Heilongjiang province. In the period of 1990 to 2000, more than 113000 of workers signed contracts to work on the Russian side. It is important to mention that most of the contracts are long-term (Zagrebnov, 2009). Absolutely naturally, new groups of population brought elements of every-day life, traditions and culture to another side of the border. So-called “Chinatowns” offer variety of ethnic services and goods for Chinese and Russian population all over the Far East. Differ from most of the cases, Chinese markets, shops, restaurants, social centers, casinos and many other elements of new culture are not located in particular districts or areas but integrated in the cities’ structures (Zagrebnov, 2009; Iwashita, 2007). Again, same as territorial and border issues, presence of Chinese immigrants causes fears, disrespect or even jealousy from some groups of RFE population, others oppositely express support, respect and curiosity (Iwashita, 2007). According to the data, in 2004, Russian-Chinese border (in the studied area) was crossed 335 thousand times by Chinese people, and 894 thousand times by Russians (Zagrebnov, 2009). Among main travelling to China reasons are dominating tourism, business, education and shopping tours. Border areas on Chinese side also absorbed Russian culture. Areas specified on trade and service industries are indicating good level of Russian language, have Russian cultural centers (Iwashita, 2007). The attitude towards Russian population varies as well as depending on the province or even a city. As it was mentioned before, service industry is rapidly developing in the NEC. That is why tourists (who are mostly Russians) are seen as main ‘clients’ and treated accordingly (Iwashita, 2007).

4.4 Policy document presentation

Joint policy on regional cooperation between the Russian Far East and North East of China for the period 2009-2018 was developed in regard of state-promoted target program of “Economic and social development of the Far East of Russian (and Transbaikalia)” and “North East of China revitalization program” within the joint treaty on neighborliness and cooperation between Russian Federation and the People’s Republic of China. One distinctive feature of this policy is stated already in the introduction in the section of policy support and maintenance. Despite macro-level policy initiative (the governments of two countries agreed to provide support and contribute to the implementation of joint projects), regional authorities (both from Russian and Chinese sides) are responsible for maintenance of the policy, able make changes and additions based on the region’s needs.

The policy document contains eight parts of policy directions on regional integration and development including appendix with over one hundred fifty key regional cooperation projects in every administrative unit (Russian side) and province (Chinese side).

I. Border infrastructure

The first unit of the policy contains seventeen paragraphs on construction, modernization and development of border infrastructure (e.g. checkpoints, roads, bridges, etc.) on the Russian-Chinese border. It highlights tasks in development of cross-border travellers and goods control systems, improvement of checkpoints and customs procedures, renovation and construction of cross-border connections (land and water), joint Russian-Chinese automobile (freight) stations.

II. Transport cooperation

Fifteen paragraphs of this unit present projects on the development of existing and establishment of new transport communications (railways, roads, air and water connections). It emphasizes change of status of local airports and harbors into international connection points, creation of new and promotion of existing Russian-Chinese/Chinese-Russian destinations, intensification of regular passenger and freight transport routes.

III. Development of cooperation zones

This unit consists of two paragraphs about creation and enlargement of areas of scientific and technological cooperation and cooperation in development and conservation of Bolshoj Ussurijskij island. First part of this unit presents areas of creation of joint innovation centers (both on Russian and Chinese sides) in information technologies, knowledge transfer centers of agrarian technologies and science parks. Second part is presenting joint projects on development of Bolshoj Ussurijskij island, e.g. transport infrastructure within the island and accessibility, conservation, research on natural resources.

IV. Labour cooperation

This unit emphasizes the continuation of strengthening of labour cooperation between Russia and China (temporary employment conditions, simplification of entrance issues, etc.) through agricultural, construction and animal husbandry projects.

V. Tourism

The main agenda for tourism cooperation is development and promotion of tourism in border zones. This unit of six paragraphs covers joint projects on improvement of tourism infrastructure and security, development of new routes (accentuating tourism in twin towns) and culture familiarization tours. This unit proclaims creation of new joint tourism development organizations that will be responsible for security, development and cultural exchange issues. The tourism cooperation unit offers a number of international tourism and culture exhibitions (both on Chinese and Russian sides), family exchange projects, etc.

