

The Development of Mainland China's Border Trade

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Mainland China's border areas have long suffered from economic stagnation due to geographical disadvantages and political, diplomatic, and security reasons. With recent reform and opening-up policies, local governments have been granted greater autonomy and border areas have had more opportunities to promote their own trade. In addition, border provinces have also benefitted from the good-neighbor policy that has been adopted by economic reform. Generally speaking, trade in mainland China's border provinces has had three major characteristics. First, the major trading partners have been neighboring countries. Second, border trading patterns have been quite different from the general national pattern. Third, border provinces' trade volumes with their neighboring countries have depended on the latter's economic capabilities.

Keywords: border trade, foreign exchange, escrow barter trade, payment protocol, forward contract

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Mainland China's boundaries with other countries extend for over 20,000 kilometers and include nine provinces: Liaoning, Jilin, Heilongjiang, Inner Mongolia, Xinjiang, Tibet, Yunnan, Guangxi, and Guangdong. Bordering these provinces are fifteen countries: North Korea, Russia, Mongolia, Kazakhstan, Kyrgyzstan, Tadjikistan, Afghanistan, Pakistan, India, Nepal, Sikkim, Bhutan, Myanmar (Burma), Kampuchea (Cambodia), and Vietnam. Trade in these regions has long been affected by both historical and geographical factors. In contrast to its coastal areas, mainland China's border provinces are situated in remote areas which lack sufficient transportation facilities; thus, they have been in an inferior position in economic competition. In addition to this, border economies have more often than not been hampered by political, diplomatic, and security factors.

However, border trade received a boost in the 1980s when local governments were granted greater economy autonomy in the wake of national reform and opening up, as Beijing sought a peaceful international environment which would encourage economic development. A series of measures have hence been adopted to boost border economies and improve living standards in minority nationality areas.

This paper will first make a comparative study of mainland China's border trade policies before and after 1978. It will then examine major factors contributing to the significant growth of border trade, including foreign trade conducted through the border provinces. Finally, through a comparison of coastal and border area trading patterns, it will examine the characteristics and political implications of mainland China's border trade.

Border Trade Policy Before 1978

Before economic reform in 1978, mainland China followed a highly centralized foreign trade system in which all foreign trade activities, except those in areas which were allowed to engage in a small amount of border trade, were handled by foreign trade companies affiliated to the Ministry of Foreign Trade.¹ In addition, the state was responsible for the profits and losses of such transactions. During this period, mainland China's border provinces did not sign individual trade agreements with neighboring countries. To border area residents, trade with neighboring countries was not much different from that with mainland China's inland provinces, and border trade was not placed under the control of foreign trade departments.

In September 1950, the Chinese Communists published a document entitled "Eight Principles on the Administration of Small-Scale Trade in the Border Areas" to promote border trade. Nevertheless, the border provinces usually had their own administrative measures in order to cope with their special geographical conditions and neighboring countries' situations. Before the initiation of reform and opening-up, trade transactions in mainland China's border areas could be handled only at designated ports, cities, and towns.

¹Wang Shaoxi, *Zhongguo duiwai jingji maoyi lilun he zhengce* (China's foreign economic relations and trade: Theories and policies) (Beijing: Zhongguo duiwai jingji maoyi chubanshe, 1993), 227.

Before 1978, mainland China's border trade was carried on mainly in three forms. The first was by state-run enterprises, local enterprises, or cooperatives under the supervision of border province or autonomous region economic and financial departments. Commercial transactions were made in the form of escrow barter trade, and each side judged the value of their own commodities. No foreign exchange was used in the course of transactions, and trading partners would usually negotiate for barter agreements and payment protocols once a year. The second form of border trade was in small-scale trade by enterprises that had the right to engage in barter trade. In this form, foreign exchange was also not used, and each side judged the value of their own commodities in working for a balance between imports and exports. The third form was in transactions by individual inhabitants in border areas, with limits on trade volume. Trading sites were decided through negotiations by countries concerned, and trade was usually conducted in areas within 15 to 30 kilometers of the boundary line.² Generally speaking, border trade between individual inhabitants was most common in mainland China's southern provinces.

Theoretically speaking, barter trade handled by state-run enterprises underlines a balance between imports and exports and is considered an official trade. Trade by individual border inhabitants is considered a civilian transaction, and exchanged commodities were mainly self-produced.³ A complementary relationship was built through trade with neighboring countries, as products and resources in mainland China differed from those in neighboring countries. For example, mainland China imported heavy industrial products such as automobiles, machines, metal products, cement, and refrigerators from Russia, while Russia imported light industrial products, daily necessities, and food from mainland China.

