

Ivan Peshkov
Poznań

From “Border Socialism” to “Border Capitalism”: Past Dependency in the Inner-Asia Border Triangle

Regardless the great geopolitical significance of the Chinese, Russian, and Mongolian Border Triangle each part of this region has very modest economic potential on the country level and similar participation in inter-country trade flow. But in each three cases from the local perspective the role of the borders is crucial for the development of the area. The reconfiguration of the border system in Inner Asia is a part of wider transformation processes of the cold-war Sino-Soviet border management model in this area (before 1991 Mongolia was a part of the Soviet Block with limited autonomy).¹ The model was characterized by closed-border policy, special attention from state authorities to the supervision of border communities (special rights, movement control, the propagandist idea of a border as a bastion, etc.), and a very strong connection between socialist modernization and militarization of the area (on the economical, cultural and social levels). In each of the three cases² the application of that model provoked similar results: mass migration of new inhabitants, a special role of military institutions, and a deep experience of socialist modernization. In the cases of China and Soviet Russia mass migration completely changed the regional ethnic situation (because of the outer ethnic groups' migration). Local and indigenous

¹ M.T. Fravel, *Regime Insecurity and International Cooperation. Explaining China's Compromises in Territorial Disputes*, "International Security", 30/2 (2005).

² The location of the region of analysis (further referred to as the region), the Inner Asia Triangle, i.e. Irkutsk — Choibalsan — Harbin. The administrative units: the borderline territory of Inner Mongolia, the Heilongjiang Province (China); the Irkutsk Oblast, the Buryat Republic, the Zabaykalsky Krai, the Amur Oblast (Russia); the Dornod Aimag (Mongolia). "The three cases" or "three parts of the region" are the Mongolian, Russian, and Chinese sides of the Inner Asia Triangle.

inhabitants still played a nominal role in the symbolic and political life of the region, but generally most inhabitants had a migrant origin³ and very weak ties to the non-socialist period of the region's history and culture. In this context socialist modernization turned out to be a powerful historical circumstance conditioning the adaptation to life following the socialist model of social relations and changing the model of border management.

This paper aims at showing — using the examples of the border regions of Mongolia (Dornod Aimag), China (the northern and northeastern provinces) and Russia (the southern part of East Siberia) — the main economic and historical processes that characterized that area (the destruction and slow reconstruction of the old industrial base, demilitarization, and demographic changes). The main assumption is the imperative to go far beyond the “teleological” transition discourse with its country-level generalities, one-way direction of changes, simple interpretation of the escape from socialism and concentration only on new forms of economic activity. Taking into account the historical perspective (the role of socialist modernization) is crucial because of the special character of socialist experience in the border areas. In this context the past does not determine the events directly, but it explains the attractiveness of the choice of non-market model of adaptation.

Socialist “Modernity” in Inner-Asia Border Triangle

From the local point of view socialist modernization was the first radical change⁴ into a special kind of modernity with a completely new order of border life and state control of the territory. The socialist model of modernization reveals a row of features that differ it from both the classical models of modernization and the “late” modernizations of the South countries in the 20th century.⁵ The key feature of socialist modernization was the routine use of violence both as a tool to eliminate the existing sociocultural structures and as a basic mechanism of social regulation. In this model of modernization the decisive role was played by the state that determines both proprietorship and the limits of economic choice in return for guaranteed economic growth

³ In a lesser extent it concerns the Dornod Aimag.

⁴ In the case of Northeast China (Manchuria) the first step to modernization occurred during Japanese occupation (1931-1945), it also referred to the military and state governing style, with constant quotations of the Soviet industrialization model. (L. Young, *Japans Total Empire. Manchuria and the culture of war time Imperialism*, Berkley 1999). The Soviet-Chinese liberalization of the area in 1945 destroyed the institutional and economic base of that social project.