VI. Key projects of regional cooperation

In order to reach integration/cooperation goals the number of key regional projects are planned to implement in every administrative unit of the Russian Far East and the North East China regions. The main emphasis is done on the establishment, improvement and connection of production systems. All the projects are oriented towards market needs in regard of not only regional (cross-border) resource potential, but also mutual technological and financial

support. This section of the policy is referencing to appendix. The overview of key projects of regional cooperation will be presented below.

VII. Cooperation in the humanitarian sphere

This unit is presented by twelve paragraphs on various cultural and social cooperation initiatives. It covers organization of cultural, social, educational events (both on Chinese and Russian sides) that includes festivals, forums, contests, conferences, etc. The themes of the events are mainly focused on culture of the regions, sport, health, art, etc. Special attention is made on the exchange of educational and business practices through mutual education programs, academic exchange programs, and administration exchange projects. This unit also presents plans on creation of new (cross-border) regional business high schools and universities focused on the region's features and potentials. Cooperation programs in humanitarian sphere between bordering regions also involves language study programs, technological exchange on the university level, and creation of international youth camps. Last paragraph stresses development of exchange practices (in the bordering areas) of local administrations, social organizations and SME representatives.

VIII. Interregional cooperation on environment issues

The last unit of the cooperation policy presents main environmental agendas for bordering areas (mainly, Amur oblast and Heilongjiang province). The main policy directions are mutual protection of cross-border waters and nature, technological support, promotion of environmental education among local population. It also includes annual group exchanges and conferences on regions environmental issues, creation of joint environment organizations and control groups.

Following methodological strategy those document parts were separately analyzed in order to reveal distances reduction initiatives. Main coding themes were identified based on theoretical discussion on proximities existing between integrating actors. These coding themes are: geographical, institutional, social, cultural, functional and cognitive proximities presented and described in theoretical section (Chapter 3). Based on the theoretical characteristics of proximities (or distances) every theme received number of codes that served as indicators of distances reduction initiatives. The main obstacle of methodological analysis was interconnection between different aspects of existing proximities. In order to avoid this problem codes were based on the theoretical background and strictly followed chosen definitions of proximities. Table with codes and themes are attached to this paper (see Appendix A). The results are presented in the section of discussion (Chapter 4, Table 5).

4.4.1. Key projects of regional cooperation (policy appendix)

Appendix attached to the main policy body is a list of key projects developed for regional cooperation policy in the Russian Far East and North East of China for the period 2009-2018. Agendas in the appendix are distributed between particular administrative units and provinces in frames of common goals of cooperation policy. Introduction to the projects states that developed projects are directed towards basic spheres that are important for following possible beneficial cooperation. These main directions are: development of

technological and economic links, electricity supply for Chinese provinces and Russian border zones and creation of telemedicine systems. Development of technological and economic links is a part of broader agenda to connect production systems (processes) across the border. These activities are focused on research, extraction and processing of natural resources; creation, improvement or revitalization of factories; joint investment projects; improvement of (communication) infrastructures, etc. Creation of telemedicine system is aimed to manage control over epidemiological situation in the bordering regions, through development of mobile telemedicine networks, development of various vaccines and medications, establishment of biological research centers and other related activities.

The table below displays the number of projects that are focused on one of three directions in every administrative unit or province.

Table 6. Number of key projects, their directions and area of implementation

Administrative unit/province	Production systems connection	Electricity supply	Telemedicine system
Amur oblast	9	2	1
Jewish Autonomous Oblast	7	0	0
Kamchatka Krai	10	0	0
Magadan Oblast	4	2	0
Primorsky Krai	4	0	0
Sakha Republic	9	0	0
Sakhalin Oblast	7	0	0
Khabarovsk Krai	9	2	1
Chukotka Autonomous Okrug	3	1	0
***	***	***	***
Heilongjiang	32	1	0
Jilin	30	4	3
Liaoning	17	1	2
Total:	161	13/161	7/161

Source: Policy on regional cooperation between the Russian Far East and North East of China for the period 2009-2018, New York, 2009.

In general, the main focus of the Russian side is made on harvesting of various resources (mining, water, forest), development and exploration of new mineral sources, power generation and on related activities. Chinese focus is concentrated on balanced and broad manufacturing, production of diverse goods, environmental issues, etc (Lee, 2013).

