Concept development of Sino-Russian cross-border agricultural entrepreneurship

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Abstract. The objective of the study is to support an adequate methodological approach to the development of the concept of cross-border Russian-Chinese agricultural entrepreneurship and to take into account the inevitable risks that arise in this process. The object of the study is Russian-Chinese agricultural entrepreneurship in Primorsky Krai of the Russian Federation. The subject of the research is the organisational and economic relations that determine the conditions of Russian-Chinese agricultural entrepreneurship in the border areas. The results of the research are methodological tools to support the process of developing the concept of joint Russian-Chinese agricultural entrepreneurship under the conditions of minimising environmental and economic risks. It identifies promising projects aimed at the development of agricultural entrepreneurship in border municipalities and production aimed at the production of import-substituting products. The conditions of interaction with Chinese partners, under which foreign investment in the development of agriculture in Primorsky Krai will have an impact on increasing the potential of economic development and its formation as a competitive segment in the Asia-Pacific region, are substantiated. As a result of the development of this concept, related to the variety of tasks to be solved and risks that arise, the improvement of Russian-Chinese agricultural entrepreneurship should be based on the maximum structuring of risks and the application of standardised assessments of the results obtained, which will ensure high efficiency of joint entrepreneurship in the border areas and progressive development of the Russian and Chinese economies by achieving mutual interests. Key words: agricultural entrepreneurship, agriculture, Russia, China, concept, development, transformation, agricultural land, agricultural products.

1 Introduction

In the current context of a significant reduction in international contacts between major geopolitical powers, the international activity of actors in the implementation of part of their foreign policy functions will increase. In this context, the development of cross-border cooperation between Russian regions and foreign countries is of particular importance. Understanding this fact led to the approval in October 2015 of the Concept for the

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development of border territories of the subjects of the Russian Federation that are part of the Far Eastern Federal District and the Baikal region (hereinafter - the Concept) [1]. This decision was taken because agricultural development in Russia has been in a difficult period in recent years. In the Far East, much of the arable land remained nonprivatised after liberalisation and remained in the hands of state (regional) land distribution funds.

In addition to strategic cross-boundary development initiatives, this Concept Paper seeks to address the land development problems in Russia's eastern territories that have arisen as a consequence of land reform, when 108 million hectares of agricultural land in Russia were privatised in the early 1990s. This land, which had belonged to large Soviet collective and state farms, was distributed to the population on an undetermined title deed. However, the owners of the shares largely left these private plots unclaimed. Therefore, the amount of land cultivated by these companies decreased considerably as the state support for agriculture and the interest in farming decreased [2].

2 Methods

The theoretical and methodological basis of the study was provided by applied and fundamental works of foreign and domestic researchers in the field of entrepreneurship theory and agricultural management theory. The authors relied on the relevant provisions of international trade theory within the concept of comparative advantage that can be used in cross-border cooperation. The research process was conducted with the use of general scientific methods of cognition, methods of statistical analysis, forecasting, generalisation, and situational analysis. The information basis of the study includes materials of the Ministries and Departments of the Russian Federation, the PRC, the Chinese Committee on State Statistics, the Russian Federal State Statistics Service, regulatory and legislative acts of the Russian Federation and the PRC, Internet resources, and the materials of the periodic press.

3 Results and Discussion

As a result, agriculture in Russia as a whole has had a downward development trend since the collapse of the Soviet Union, with the situation in the Far East being worse than the Russian average. In a difficult environment in terms of demography, infrastructure and transport, agriculture was more dependent on support and subsidies from the central state than western Russian regions. Post-Soviet emigration from the Far East exacerbated labour shortages, which, in turn, fuelled agricultural and general economic decline. The population declined by more than 30% between 1991 and 2015, mainly due to migration, but also as a result of natural attrition.

In addition, about 40% of the agricultural land in Russia, which went into private ownership in the 1990s, was owned by pensioners. Three-quarters of this land was expected to be transferred through inheritance, but in the Far East (as in the rest of Russia) many heirs simply do not claim inherited land shares or plots [3].

At the same time, the relationship between Russian landowners and PRC citizens as tenants or wage earners has changed. The more expensive market for agricultural products in the Far East has led to Chinese economic participation in Russian agriculture related to the activities of workers, small traders, and farmers, who have seized opportunities to expand their scale and generate commercial profit [4].

After the liberalisation of the Sino-Russian border, Chinese peasants and agricultural workers were actively engaged in the economy in the far eastern border regions, resulting in the expansion of their presence on Russian soil in the first 10-20 years of market reforms.
Although much has been written about the extractive dimensions and negative consequences of land grabbing by local communities, evidence suggests that Chinese workers not only filled genuine labour shortages but also made positive contributions to local food security.