⁵ Yu. G. Alexandrov, *Perekhodnaya ekonomika: Rossiyskaya versiya*, Moscow 1999.

and safety. Monopolizing investment and organizational decisions offers the possibility of a radical increase in the pace of industrialization and urbanization, and the implementation of elementary education structures. Thus, the results of socialist modernization include:

- A socialist model of industrialization that enables the concentration of assets, knowledge and workforce making the structure of the economy change radically in a relatively short period.
- A socialist model of urbanization in the framework of which agricultural countries undergo a relatively fast transformation turning agricultural societies into modern ones. The growth of urban population is accompanied with a broader access to education and health care, as well as with a radical increase in people’s opportunities.
- A new type of workforce socialized in a non-market environment with non-market models of management, enjoying a special social status and social guarantees.⁶

The influence of military mobilization esthetics on socialist modernization practices was very strong and it was widely recognized in the literature,⁷ but the specificity of the socialist border with the outside world (non-socialist or with the wrong socialist country) provoked the “overmilitarization” of the social life in the borderline areas. The socialist conceptualization of a border (as a limitation of legal space and separation from the outside world) legitimized the military style of governing and the special attention paid to the governing of economic activity.⁸ In each part of the region the state-governed processes of fast and forced industrialization created a kind of socialist-society structure: an border-oriented industrial and military base. Such a base was characterized by strong dependency on the state policy both during its development and management. That structural feature has resulted in the continuation of the high-level state dependency in the destruction process of those social units and the attempt to transform the old industrial and military bases into new forms of regional social and economical organization. This link between the local economic and social practices with formal and informal state support is based on the nature of this form of social structure. The complex state support was a basic factor

⁶ I. Peshkov, *Rethinking restructuring obstacles in Northeast China. From “Ownership” to strategy-based approach to SOE’s reform in Heilongjiang Province*, in: *China and Changing Landscape of the World Economy. Confucianism and Financial Crisis Management*, Beijing 2009.

⁷ Sh. Fitzpatrick, *Culture and Politics under Stalin: A Reappraisal*, “Slavic Review”, 35/2 (1976); Th. Skocpol, *Social Revolution and mass Military Mobilization*, “World Politics”, 40/2 (1988); A. Vishnevsky, *Serp i rubl. Konservativnaya modernizatsiya v SSSR*, Moscow 1998.

⁸ The Chinese-Russian and Mongolian (satellite) border was completely closed in 1931–1945 and from the late 1950s to 1989.

of social life and thus, the radical change in state responsibility ended “the modernity era” and provoked the “post-socialist backwardness” processes and the uncontrolled crisis of infrastructure.⁹

Life “After Modernity”: the Local Perspective

The changes in the socialist model of the state responsibility initiated disintegration processes of all the social and economic structures. The transformation of infrastructure (both mental and physical) that was shaped by the previous regime could not keep up with fast political changes¹⁰. Economic entities started to establish institutional infrastructure at the grass roots, i.e. the one that was supposed to correspond with economic reality.¹¹ The process caused the emergence of a specific synthesis of formal and informal institutions, which enabled to begin economic changes on the conditions acceptable for the key agents (the lack of restructuring, remaining on the market preserving certain elements of the previous system).¹² A market economy does not develop in an institutional or social void. New market structures need to function next to the old ones, the uselessness of which is not at all obvious to the participants of economic processes. This can be called a conservative (non-market) model of adaptation to the market, the essential feature of which being the introduction of enterprises to the market without any radical technological and organizational changes. Conservative adaptation is a path taken by areas where socialist models of modernization, urbanization and industrialization were introduced in agricultural societies in the conditions of long-standing isolation and mass political indoctrination¹³.

The collapse of the basic structure of socialist societies intensified the dynamics of pauperization to a higher extent than it was expected at the beginning of the transition process. There are many causes of this process: the collapse of social policy and collective agriculture, the emergence of labor market, and the high role of wages in the household budgets. This is a special case of transitional poverty, completely different from the poverty

⁹ C. Humphrey, *Postsovetskiye transformatsii v asiatskoi chasti Rossii*, Moscow 2010.

