

# The "Yellow Peril" Revisited: The Impact of Chinese Migration in Primorskii Krai

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The improvement of relations between Moscow and Beijing in the late 1980s and the demise of the Soviet Union lifted the political, economic and cultural isolation of the Russian Far East from China. While creating economic incentives for cooperation, the cross-border flow of people, goods, and services has given rise to security concerns and socioeconomic grievances among political elites and the public in the Russian Far East. In Primorski Krai (Primor'e)--located at the juncture of Russia, China, and Korea--these concerns are accompanied by a lack of reliable data and systematic analysis of the scale and socioeconomic consequences of Chinese migration, making informed public debate on these issues unlikely, and policy miscalculations more probable. This study's findings partially address this problem.

## **The Scale of Chinese Presence in Primor'e**

According to an interdepartmental memo of the visa registration service (OVIR) in Vladivostok, the total number of Chinese nationals visiting Primor'e increased from 40,000 in 1994 to 73,000 in 1998. A separate internal report by Russia's border service estimates that 80,622 Chinese nationals crossed into Primor'e from 1998 through June 1999. Visual observations in Vladivostok, Nakhodka and Ussurisk refute speculations of a massive ethnic Chinese presence there.

About 84% of PRC visitors (61,000) enter Primor'e visa-free, on tourist permits, mostly engaging in cross-border trade and business. The federal migration service for Primorski Krai estimates that the number of ethnic Chinese in Primor'e daily does not exceed 5,000 (about 0.25% of the local population).

The percentage of PRC visitors in Primor'e who remain there illegally dropped from 34% in 1994 to 0.4% in 1998, according to OVIR. The number of illegal border crossings, attempted entries on forged passports, visa regime violations and deportations in relation to the growing number of Chinese visitors also declined from 1994 to 1998. The flow of registered Chinese migrant workers has remained steady at about 7 to 8 thousand annually during the same period.

### **Economic Benefits to Primor'e**

Primor'e's economy has benefited from Chinese traders providing food and consumer goods, especially in major cities. Cross-border trade also allowed the laid-off and underemployed workers in Primor'e to make a living by shuttling goods across the border. From 1992 to 1996, the number of Primor'e residents visiting China exceeded the number of Chinese visitors in Primor'e by about 10 times. Chinese markets where Russians and Chinese trade side-by-side sprang up in Primor'e's cities, putting downward pressure on consumer prices.

Direct investment from China in Primor'e dropped from \$400 million in 1997 to \$105 million in 1998. The number of joint ventures between Chinese and Primor'e businesses rose from 12 in 1993 to 76 in 1996, but then dropped to 33 in 1998. The volume of goods produced and services rendered by these joint ventures amounted to \$1.4 million in 1998. Foreign trade turnover of Primor'e-PRC joint ventures has far exceeded tax revenues (by 3.5 times in Vladivostok, by 5.5 times in Nakhodka, and by 545 times in Dalnerechenski district in 1997). Joint venture trade revenues have fluctuated widely, increasing uncertainty and thus incentives for short- over long-term gains among businessmen, and for corruption among officials.

Primor'e's economy has depended little on Chinese migrant labor except in vegetable farming and, to a lesser degree, in construction. Work quality, discipline, and special skills of Chinese migrant laborers make them attractive to Russian employers. While constituting just 1% of registered employees from 1994 to 1997, legal Chinese migrants accounted for 5 to 11% of the local labor force in three Primor'e borderline districts in 1996-97.

Cross-border smuggling of ash trees, ginseng, fish, frogs, dried sea cucumbers, musk deer glands, and tiger and bear parts generated approximately 3 million dollars for Chinese smugglers in 1998, with approximately the same amount spread among Russian poachers and sellers. At the same time, the tax service of the Russian Federation collected the ruble equivalent of \$656 million in Primor'e in 1998--a drop from \$2 billion in 1997. Large volumes of cash from illicit trade relative to the tax base in some districts and cities produce incentives for corruption among public officials. Local police appear to be especially corrupt, selling protection to illegal traders, according to anecdotal evidence.