However, despite these activities, from the latter half of the 1950s to 1978, mainland China's border trade stagnated as a result of leftist movements including the Cultural Revolution and deteriorating relations with Russia and Outer Mongolia.

²Yang Deying, ed., *Zhongguo bianjing maoyi gailun* (An introduction to China's border trade) (Beijing: Zhongguo shangye chubanshe, 1992), 16.

³Liu Xiangdong, ed., *Zhongguo duiwai jingji maoyi zhengce zhinan* (A guide to China's foreign economic and trade policies) (Beijing: Jingji guanli chubanshe, 1993), 54-55.

Reform of the Foreign Trade System

Since the initiation of reform and opening-up, mainland China's border trade has undergone a systematic change. As we know, major economic reforms have included delegating autonomy to local areas and allowing them to retain part of their foreign exchange earnings. Since 1988, the contract responsibility system has been adopted in foreign trade. In the meantime, the exchange rate of the *renminbi* (RMB) has been readjusted, a larger proportion of foreign exchange earnings can be retained by local areas and enterprises, and a series of measures like the drawback system have been adopted to encourage foreign trade. For example, enterprises in minority nationality areas have been able to retain 50 percent of their foreign exchange earnings since 1982.⁴ As a result of these changes, mainland China has witnessed a remarkable growth in foreign trade.⁵

Before 1978, when foreign trade was handled by state-run units, government economic policy was occupied with the development of the nation as a whole, with little attention placed on border areas. Border trade began to grow substantially after local enterprise units and supply and marketing cooperatives, which had a better understanding of local economic conditions and demands, were allowed more control over local economic activities. Supply and marketing cooperatives which have been set up in agricultural and pastoral areas now have the right to negotiate over trade volume, examine export and import waybills, and enjoy favorable taxation treatment. Small-scale barter trade and trade conducted by individual border inhabitants still exist,⁶ with the former now handled by government-authorized border trade companies. These trade companies were enhanced by the State Council's 1984 "Provisional Regulations on the Administration of Small-Scale Border Trade," which stipulated that the companies must find goods sources and trading opportunities by themselves, and assume full responsibility for their profits and losses.⁷

⁴Ibid., 12.

⁵For more on the reform of mainland China's foreign trade system, see Teh-chang Lin, "The Division of Power in Mainland China's Foreign Trade: Its Development and Impact," *Issues & Studies* 32, no. 5 (May 1996): 72-85.

⁶The sites for trading activities in the border areas are decided by local governments after they have consulted the central government departments concerned.

⁷Yang, *Zhongguo bianjing maoyi gailun*, 15-16.

Border autonomy was further encouraged by the “Law on Regional National Autonomy” published in May 1984, which stated that all border provinces, including the minority nationality areas, had autonomy in handling their own trade. Beginning in April 1991, favorable taxation policies were offered to border trade companies. With the exceptions of electromechanical products, tobacco, wine, and cosmetics, tariffs of all commodities imported by officially-recognized border trade companies from the assigned ports were cut by half. In addition, when these imported commodities are sold to non-border areas, the border trade companies are exempt from paying the deducted tariff.⁸

Since the initiation of reform, border provinces such as Heilongjiang, Yunnan, Tibet, and Inner Mongolia have opened more areas for trade transactions. Some of them have even opened all their areas for border trade. Restrictions on trade content and volume have also been lightened. Under the policy of delegating autonomy to local areas, collective commercial organizations and individual households have been able to handle import and export activities. Moreover, cooperative production, barter trade, joint ventures, technology transfers, and labor service exports have increased. Even forward contracts have begun to be accepted. Obviously, border trade has witnessed a significant overhaul in both policy and practice.

Border Trade and Foreign Relations

Since the 1980s, mainland China has made an effort to improve relations with its neighboring countries in order to maintain a peaceful international environment necessary for economic development. Such a development has contributed greatly to the promotion of border trade.⁹ Reform has also motivated mainland China to maintain economic relations with other countries on the principles of equality and mutual benefit.¹⁰ In fact, mainland China has had to readjust its hostile attitudes toward the Western world in order to obtain the

⁸Ibid., 57-58.

⁹Brantly Womack and Guangzhi Zhao, “The Many Worlds of China’s Provinces: Foreign Trade and Diversification,” in *China Deconstructs: Politics, Trade, and Regionalism*, ed. David S. G. Goodman and Gerald Segal (New York: Routledge, 1994), 160.