5. Discussion

This chapter presents an analysis of empirical data based on theoretical approach.

5.1. Cross-border area

Based on the definition presented in theoretical section, the Russian Far East region and the North East of China may be recognized as cross-border area. Both studied regions belong to different countries, share common border and interact with each other on different levels. Empirical data showed that both regions, same as most cross-border areas, are located in periphery in terms of location and national system structure. Furthermore, from the “path out” perspective, cooperation of the regions seems beneficial. Analysis of socio-economic development factors (Tables 3 and 4) showed that territories might be supplemental to each other (e.g. through resources, labour, etc). New policy on regional cooperation was created on the basis of two independent development regional plans: “North East of China revitalization program” and “Economic and social development of the Far East of Russian (and Transbaikalia).” This signifies that for the NEC, cooperation is additional new path creation possibility or escape way from old declining industrial lock-in and natural resource shortage. The RFE interest in cooperation is, obviously, to breakout peripheral development path (Tripl, 2013; Crouch and Farrell, 2004). Following the theoretical approach, another typical cross-border developmental obstacle is a conflict of dissimilar environments including economic structures, institutional and social systems, culture, language and others (Houtum 1998). The fact that studied regions differ a lot from each other in terms of size, language, culture and history does not contradict to the definition and used concepts, moreover, it makes this analysis possible.

5.2. Integration process

As it is stated in the theoretical section, the concept of “(spatial) integration” is typically referring to intensity and realization of opportunities through interactions between neighboring territories and also through mutual willingness to cooperate (De Boe and Grasland, 1999). The most important here is to understand that interactions should not be presented only by economic activities but also involve institutional, social, political and cultural convergence (Lee, p.397-399, 2009). The fact of the creation of joint policy on regional cooperation between the Russian Far East and North East of China (for the period 2009-2018) is already a sign of willingness to change and develop peripheral areas in a long-term perspective initiated on the macro level. The document provides with the wide range of linkages (e.g. economic, social, institutional, cultural) to improve or create in order to reach unobstructed and beneficial unification. Following Krätke’s (1999) ideas on dependence of success of integration and connected production systems of cooperating areas, it is possible to propose that RFE and NEC’s integration policy has all the makings of successful cooperation. The basis of new cooperation policy is its list of key projects for regional cooperation. As it was presented in previous chapter, this annex is mostly focused on activities that are supplementing each other (from both sides of the border) and are aimed to connect (or improve connections of) production systems in administrative units of RFE and provinces of NEC.

Nevertheless, it is important to note that forming cross-border area between the Russian Far East and the North East of China is exceptional in its nature due to its scale. The extent of the territory and population size involved in integration process is unique for cross-border formation and obviously asymmetric. These dimensions determine the level of asymmetry in formatting interrelations, e.g. political, social, cultural interactions including migration. Mentioned in theoretical part importance of active position in integration development or willingness to cooperate is determined by these factors as well, due to the fact that asymmetric territories usually have different motivations for cooperation (Decoville et al., 2010). The main engine of cooperation, the willingness to integrate, is notable on the macro level. But in case of the RFE and NEC, the difference in pursued interests is too big. Russian unpopulated territory with rich natural resource base is matching Chinese overpopulation and labour abundance. That rises a question: may be the barriers on the micro level, particularly, mistrust and fear observable among Russian population are not baseless or explained by previous Russian-Chinese relations. On the contrary, the integration perspectives cause it. In that case, social and cultural barriers might be main obstacles on the way to territory convergence and from policy perspective will require special attention.

5.3. Proximities and policy implementation

The main goal of integration strategy is to abolish interaction barriers between actors. In most cases it requires reduction of various proximities between integrating actors or units (Boschma, 2005). According to the integration policy strategy proposed by Karl-Johan Lundquist and Michaela Trippel (2011) integration strategy at the initial stage of planning and primary intervention policy should target specific proximities in order to form stable basis for future cooperation activities (Table 2). The policy on regional cooperation between the Russian Far East and North East of China for the period 2009-2018 was analyzed by the distance reduction initiatives. The findings are presented below.

