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INTEGRATION COOPERATION AS A VECTOR OF DEVELOPMENT OF THE FAR EAST

T. S. Boyko (a), N. S. Frolova (b)*

*Corresponding author

(a) Khabarovsk State University of Economics and Law, Tikhookeanskaya ul., 134, Khabarovsk, Russia

(b) Khabarovsk State University of Economics and Law, Tikhookeanskaya ul., 134, Khabarovsk, Russia,
frolova.nc@rambler.ru

Abstract

Integration can be defined as a natural process of convergence of national economies, on the one hand, strengthening their position in the international system, on the other, to create reliable economic ties between entities at the present stage of development of the world economy, where globalization phenomena are manifested to a large extent and international competition is intensifying. The economic integration of countries is becoming an integral part of the current state of the world economy. No country can fully provide itself with all the necessary factors of production for development and economic welfare while it is forced to integrate into the global economy. However, one cannot fail to note the positive contribution of integration to the global economy. Integration leads to an increase in the size of global markets and the manifestation of economies of scale. Thanks to the interaction of countries, a common dynamically growing and developing global market is formed, in which it is possible to reduce the cost of production due to mutually beneficial cooperation. However, it should be noted that integration can be viewed from the perspective of the countries' cooperation, mutual penetration, their economic priorities supplementation, provoked by the international division of labor. Thus, an effect of integration cooperation emerges, which is characterized by classical signs of integration, and also contributes to the appearance of its new form – the integration of the country and its regions into the world economic processes through collaboration in the field of foreign trade and investment.

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1. Introduction

The development and deepening of the international division of labor makes it objectively necessary to create deep and sustainable relationships between national economies. A qualitatively new process of internationalization of economic life, based on mutual adaptation and rapprochement of economies of different countries, their mutual adaptation, is called international economic integration.

One should not forget about the increasing competition between countries participating in the global market. Competition helps to improve the quality of products and services, reduce costs and increase the range. A highly competitive market always puts customer desires a priority and is customer-oriented. The desire to increase competitiveness creates the need for the development of cooperation between countries. The number of direct investments is also increasing due to simplified customs procedures, an open policy of countries regarding foreign investment and generally opens domestic markets. On this basis, enterprises are created with 100% foreign investment, joint ventures that develop services and production, the creation of which was impossible only at the expense of the resources of one country. Direct investment allows maintaining and developing industries that are not competitive. In other words, the exchange of direct investments in the framework of integration increases the competitiveness of the economies of countries. Integration leads to increased trade, which in turn contributes to improved infrastructure in countries.

2. Problem Statement

In this article, the authors put forward the problems of integration cooperation, which contributes to the integration of countries and its regions into the world economy.

3. Research Questions

1. Theoretical approaches to integration.
2. Integration processes as part of global processes.
3. Integration cooperation through the prism of direct investment, foreign trade between countries.
4. Problems of integration cooperation.

4. Purpose of the Study

In the article, the authors set the goal of analyzing integration from the point of view of cooperation, in particular, the Far East of Russia and Japan in the framework of foreign trade, investment, implementation of joint projects and identifying its problematic issues.

5. Research Methods

There are different approaches to the classification of integration processes. The authors consider integration as cooperation at the country level, and also highlight the integration of inter-company, intersectoral, integration in the political, economic or social sphere and others.

The diversity of integration processes is generated by a multitude of actors who initiate integration, as well as differences in the needs and interests pursued by these entities. Various authors, studying the types of integration, tried to cover various areas of its manifestation, considering integration as a dynamic, multilateral and heterogeneous process (Hietajärvi, Aaltonen & Haapasalo, 2017).

Economic integration covers the sphere of trade, investment and international labor movement. Economic integration also includes issues of scientific exchange of experience and technology (Kamara, 2014). Currency issues are regulated. The basis for the formation of economic integration between countries is the solution of issues related to the sustainable development of countries, increasing the level of socio-economic development, ensuring economic security, eliminating imbalances in the economy of certain countries (Balassa, 1961).

It is important to distinguish between approaches to the concepts of integration association and integration group to understand integration processes.

So, the first approach is that an integration association is an association of states in certain areas, which basically do not have any form of integration, they do not have supranational regulatory bodies. These groups include APEC, BRICS, SCO and several others. The second approach is directly related to the formation of integration groups, in which states receive mutual benefits from participation in integration processes by removing barriers, initially tariff and non-tariff, then create a unified policy in relation to third countries, create single markets, thus, within this approach, states go through four or five stages of integration, starting from a free trade zone and ending with the formation of a political union. Such integration groups as the EU, NAFTA, MERCOSUR, EAEU can be called within the framework of this approach.