¹⁰Shi Zhifu, ed., *Zhonghua renmin gongheguo duiwai guanxi shi: Yijusijiunian shiyue zhi yijubajiunian shiyue* (History of the PRC’s foreign relations: October 1949-October 1989) (Beijing: Beijing daxue chubanshe, 1992), 308.

capital, technology, and management expertise it urgently needs. Since 1982, Beijing has therefore upheld five principles in developing political, economic, and cultural relations with other countries: mutual respect for the other side's sovereignty and territorial integrity, mutual nonaggression, mutual noninterference in the other's civil affairs, equality and mutual benefit, and peaceful coexistence.

These political changes have influenced border trade for the better. In 1983, mainland China resumed border trade with the then-Soviet Union, Mongolia, Korea, and Pakistan. Overall trade volume with these and other neighboring countries increased from US\$26 million in 1983 to US\$650 million in 1988 and US\$1.1 billion in 1991.¹¹ It further grew to over US\$1.9 billion in 1992, an increase of 73.5 percent over the previous year (see table 1).¹²

Mongolia

In 1984, mainland China and Mongolia concluded a protocol on joint censorship of passengers passing across their borders, followed by their first long-term trade agreement in April 1986, with a period extending from 1986 to 1990.¹³ In November 1988, the two sides concluded an agreement on setting Sino-Mongolia boundaries and on handling questions regarding areas bordering the two sides. In 1989, mainland China and Mongolia set up an intergovernmental commission for economic, trade, and technological cooperation. In January 1991, trade between the two sides changed from one based on settlement on accounts to one based on cash settlement. On June 24 the same year, the two sides signed an agreement on border ports and their administration.¹⁴ Thanks to these diplomatic initiatives, mainland China's trade with Mongolia has increased steadily in recent years.

As early as 1947, a trade relationship existed between Inner Mongolia and Mongolia, but was suspended in 1963 as a result of tensions between the Chinese and the Soviet Communists, before being

¹¹Liu, *Zhongguo duiwai jingji maoyi zhengce zhinan*, 53.

¹²Li Xianglin and Luo Sang, eds., *Jingmao gailun yu zhengce tizhi* (An introduction to economy and trade and policy structure) (Beijing: Zhongguo chubanshe, 1993), 233.

¹³*Dangdai Zhongguo waijiao* (Contemporary China's diplomacy) (Beijing: Xinhua shuchuan, 1990), 358.

¹⁴Based on this agreement, mainland China and Mongolia each opened eight ports for mutual trade.

Table 1
Trade Volume of Mainland China's Border Provinces, 1992-93

Unit: US\$ millions

	1993		1992	
	Import	Export	Import	Export
Inner Mongolia	Russia	Russia	Russia	Russia
	346.30	321.05	196.56	211.55
	(62.50%)	(49.49%)	(56.70%)	(35.92%)
	Mongolia	Mongolia	Mongolia	Mongolia
40.07	47.84	24.40	28.30	
	(7.23%)	(7.37%)	(7.04%)	(4.81%)
Liaoning	Russia	Russia	Russia	N. Korea
	174.15	250.14	49.75	195.56
	(7.80%)	(4.03%)	(3.39%)	(3.17%)
	N. Korea	N. Korea		
45.87	231.16			
	(2.06%)	(3.72%)		
Jilin	Russia	N. Korea	Russia	Russia
	257.93	275.70	146.76	169.01
	(18.90%)	(17.05%)	(22.94%)	(12.93%)
	N. Korea	Russia	N. Korea	N. Korea
248.28	274.44	122.05	111.90	
	(18.19%)	(16.98%)	(19.08%)	(8.56%)
Heilongjiang	*	Russia	*	Russia
		1,066.03		839.97
		(56.58%)		(45.87%)
		N. Korea		N. Korea
	105.45		48.19	
	(5.60%)		(2.63%)	
Guangdong	Hong Kong	Hong Kong	Hong Kong	Hong Kong
	15,540.17	22,951.41	8,268.20	15,557.75
	(78.10%)	(84.92%)	(74.06%)	(84.38%)
Guangxi	Hong Kong	Hong Kong	Hong Kong	Hong Kong
	215.74	546.60	143.70	552.81
	(29.72%)	(41.26%)	(27.59%)	(49.88%)
	Vietnam	Vietnam		
189.95	170.46			
	(26.17%)	(12.87%)		

Table 1 (Continued)

	1993		1992	
	Import	Export	Import	Export
Yunnan	Burma	Burma	Burma	Burma
	119.10 (27.11%)	265.03 (34.29%)	107.21 (33.84%)	221.43 (34.14%)
		Vietnam		
		55.52 (7.20%)		
Tibet	Nepal	Nepal	*	Nepal
	1.94 (2.21%)	6.98 (46.44%)		9.87 (51.14%)
Xinjiang	Kazakhstan	Kazakhstan	Kazakhstan	Kazakhstan
	175.36 (42.10%)	182.19 (36.80%)	117.90 (39.76%)	125.28 (27.60%)
	Kyrgyzstan	Kyrgyzstan	Kyrgyzstan	Uzbekistan
	58.60 (19.76%)	57.97 (11.71%)	16.13 (5.44%)	17.40 (3.83%)

Remarks: Areas where information is not available are marked by *.