In recent years, the Russian government has actively encouraged Asian countries to invest capital in the Far East, in line with its domestic strategy to develop the economic sphere eastward. Russia has expressed its intention to develop a "Far Eastern grain corridor" and to export about 10 million tonnes of grain to Asia by 2020 [5]. Russia's approach to Chinese investment has changed considerably in recent years, especially where it is linked to the strong securitisation and politicisation of migration. As far as the aggregate scale is concerned, accurate data on the number of Chinese citizens employed in agriculture, as well as the land they lease, would certainly be useful.

Thus, based on the above circumstances, the Concept has been approved, which intends to implement the following activities:

- provision of land plots from agricultural land for agribusiness investment projects on preferential terms for small and medium-sized businesses to increase the interest of local entrepreneurs, as previously the Russian government favoured larger-scale agriculture;
- development of additional state support measures that are aimed at developing and modernizing agriculture in the border areas of the Far East, including the development of personal subsidiary farms and peasant (farming) households, increasing the production, sale and processing of various types of agricultural products, and developing fisheries and fishing;
- implementation of measures aimed at preventing the retirement of agricultural land and involving unused land in agricultural turnover, as well as reducing the period of non-use of agricultural land, after which the land in private ownership can be legally withdrawn;
- reducing imports of food products and agricultural products, development of incentives for the establishment of production facilities in the border areas, which ensure import substitution of food products and agricultural products;
- increasing the share of taxes and levies that go to the regional budgets of the border areas;
- support for export-oriented agricultural entrepreneurship.

The concept identifies the following promising projects for the development of agricultural entrepreneurship in the border municipalities and the creation of industries aimed at the production of import-substituting products:

- creation of cooperatives for the production of beekeeping products, procurement and processing of berries, mushrooms and wild-growing products;
- development of cattle breeding, which requires construction of dairy plants, cattle breeding complexes, modular complexes where cheese production and milk processing will be implemented;
- creation of agro-industrial parks with modern greenhouse facilities for growing vegetable products (green crops, tomatoes, cucumbers, leaf lettuce, etc.);
- creation of production halls for storage and processing of vegetable products, soybeans and grain;
- creation of wholesale and distribution centres for the marketing of agricultural products in the Far Eastern border areas, which collect agricultural products, including those produced by private subsidiary farms and peasant farms, their marketing and storage;
- in the future it is envisaged to set up processing facilities for the production of finished food products on the basis of these centres.

However, despite such important goals, they have not yet been achieved. Thus, the goals presented in the Concept can be achieved through large investments and the involvement of a huge amount of human resources. Due to the lack of their own resources, Russian entrepreneurs, including independent "small and medium-sized farms", almost always hire
Chinese, despite the bureaucratic obstacles and costs associated with the visa and migration process.

At the moment, financial resources are insufficient, so it is envisaged to stimulate investment from China in Russian agriculture under the Programme of Cooperation between the Russian Far East and the North East of the PRC, which gives a special place to Primorsky Krai and the development of the agricultural sector there.

It should be noted that since 2015, the Primorsky Territory has been the leader in import substitution of agricultural products among all Far Eastern regions. By gradually implementing a food security programme, agricultural enterprises are exporting sugar, eggs, meat products (pork, beef, horse meat, venison, lamb, marbled meat), poultry, milk and dairy products, grain (corn, wheat), soy and fodder to Asia-Pacific countries. Agriculture is becoming a very promising area for interregional cooperation. Chinese partners are turning their attention to the agricultural sector and agricultural production in the Primorsky Territory for several reasons [6].

First, the impressive agricultural potential of Primorsky Krai, inherited from the Soviet system of collective farms. As part of the policy of rural resettlement in the period 1960-1986, more than 160 thousand people from agricultural regions and republics of the Soviet Union were relocated to Primorsky Krai.

Second, the ecologically clean products of Primorsky Krai are in demand on the Asian-Pacific market. The quality standard of Russian food is higher than that of Asia-Pacific countries. For example, Russia bans the use of any additive in milk production, whereas in China, even after the so-called "melamine scandal", the authorities have never stopped adding melamine, but only when its proportion in the finished product.

Third, the depreciation of the Russian currency has more than halved in two years. This allows Russian agricultural companies to attract foreign investors to reduce the price of their assets in dollar terms without losing significant profits. The same applies to export sales of raw materials and products to Chinese markets. Currently, there are 25 exporters and producers of agricultural products in Primorsky Krai.

Fourth, the social and economic dependence of the northern regions of China on trade relations with the territory of the Primorsky Territory and Russia as a whole. The three-fold increase of trade turnover between Russia and China in the last 15 years occurred mainly due to the transition of the neighbouring countries' leadership to the policy of harmonising the economic potential of their regions.