The special prerequisites for global integration should be noted that are emerging as a result of the development of transport networks, resulting in the formation of global transport corridors that facilitate the integration of countries.

It is of interest to consider integration from the point of view of the possibility of integrating certain regions into world processes through the development of various forms of cooperation with foreign countries, in particular foreign trade, investment, the creation and implementation of joint projects (Frolova, 2018; Zhukov, 2016).

6. Findings

The increased internationalization of economic life arises through the deepening of the international division of labor (IDL) (specialization and integration), the development of scientific and technological progress (STP) and the scientific and technological revolution (STR), and an increase in the degree of openness of national economies. The trend towards universal interaction is a natural result of the development of the world economy. The creation of new forms and deepening of cooperation makes it possible to continue and accelerate the overall development process. As a result, in recent decades, there has been an increase in integration processes in the world, the development of trends towards joint solution by countries of their economic and social problems. First, there is an increase in the number of regional trade agreements. So, in 2016, the WTO notified 625 regional trade agreements, 67 percent of which are valid. Secondly, integration groups of the “new generation” are being formed, which are called

“megaregional agreements”, “global superblocks”, and “transcontinental agreements”. In particular, it should be said about the formation of such mega-groups as the Trans-Pacific Partnership between 12 countries of the Asia-Pacific region, the Transatlantic Trade and Investment Partnership between the United States and the European Union, and the Regional Comprehensive Economic Partnership between 16 states of ASEAN and APR (Portansky & Davydov, 2016).

Thirdly, countries are integrating within the framework of creating global transport networks, where the concept of “One belt one way” can serve as a vivid example, which is a combination of two projects - the creation of the Silk Road economic belt and the 21st-century sea silk road. As a result, the network being created is able to integrate 67 countries, whose population is 63% of the world. Thus, at the present stage, there is an increase in integration processes in various forms.

It should also be noted that integration is possible through cooperation between countries, which ultimately leads to the integration of its regions in world economic processes. In this case, attention should be drawn to the cooperation of the Russian Far East with the Asia-Pacific countries, which has formed and today has a solid foundation, allowing the Far East to be an outpost of Russia in the Asia-Pacific region and represent its foreign economic development vector.

The Far East accounts for 5.5% of the country's GDP and about 5% of its foreign trade turnover. Geographically, the region's foreign economic relations are traditionally oriented towards the Asia-Pacific region, where its main trading partners are China, Japan and the Republic of Korea.

A rather long history should be noted considering the economic relations of Japan and the Far East. Japan was a major trading partner of the Russian Far East in post-war economic history. Concession agreements were a common form of cooperation. In the late 1980s, the role of Japan increased even more. The Japanese business in the form of joint ventures mastered such industries as forestry and fishing, hotel business. Japanese capital participated in woodworking, fish farming, and the creation of modern means and lines of communication. A significant step in the development of Russian-Japanese relations is the development of oil and gas resources on the Sakhalin shelf.

Japan's growing interest in the Russian Far East can be explained by a number of factors. Firstly, geographical proximity, which is the general economic reason for the emergence of cooperation between countries. Secondly, since the economic recovery of China, Japan has felt an economic threat on its part: today China is actively developing cooperation in the Far East in various forms. Such activation of China, forces Japan, which fears the expansion of China's influence in the Far East, to develop cooperation. Thirdly, the natural resources and vast territories endowed with the Far East are traditionally attractive for a country like Japan, where such factors are in deep shortage.

At the present stage, the Far East is involved in various aspects of cooperation as it has favorable economic and resource features.

So, special importance is attached in cooperation with Japan in the field of agriculture, joint implementation of agricultural projects involving Japanese technologies and the experience of Japanese farmers in the southern part of the Far East, in view of the favorable agro-climatic conditions for the development of agriculture (one third of agricultural land and half of the arable land of the Far East); special importance is attached in cooperation with Japan in the field of agriculture, joint implementation of agricultural projects involving Japanese technologies and the experience of Japanese farmers. The

southern regions of the Far East, which occupy favorable geographical positions in relation to the Asia-Pacific region, have opportunities for multilateral cooperation with Japan in such areas as timber processing, agriculture and catering.

In the northern part, in addition to the supply of gold, various ores and slags, the region is able to cooperate with Japan in the field of fishing, processing, and mining. It also attaches great importance to the development of energy projects, which are the main and largest areas of cooperation between Japan and Russia. Ongoing projects, while having good prospects, are oil and gas projects in Sakhalin. The Japanese side's share is 30 percent in the Sakhalin-1 project, and is 22.5 percent in Sakhalin-2. Contracts have been signed with major electricity and gas companies for the supply of LNG as part of the promising areas of joint projects. In addition to Sakhalin facilities, projects are currently being developed in the field of electric power in the Magadan Region, in the Kamchatka and Primorsky Territories.