Table 7. Directions of the policy on regional cooperation between the Russian Far East and North East of China for the period 2009-2018 and proximities reduction.

Coded categories	Geographical proximity	Institutional proximity	Social proximity	Cultural proximity	Functional/Cognitive proximities
Border infrastructure					
Transport cooperation	+	+			
Development of cooperation zones	+	+	+	+	+
Labour cooperation		+			
Tourism	+	+	+	+	
Humanitarian sphere		+	+	+	
Environment agendas	+	+	+	+	
Total:	5/7	6/7	4/7	4/7	1/7

Source: Policy on regional cooperation between the Russian Far East and North East of China for the period 2009-2018, New York, 2009.

The analysis of the document showed that majority of barriers or distances reduction initiatives are directed towards geographical and institutional proximities regardless the policy directions. That signifies that on the moment of policy implementation main problems were identified mainly in geographical conditions and accessibility as well as in the level of dissimilarities in regional legal frameworks between cross-border area units. From the “time and cost” perspective, reduction of these types of proximities is the most “expensive” one but it is essential step on the initial stage of any integration actions. Reduction of these proximities requires short time and provide with the fundamental integration mechanisms and favorable conditions for future interactions in forming area (Lundquist and Tripl, 2011). However, as it was stressed in theoretical section, it is almost impossible to target geographical and institutional distances and related to them barriers disregarding their interconnections with other proximities. That is seen in the analysis as well.

Social and cultural distances reduction initiatives were identified in four of seven policy directions. Those kinds of proximities are less costly but time-consuming in overcoming due to their reflexive nature (Williamson, 2000; Lundquist and Tripl, 2011). That is why targeting them on the initial stages of integration will allows ‘patient’ long-term policy strategies to take time to natural public acceptance and development of mutual trust. These activities require sufficient level of geographical and institutional proximity that usually characterize more mature integration development stages. Nonetheless, most of the initiatives in the analyzed policy are aimed to ‘introduce’ cross-border actors to each other and promote public understanding of cross-border region formation, e.g. sharing of information about culture and traditions through organized cultural exchanges and international events, etc. As it is stressed in the theoretical section, at the formation stage of social and cultural relations national level policy actors are responsible not only for control over reduction of geographical and institutional barriers but for strengthening and promotion of social and cultural elaboration. Same approach is applied in the policy on regional cooperation between the Russian Far East and North East of China.

Another interesting outcome from analysis is a presence of initiatives towards functional/cognitive proximities reduction. The only policy direction, namely “Development of cooperation zones,” indicated issues of different knowledge bases and importance of knowledge exchange. Creation of joint innovation and business centers allows overcome physical distances that are determining knowledge exchange or access and crucial for functional proximity (Boschma, 2005). According to the integration policy strategy (Table 2), reduction of functional and cognitive distances are typical for more advanced stages of (cross-border) integration process that require stable institutional infrastructure and vast financial investments (Tripl, 2013; Lundquist and Tripl, 2011). From the “time and cost” perspective, functional and cognitive distances are representing the types of integration barriers that require not only high financial investments but may take years for implementation (Boschma, 2005). As functional/cognitive proximities reduction initiatives were identified only in one policy direction it might denote trial character of these initiatives in order to detect asymmetry in innovation capacity between integrating neighboring regions, identify similarities and differences of knowledge bases and their potentials as well as measure learning capabilities of the (cross-border) cooperating actors (Boschma, 2005).

Applying the policy on regional cooperation between the Russian Far East and North East of China for the period 2009-2018 on the integration policy implementation strategy model proposed by Karl-Johan Lundquist and Michaela Trippel (2011), it shows that integration initiative in the RFE and the NEC region is still falling under the characteristics of initial integration stage (Stage I, Table 2) in regard of previous interactions and mutual history before policy implementation. The following development and region's integration perspectives will be defined by success of the proposed in the policy goals. Integration initiatives on the Stage I does not identify "path" of possible integration as it aims to prepare strong basis for any kinds of following integration activities by focusing on the reduction of basic proximities (Trippel, 2013).