Fifth, the growing population of the PRC and the Asia-Pacific region, which is now home to more than half the world's population. The most populous countries and the most populous regions of the world are in Asia and the Pacific. In the short term, the region's population (by 2020), according to existing expert estimates, will exceed 60% of the world's population [7].

Sixth, the formation of the free port of Vladivostok and the territories of advanced development in Primorsky Krai. The formation of preferential taxation, simplified state registration procedures, are a great motivation for investment in this region.

However, in order for foreign investment in the development of agriculture in Primorsky Territory to increase the potential for economic development and its formation as a competitive segment in the Asia-Pacific region, the following conditions must be met when interacting with partners from China:

1) Cooperation with foreign investors should be mutually beneficial. Investments should create high-tech jobs that aim to produce high-quality products. At the same time, most of the jobs in joint ventures and foreign enterprises should be replaced by local workers from the territories where these enterprises are located. In order to fulfil the import substitution programme, most of the products will have to enter the domestic market [8]. This is especially relevant in agriculture, where the share of regional or even domestic agricultural products in
the market is too small (for example, in the production of vegetable and meat and dairy products);

2) Foreign investment should be directed not only toward large enterprises, but also toward traditional farms. For the development of agriculture in the region, it is necessary to achieve a balance and interaction of various forms of management [9]. Small agribusinesses should provide products to consumers living in the respective municipality or region. Meanwhile, some small farms in Primorsky Krai often try to occupy niches abroad, because domestic demand for certain categories of agricultural products is provided by the major regional players. Large enterprises have the problem of a shortage of "human resources". It is also necessary to promote all areas of the social sphere in rural areas: health, education, leisure, etc., so that the working population stays in the territory and contributes to the activities of agricultural enterprises.

It should be noted that the Primorsky Territory as a whole has a favourable agricultural structure: about 40% of the region's production is produced by large agricultural enterprises. Almost 48% of the region's agricultural products are produced by households for their own needs. This indicates a very high level of agricultural production (as the share of the rural population in the region is lower than in the country as a whole) and that the share of farms in Primorye's agricultural sector is insufficient to fully support the market for local goods;

3) Cooperation with China in the agricultural sector should consist not only of attracting investment, but also of exchanging experience and innovations and hiring qualified personnel [10].

As noted earlier, the development of the border area requires not only infrastructural, economic and political, but also psychological conditions. To become a competitive segment in the Asia-Pacific region, the agricultural sector in Primorsky Krai should develop at the level of expert and public perception [11].

In this context, it is worth considering the cluster approach to the formation of development priorities developed by the Russian government, among which agriculture could become the flagship sector of the regional economy for several reasons:

1. The growth of agricultural production, which has quadrupled over the last 10 years. The short-term decline in agricultural production during this period was due to adverse weather conditions, such as typhoons and heavy rains, which flooded fields during sowing and harvesting campaigns. In 2015, for example, Typhoon Goni flooded 88,300 hectares of cultivated land, approximately a fifth of the region's agricultural resources.

2. Significant progress in certain types of agricultural production. For example, the area under industrial crops and soybeans, the gross harvest of grain, rice, vegetables, and the production of cattle and poultry for slaughter have all increased over the past 10 years.

3. Developing infrastructure for the agricultural sector. Four livestock farming projects and 11 pig farming projects are being implemented in Primorsky Region.

4. Positive changes have occurred in the general public's perception of the region's agricultural sector.

4 Conclusions

Summarizing the results of this study, we can conclude that Russian-Chinese agricultural entrepreneurship has played and will continue to play a significant role in achieving the goals of sustainable socio-economic development of Primorsky Krai.

Based on the systematic analysis of the key provisions of the presented concept of Russia-China cooperation development in the border regions of the Far East, as well as the forecast made for the increase in sown areas and the grain production volume in the Primorsky territory, we can consider that further growth in the scale of joint agricultural entrepreneurship in this region is justified. Therefore, the relevance of improving the risk
management system for this type of economic activity is not only preserved but also significantly increased. It is reasonable that the successful solution of this problem should be based on the division of responsibility for the possible negative consequences of risks between Russia and China while creating an adequate mechanism for coordinating the interests of the authorities and businesses of these countries.

Thus, we can say that the development of agricultural resources in Primorsky Krai together with the PRC takes place within the framework of the main provisions of the Concept, but the effectiveness, socio-economic and environmental and economic consequences of this process will be largely determined by the conditions of joint Russian-Chinese entrepreneurship formulated in the previous chapter of the thesis, with an adequate level of managerial decision-making and implementation.

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