¹⁰ J. Klugman and J. Braithwaite, *Poverty in Russia during the Transition: An Overview*, “The World Bank Research Observer”, 13/11, 1998; M. Gutsul, *SNG za chertoy bednosti*, <http://www.centrasia.ru>.

¹¹ V.V. Volkov, *Silovoe predprinimatelstvo. Ekonomiko-sotsiologicheskii analiz*, Moscow 2005

¹² A.D. Nikipelov, *Ocherki po ekonomike postkommunisma*, Moscow 1996.

¹³ I. Peshkov, *op. cit.*

in developed and developing countries. In the case of transitional poverty the first generation is not illiterate, low-motivated or low-qualified and it has a strong expectation of state support¹⁴. Paradoxically, this kind of pauperization characterized the high objective and subjective dependency from the postsocialist state. Moreover, the old industrial structure cannot exist without state subsidies and the possibility of softening budget constraints¹⁵.

The specificity of the region is the domination of the conservative model of adaptation to the collapse of socialist economy: the key elements of old structures still exist and the new forms of economic activity have been mostly supplementary. The anthropological and sociological research has shown the continuation of the old forms in new conditions and the fast adaptation of the new forms to the mental maps and expectations of economical agents¹⁶. The new forms of economic activity must function in a special social context and play a role supplementary to the “old normal life”. The processes of transformation of the old industrial and military bases have also strongly influenced the use of the border-trade opportunity in the area. First of all, one can observe the domination of small-business activity¹⁷ and its supplementary character. It means that most participants still play the “old” social roles and preserve the “old” social status (of workers, teachers, officials, military pensioners, etc.). Secondly, there is a concentration of wealth and economic activities only in several border cities without the strong influence on the countryside. Thus, it is evident that in this special border area both “border socialism” and “border capitalism” depend on the state policy and have adapted the new forms of economic activity to the new functions of border institutions (that control the routine border crossing). In this context the rich infrastructure of border exchange (legal and illegal) function as a factor integrating the old and new forms of social and economic activity. In many cases the possibility of border trade helps to retain the achievements

¹⁴ J. Klugman, *op. cit.*; B. Li, D. Piachaud, *Poverty and Inequality and Social Policy in China*, “CASE paper”, Vol. 84, 2004; *Mongolian Human Development Report. Employment and Poverty in Mongolia*, Ulan Bator 2007 and from the perspective of minorities in China: A.S. Bhalla, Qiu Shufang, *Poverty and inequality among Chinese Minorities*, London, New York 2009;

¹⁵ Th.G. Rawski (1997), *Who has Soft Budget Constraints?*, “Global Economic Review”, Vol. 26, No. 1, 29-49. J. Hassrad, J. Sheehan, M. Zhou, J. Terpstra-Tong, J. Morris (2007), *China’s state Enterprise reform. From Marx to market*, London.

¹⁶ C. Humphrey, *The Unmaking of Soviet Life: Everyday Economies After Socialism* by Caroline Humphrey, Cornell University Press 2002, R.E. Ericson, *The Post-Soviet Russian Economic System: An Industrial Feudalism?*, BOFIT Online, 8, 2000.

¹⁷ N. Ryzhova, *Informal Economy of Translocations. The Case of Twin City of Blagoveshensk-Heihe*, “Inner Asia”, Vol. 10, 2008.

of socialist modernization in new demilitarization and deindustrialization conditions in the area. Based on these assumptions we can talk about special cases of transition of the old industrial and military bases with particular rules of border trade and a possibility of labor migration.