6. Conclusion

The tendency of development of cross-border areas all over the world is explained by the opportunities that interactions and mutual integration may offer. Unification of heterogeneous environments allows not only “escape” from spatial, resource or other dependencies, but more importantly it may radically change the status and specialization of the border zones based on their capabilities (Järviö, 2011; Crouch and Farrell, 2004).

The focus of this paper was made on the border areas located on the Far East of Russia and North-East of China that stay on the threshold of integration process. The most recent step towards cross-border regional cooperation was official policy on the Russian Far East and the North-East of China cooperation for the period 2009-2018. This paper explored integration preconditions, barriers and prospects based on the theoretical discussion on the (cross-border) integration policy implementation and proximities (barriers) that occur in different stages of integration. Research method in this study required in-depth literature search on cross-border cooperation and analysis of the policy document through the lenses of the chosen theories. Main findings of this paper are presented below:

- The Russian Far East and the North-East of China border zones may be recognized as (forming) cross-border region that makes implementation of integration-oriented strategies and concepts relevant for this case.
- The analysis of integration policy directions showed that at the moment of policy implementation the process of integration between the RFE and the NEC was in its initial stage, as policy agendas are stressing typical for early integration initiatives.
- Due to relatively recent history of interactions between border zones and implemented policy that oriented towards initial integration stage, the studied cross-border region is facing basic elementary integration barriers.
- Main identified proximities between the Russian Far East and the North-East of China that are geographical and institutional; second by importance, are social and cultural proximities.
- Identified functional and cognitive distances reduction initiatives are atypical for initial integration policy implementation stage.
- Functional and cognitive distances reduction initiatives signify attempts to test innovation capacity of the regions, compare knowledge bases, and estimate learning capabilities of the cross-border cooperating actors.
- Direction of the integration process in studied area is hard to identify on this stage of integration and require following long-term research.

7. Future research

The hierarchy of the research paper suggests guidance for the further research. Cross-border integration is a complex and relatively recent studied phenomenon. In case of integration studies on the Russian Far East and North-East of China, the research is very small, fragmented and unstructured. Literature discourse has shown that relevant studies were mainly done on the European context (Wilson, 2003; Dabinett and Richardson, 2005; Lundquist & Tripp, 2009; Cameron, 2010, etc). The RFE and the NEC border zone vary a lot in terms of geographic (size, population, resources), economic, political, cultural (language, traditions) aspects and historically was always separated and closed due to political and strategic reasons.

This research paper was an attempt to contribute to the larger research body on cross-border cooperation and to examine specific cross-border integration strategies in regard of the case. Future research may include both empirical and theoretical perspectives. From empirical perception, I would suggest to conduct the research on integration development directions of the Russian Far East and Chinese North-East provinces. Such study will require time and consistent data collections, but due to current formation stage of RFE and the NEC cross-border area it will be possible carefully follow integration process development. Analyzed cooperation policy revealed some motivations (innovation-oriented goals) that might transform integration relations in the future. Another suggestion is to compare newly emerging cross-border areas (e.g. outside Europe) with already existing ones through the cross-border integration strategies perspective in order to see whether these strategies are/will be beneficial for them. That will improve empirical evidence on cross-border zones and will promote development of alternative integration strategies.

This research was an attempt to broad the perception on cross-border area concept. From theoretical perspective, it also might be a starting point for academic research on the importance of integration motivation in cross-border integration process and its role in formation and abolishment of integration barriers.

I believe that my research may contribute to broader and deeper scientific analysis on presented topics and may be valuable supporting information for future integration studies and integration policy developments and corrections.

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Appendix A

Themes and codes used in analysis of the integration policy document on Russian Far East and the North-East of China during the period of 2009-2018.

Geographical proximity	Institutional proximity	Social proximity	Cultural proximity	Fictional/Cognitive proximity
<ul style="list-style-type: none"> - Improvement, building of border infrastructure - Transport cooperation - Transport infrastructure (other) 	<ul style="list-style-type: none"> - Law and regulation unification and standardization 	<ul style="list-style-type: none"> - Joint social activities - Long-term cooperation agreements in social spheres 	<ul style="list-style-type: none"> - Sharing of business practices and education - Language and culture familiarization - Promotion of regional identity 	<ul style="list-style-type: none"> - Scientific, innovation, technological cooperation