Nevertheless, the problems hindering the integration cooperation of the Far East are worth mentioning. There are a number of limiting factors in the region for the effective development of the region and its integration in the Asia-Pacific region.

Firstly, this is the problem of uneven development of the Far East, which makes some regions the most attractive and they are already integrated into the processes of integration cooperation, while others, due to the remoteness, adverse climatic conditions, have a shortage of investment resources and less developed foreign economic relations.

Secondly, there is a problem of underdeveloped transport infrastructure, limited by the capacity of railway transport in trade relations between Japan and the Far East.

Another problem of the region is the difficulty of interacting with customs authorities, associated with a rather long procedure of customs clearance. So, for example, the average duration of customs procedures with Japanese goods to Vostochny port takes at least 4-5 days from the moment of filing the declaration, while in Tianjin (China) the duration is no more than 1-2 days; the volume of inspections by customs authorities is estimated in the range of 3-10% of the total flow in the port of Yokohama (Japan), while in Vostochny, the volume of inspected cargo is 50-85% of the total flow.

In addition to the above, cooperation between Japan and the Far East is significantly affected by sanctions against Russia and US political pressure.

Unfavorable climatic conditions that complicate and increase the cost of the production process, a high level of corruption and bureaucracy also stand out as problems of Japanese business. Many Japanese investors point out the lack of relevant information in English and the language barrier as a serious problem.

Another problem that stops Japanese companies on the path to cooperation is the ethnopsychological factors of doing business: insufficient knowledge of culture and business ethics becomes a cause of mutual misunderstanding and misinterpretation of the partner's actions. And the nature of relations with a partner is always paramount to profit and other aspects of foreign economic activity for Japanese businessmen.

The geopolitical factor of Russian-Japanese cooperation in the format of "Russia – USA – Japan" should be noted as the problem of understanding. Russia is a rather inconspicuous partner of Japan, compared with the United States. This state of affairs is influenced by the format of relations between

countries. The United States has a much greater impact on Japan in terms of economic and political benchmarks, being its number one partner. In this regard, the existing tension in relations between the United States and Russia creates obstacles to understanding and deepening economic relations between Japan and Russia.

Considering the prospects of integration cooperation between Japan and the Far East, it is worth highlighting the factors that caused its development.

The economies of the Far East and Japan are complementary. The Far East has natural resources, which Japan is deprived of, and the Russian market is practically unlimited for Japanese goods and capital. The Far East remains attractive for Japanese business in terms of investment. Japanese companies have repeatedly confirmed their readiness for large-scale cooperation in Siberia and the Far East (Kuzminkov, 2017).

However, they receive government support. Back in June 2007, Prime Minister S. Abe had a meeting with President V.V. Putin and submitted proposals related to the development of cooperation between the two countries in eight areas to the Russian side: in the energy sector – the use of Japanese high technology for oil, gas, and the use of atomic energy for peaceful purposes; in transport – the development of a logistics route to Russia and Europe, using the Trans-Siberian region for Asia-Pacific countries; in the field of information and communications – the development of information and communication technologies; in ensuring security – cooperation to prevent the smuggling of drugs, weapons, seafood; in healthcare – cooperation in improving the quality of medical services in the Far East and Eastern Siberia; in the investment sphere – improving the trade and investment conditions; also projects in the field of environmental protection, as well as in the development of inter-regional exchanges are envisaged.

The development of integration cooperation is facilitated by the interest of Japanese investors in starting a business, while the Russian direction is attractive for Japanese investors, as it combines almost all the opportunities that they pursue in their foreign projects: access to resources, to markets, bypassing trade barriers and neutralizing the negative effect of the growing yen for exporters, the use of cheap resources for local production both to expand local sales and for export and to third countries (automotive industry) (Frolova & Boyko, 2015). It should also be said about the use of “soft power” by Japan. It should be noted that Japan, through the activities of various funds funded mainly from the state budget (primarily the Japanese Fund), as well as government agencies (Japanese centers in Russia), carries out a well-thought-out, long-term strategy for creating a positive image of Japan in Russia using grants, exchange system, conferences and round tables.

Another feature of Japan’s strategic approach to the Far East in recent years has been the departure from the historically developed unilateral orientation of projects on the mining industry and the development of raw materials for subsequent export to Japan. And although activity in the raw materials industries, taking into account the Sakhalin projects, still prevails, cooperation in manufacturing industries with a focus on the auto industry, agriculture, and the transport industry is becoming a new promising direction.