Local Response to the State Policy Concerning the Borders

In the case of the analyzed region we talk about post-militarized and industrial zones with complete social modernization, migratory society and a unique geographical situation (with difficult conditions for agriculture and short tradition of the latter, the region's location far from the growth poles, and the role of the Russian, Chinese, and Mongolian markets). The differences between the sides of the triangle have resulted from the models of state policy and possibility of local response. The cases of China, Russia, and Mongolia differ considerably on the political, demographic, and institutional levels. Three decades of reforms in China are well-documented and constitute a peculiar case of socialist-economy adaptation to the market.¹⁸ China initiated liberalization as a mostly agricultural society with unfinished urbanization and inconsistent attempts of socialist industrialization following the socialist industrialization programs (the policies of the Great Leap Forward (1958–1960), The Third Front (1964–1966), the Cultural Revolution (1967–1969) and the Leap Forward (after 1970), and it introduced its model of reforms in the conditions of an unstructured transition economy with high production potential and stable demographic pressure on the labor market.¹⁹ This model of reforms has preserved the features of system transformation for an indefinite period to eliminate the qualities of a developing country. The specificity of China lies in a very slow market implementation of big state-owned enterprises (SOEs) accompanied with tremendously fast development of the private sector and exportation. The limited restructuring has resulted from the coexistence of market and non-market resource-allocation mechanisms in Chinese economy.²⁰

¹⁸ K. Gawlikowski, *Procesy transformacji w Chińskiej Republice Ludowej*, in: *Azja wschodnia na przełomie XX i XXI wieku. Przemiany polityczne i społeczne*, Warsaw 2004; F. Gang, *Podwójna transformacja w Chinach: minione 20 i najbliższe 50 lat*, in: *Globalizacja. Marginalizacja. Rozwój*, Warsaw 2003; B. Naughton, *Growing Out of the Plan: Chinese Economic Reform, 1978–1993*, New York 1995.

¹⁹ B. Naughton, *The Chinese economy. Transition and Growth*, Cambridge MA 2007.

²⁰ D. Perkins, *Completing China's move to the market*, *Journal of Economic Perspectives*, Vol. 8, No. 2, 1994; J. Y. F. Lin, C. Fang, L. Zhou, *State-owned enterprise reform in China*, Hong Kong 2001.

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The state-owned sector is an administrative structure that generates not only goods or services, but also jobs, interchange within the administrative market, an access to financial means and rent-seeking opportunities. This kind of policy resulted in the development of northern old industrial and military base with high SOE concentration, anti-restructuring attitudes of manpower and access to the Russian market enabling enterprises to continue their conservative-adaptation strategies (access to inexpensive natural resources, the possibility of seasonal migration, and the domination of low- and medium-quality goods in intra-regional trade). In the early 1990s the term „northeastern syndrome” (*dongbei xianxiang*) was coined to define the resistance of the old industrial base to restructuring stimuli and the government policy.²¹ The Heilongjiang Province and Inner Mongolia play an important role in the big state program called “Revitalize The Old Northeast Industrial Bases”. The Chinese model of reforms has a space for strong state support of local development and slow reorientation of northeastern area to the Russian and Mongolia markets. The possibilities for border trade and seasonal transborder migration are an attempt to retain the achievements of socialist modernization in the new conditions and adapt to mass rural unemployment after the decollectivisation. The Chinese policy regarding border cooperation concerns the possibility to access natural resources, export labor force and create the market for local production. The border trade is conceptualized as a local solution for a backward area and an instrument for its development after the second wave of industrialization.

In different ways Mongolia and Russia represent a more conservative approach to the border zone and have no conception about the second wave of modernization in the area. Both countries have not developed any industrial policy concerning the old industrial bases and have accepted partial deindustrialization and resource reorientation of local economy.²² The regression of social conditions and the deindustrialization of the area are accepted by the state institutions and we can observe the end of “modernity” in the area.

The eastern Siberian and Far-East regions — sparsely populated and natural-resources oriented — have functioned in the conditions of resource reorientation and collapse of rural economic activity (a shift to subsistence in rural area). The process of reforms was connected with the degradation of the industrial and social base, mass migration to the western regions and the

²¹ After 2003 the Xinhua News Agency termed the barriers in agricultural development of the “new northeast syndrome” (*xin dongbei xianxiang*). (D. Lisheng, *China’s Drive to Revitalize the Northeast*, China Perspective, <http://chinaperspectives.revues.org/document462.html>, 2005)

²² The industrial area in the Irkutsk Oblast’ is an exception here.

suppressed development of infrastructure. The unlimited demand for natural resources in the Chinese market actually strengthens the deindustrialization of the region and the informal economic activity there. Russia has no special policy regarding border trade and the fast development of the borderline area. The resource orientation and demilitarization of the area provoked the marginalization of the Russian part of the region and its strong dependency from federal state subsidies. Border trade is mostly supplementary in character and it has turned out to be the main instrument for subsistence practices in the area. The possibility to access cheap goods, services and labor force from China mask the dramatic processes of deindustrialization and demodernization of the area.