### **Demographic Insecurity and Economic Costs**

Chinese migration is strongly associated with demographic disparity, pitting Primor'e's 2.2 million residents against 70 million Chinese in the neighboring Heilongjiang province. Local scholars produced studies arguing that Primor'e is under strong "demographic pressure" from China, reaching 63,000 Chinese nationals for each Russian per one kilometer of the Russian-Chinese border. Local residents and government officials are concerned over this disparity, often referring to the "yellow peril." These perceptions are

enhanced by a reversal of natural population growth in Primor'e and by persistent emigration of ethnic Slavs in the 1990s.

Chinese migration, coupled with a deteriorating employment situation in Primor'e, sets the stage for job competition. From 1995 to 1997, the number of job seekers per vacancy increased in 14 of 20 Primor'e cities and border districts. In three of these districts those seeking employment more than tripled. Cross-border smuggling of Primor'e's sensitive bioresources increased from 1994 to 1998. Since benefits from smuggling are shared by few, but the costs are spread widely among local residents, environmental grievances among the general public are on the rise.

### **Summary**

The economic activities of Chinese migrants in Primor'e neither generate major economic benefits for, nor impose major costs on, Russian residents and government officials in nearly half of the 20 cities and borderline districts of Primor'e in this study. On balance, however, in Primor'e's largest cities, economic benefits arising from Chinese visitors' activities exceed economic costs. These activities have made above-average financial resources available for corruption of government officials in Vladivostok and Ussurisk, and in Dalnerechenski district. In five districts, lack of economic benefits coupled with demographic insecurity favors anti-Chinese activism. In three major cities (including Vladivostok) and in two border districts economic benefits and more stable demographics favor interethnic cooperation. In two districts economic benefits and costs are both high, suggesting both higher interethnic tensions and stronger incentives for restraint on the part of ethnic Russians.

### **Policy Implications for the United States**

Despite their nationalistic rhetoric, key Primor'e political players thus far have strong incentives to restrain anti-Chinese activism. Nevertheless, if economic benefits to them from cross-border economic cooperation fail to increase over time--as appears plausible given the stalemate on projects such as the Tyumen river free trade area, and incentives to boost political ratings through xenophobic campaigning--perceptions of geopolitical and demographic vulnerability are likely to persist and grow stronger. Economic incentives (arising from trade, investment and joint ventures) that are likely to restrain anti-Chinese activism have continued to decrease after 1996.

The US Government has viable instruments in place to increase Russian elites' incentives for cross-border cooperation with China and for greater accommodation of Chinese migrant workers and traders. One such instrument is the US West Coast-Russian Far East Ad-Hoc Group, currently operating within the framework of the Gore-Chernomyrdin successor commission and focusing on international projects at the junction of Russia, China, Korea and Japan. The usefulness of this policy instrument will increase if the forum engages key economic and government actors from China, Korea and Japan.

Another instrument is APEC, through which the US can facilitate more active and broader engagement of Russian federal and regional officials and the business community in multilateral economic development projects, including free trade zones, production sharing, and infrastructure projects. Engagement in these institutions is also likely to lessen currently strong incentives for Chinese businesses to pursue short-term rent-extraction and asset-stripping strategies in the Russian Far East.

The United States can help reduce economic incentives for interethnic tensions in a region like Primor'e through international institutions, such as the United Nations Development Program (UNDP), which designed the Tyumen river project. The US representatives in UNDP can suggest paying greater attention to demographic and political vulnerabilities that currently feed a largely negative perception of the Tyumen river project among Primor'e political elite.

A more active US role in forging institutional collaboration among the Ad-Hoc Group, APEC, UNDP, and other organizations is also likely to create more opportunities for inter-elite dialogue and economic problem-solving in the area.

Since economic development, migration, and interethnic issues are currently at the heart of evolving relations between the two largest Eurasian powers, Russia and China, any positive role that the United States can play on these issues will enhance its political leverage in maintaining security in East Asia. Greater constructive involvement now--which can be achieved at a relatively low cost through existing institutions--will help avoid the potentially higher costs of dealing with any destabilizing effects of interstate disputes and/or intrastate violent conflict in that region in the future.

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