Cooperation in the field of transport is aimed at ensuring the participation of the Japanese side in projects to modernize the transport infrastructure of the Far East (construction of new and expansion of

existing terminals for transshipment of foreign trade cargo in the ports of Vanino, Vostochny, etc.). Today, it is necessary to expand the railway lines creating bottlenecks by strengthening the carrying capacity and quality of the railway track of the Trans-Siberian Railway and the Baikal-Amur Railway, developing the transshipment capacities of the main continental ports and ports on Sakhalin Island with a significant increase in their total cargo turnover, as well as restoring material and technical airport network base. It is well known that the Far Eastern region is rich in water, raw materials, and land resources, the presence of which determines the sectoral specifics of the economy. The factors of competitiveness of the Far East in relation to the Asia-Pacific region are the following: close geographical location, length of borders, the presence of port infrastructure. Based on this, we can conclude that the development of transport infrastructure should become the basis for the economic development of the region. Transport infrastructure allows for the movement of natural resources and human resources.

The promising projects in this area are the creation of direct railway links “Japan – Russia – the European Union” and the energy bridge “Russia – Japan”. Cooperation in this area should solve one of the main problems limiting cooperation between the Far East and Japan. Projects to create direct Japan-Russia-EU direct rail links are being discussed today. In the long term, a new section of the Trans-Siberian Railway could attract 4-6 million containers, going from Japan to Europe, which will make up about a fifth of the total container traffic between these regions and most export-import traffic between Russia and Japan. At the same time, the annual income from transportation is estimated at 3-4 billion dollars. In this area, a promising project is the construction of the Russia-Japan energy bridge - several coal power units and connected by an underwater cable to the island state along the bottom of the Laperuz Strait, which separates Sakhalin and Hokkaido. The project will cost \$ 4-5 billion and will enable Japan to acquire up to 4 GW of additional capacity.

In the field of direct investments in areas not related to mining and development of mineral resources, promising investment projects are the JGCEvergreen project, within the framework of which the first stage of the greenhouse complex was built. Hokkaido Corporation also built the first stage of the greenhouse complex and intends to move to the second one. The Sojitz company has become an investor in the reconstruction of the Khabarovsk airport. IidaGroup invests in the timber industry in the Primorsky Territory. Japanese companies JGCCorporation and Hokuto Social Medical Corporation have launched a project to build a medical rehabilitation center in Vladivostok.

An analysis of the current situation in the field of cooperation between the Far East and Japan shows the conjugation of the interests of countries. This allows concluding that the economic growth opportunities of countries and regions involved in the processes of integration cooperation due to the synergistic effect. When assessing the impact on the development of the Far East of micro- and macroeconomic factors, the influence of the latter is more noticeable. An analysis of the development of the economy of the Far East in recent years confirms that here, due to foreign trade factors, the economic situation remains difficult, but it is less negative compared to the average Russian one. It is also important to attract foreign investment for the Far East, which will help to create export-oriented industries, develop export potential, ensure the export orientation of projects that will be involved in the country's international relations.

7. Conclusion

The attractiveness of the Russian Far East for cooperation with Japan has significant prospects. As it was noted, the Far East has all the opportunities for active and effective economic development. These opportunities have great prospects for moving into the realities of the economic and social condition of the region. Due to the huge reserve of natural resources, the region attracts foreign investors exporting technology to the Far East; comprehensive state support allows developing not only the extractive industry, but other sectors of the economy – agriculture, transport infrastructure, medicine and others; the geopolitical location in the Asia-Pacific region – a rapidly developing region of countries with a high level of economic development, high technology, human capital and financial resources – offers impressive prospects for the development of business partnerships.

As we can see, the Russian market remains attractive to Japanese business. Japanese companies have repeatedly confirmed their readiness for large-scale cooperation in Siberia and the Far East. The cooperation between the Russian Far East and Japan has impressive prospects for development. Territorial proximity, complementarity from the point of view of the international division of labor - these are the factors that portend the inevitable cooperation. The technologies and investment resources that the Japanese economy is rich in, together with natural resources and the vast territory of the Far East, together make a mutually beneficial tandem between them a reality and will make it possible to realize the huge potential of the Far Eastern territory in the future. Despite the existing barriers in relations between Russia and Japan, both sides understand the enormous benefits of developing such relations, and today they are actively interacting to deepen integration cooperation. In addition, Russian-Japanese integration cooperation contributes to the overall consolidation of Russia's position and its integration into the Asia-Pacific region.

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