Dornod Aimag used to be a very important component of the common Mongolian-Soviet industrial and military base. The liberation of Mongolia and the collapse of the USSR (the end of the semi-colonial Soviet urbanization project and the orientation to Transbaikalia) was resulted in a strong impulse of deindustrialization and deurbanization of the area. Dornod Aimag experienced heavy transitional recession in the 1990s.²³ In the northeastern part of Mongolia we can observe partial deindustrialization with very strong orientation to the resource branch. The main reason for growth was the dynamism of the agricultural and tertiary sectors. On the one hand, it guaranteed the economy's adaptation to the shock of transformational recession and on the other — it made the economy dependant on the climate. The lack of border-trade infrastructure and the Ulaanbaatar-oriented economic activities have resulted in the significant asymmetry between the Mongolian and Chinese sides of border.

China dominates in the area, both demographically and as regards production, with its attractive price structure and border-oriented service sector. Given the generous state support and special industrial policy concerning the northern area it can be predicted that the growth vector will move towards the northeast and that the northern regions will follow the southeastern one as growth poles. It must provoke negative consequences (the deindustrialization in Mongolia and Siberia) very similar to the situation in the southern Chinese border. The export of deindustrialization from China can make a strong division between the development in China and the subsistence in Mongolia and Russia. It has also radicalized the anti-Chinese sentiments in Mongolia and Russia. The very strong anti-Chinese discourse in Mongolia and Russia is masking the weakness of the regional development model and the collapse of governance in the border area.

²³ In 2006 the Dornod Aimag still has the lowest HDI level in the country (Mongolian..., p. 21).

Dreams about border control have not come true. Only in China can we see the light of modernization at the end of the tunnel, although it is facing similar problems with old industrial and military base adaptation.

Conclusions

The specificity of the region is its division into parts with a very slow processes of market adaptation combined with the destruction of industrial and military border complexes. It has resulted in the popularity of local and small-form economic activity as well as mixed forms of adaptation to new market economy. The model of non-market adaptation has been chosen spontaneously by a statistically significant number of region’s inhabitants. Thus, it cannot be treated as a temporary problem concerning the unadapted part of the society. It appeared as an answer to the deteriorating social situation and an attempt of entering the market retaining the old (socialist) standards of social responsibility. It was also connected with considerably high social costs in a sense exceeding the short-term advantages, i.e. wages, not necessarily going beyond the poverty line, informal assets division, barriers for technological transfer and private capital. The popularity of this model also proves the fact that social actors have been trying to retain the achievements of socialist modernization in new conditions. In this context socialist modernization turned out to be also a powerful historical circumstance conditioning the discrete and inconsistent gradualist path towards market economy in border areas.

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Abstract

This paper aims at showing — using the examples of the border regions of Mongolia (Dornod Aimag), China (the northern and northeastern provinces) and Russia (the southern part of East Siberia) — the main economic and historical processes that characterized that area (the destruction and slow reconstruction of the old industrial base, demilitarization, and demographic changes). The main assumption is the imperative to go far beyond the “teleological” transition discourse with its country-

-level generalities, one-way direction of changes, simple interpretation of the escape from socialism and concentration only on new forms of economic activity. Taking into account the historical perspective (the role of socialist modernization) is crucial because of the special character of socialist experience in the border areas. In this context socialist modernization turned out to be a powerful historical circumstance conditioning the gradualist path towards market economy in border areas.

Key words: Inner-Asia Border Triangle, non-market adaptation, transborder studies.