Sources: The 1993-94 and 1994-95 editions of *Zhongguo duiwai jingji maoyi nianjian* (Almanac of China's foreign economic relations and trade), published by Zhongguo shehui chubanshe.

resumed in 1985. Both Inner Mongolia and Xinjiang currently have close trade relationships with Mongolia, and the three areas' combined trade volume rose from US\$2.88 million in 1987 to US\$18 million in 1991. Inner Mongolia's imports from Mongolia rose from US\$7.67 million in 1990 to US\$10 million in 1991 and US\$40 million in 1993.¹⁵ Its exports to Mongolia rose from US\$28.3 million in 1992 to US\$47.84 million in 1993.

Russia

Mainland China's border trade with the then-Soviet Union was suspended for about two decades as a result of the rupture between the Chinese and the Soviet Communists. After the reestablishment

¹⁵Except for those specially noted, the trade volume between mainland China and other countries is quoted from the 1992-93, 1993-94, and 1994-95 editions of *Zhongguo duiwai jingji maoyi nianjian* (Almanac of China's foreign economic relations and trade), published by Zhongguo shehui chubanshe.

of trade relations, trade volume between the two countries increased from US\$88 million in 1987 to US\$1.2 billion in 1991. Mainland China's border trade with the former Soviet Union is currently conducted along the four provinces of Heilongjiang, Inner Mongolia, Jilin, and Xinjiang.

Heilongjiang has opened twelve ports to the former Soviet Union, and trade between the two sides rose from US\$24 million in 1987 to US\$870 million in 1991.¹⁶ Heilongjiang's exports to Russia rose from US\$360 million in 1990 to US\$1.06 billion in 1993, or 56.58 percent of Heilongjiang's total exports.

The opening of ports and the offering of favorable trade treatment with neighboring countries have also enhanced border trade between Inner Mongolia and Russia. Inner Mongolia's total border trade with Russia rose from US\$52 million in 1987 to US\$236 million in 1991. In 1993, imports from Russia to Inner Mongolia were worth US\$346 million, or 62.5 percent of Inner Mongolia's total imports. In that same year, Inner Mongolia's exports to Russia reached US\$321 million, or 49.49 percent of its total exports.

Trade volume between the Xinjiang Uighur Autonomous Region and Russia has also been enormous. In 1983, Xinjiang reopened its trading ports to the then-Soviet Union, and the trade volume between the two areas rose from US\$34 million in 1988 to US\$100 million in 1991. Since 1992, Kazakhstan and Kyrgyzstan have replaced Russia as Xinjiang's major trading partners because of their close proximity with Xinjiang. Kazakhstan became Xinjiang's largest trading partner in 1992, with a trade volume of US\$243 million; this increased the following year to US\$357 million. In 1993, Kyrgyzstan's trade volume with Xinjiang was US\$116.57 million. It should be noted, however, that since the former Soviet republics are poor and need foreign investment themselves, they do not have enormous amounts of goods to serve Xinjiang's needs. Moreover, the republics are also competitors with Xinjiang in mineral endowment. Therefore, it has been difficult for them to make a breakthrough in trade with Xinjiang.¹⁷

Jilin's border trade with Russia was the slowest to expand; its total trade volume with that country was at a relatively low US\$115

¹⁶Li and Luo, *Jingmao gailun yu zhengce tizhi*, 234.

¹⁷Peter Ferdinand, "Xinjiang: Relations with China and Abroad," in Goodman and Segal, *China Deconstructs*, 283.

million in 1991. However, its port of Hunchun was opened the same year, and trade volume increased significantly to US\$532 million by 1993.

North and South Korea

From the 1950s to the 1960s, the trade relationship between mainland China and North Korea was limited to government exchanges, although there were also small-scale transactions between enterprises on both sides. Trade between mainland China and North Korea was suspended during the Cultural Revolution, and not resumed until the 1980s.

Since 1987, trade volume between Jilin and North Korea has increased rapidly. Trade was first conducted in border cities, before the opening of many trade ports along the Yalu River. Recently, the trade volume between Jilin and North Korea rose from US\$90 million in 1991 to US\$523 million in 1993.

Liaoning province resumed its trade with North Korea in 1982, and by 1991, trade passing through port of Dandong amounted to US\$12.62 million, an increase of 34.8 percent over the previous year. In 1991, Liaoning's exports to North Korea totalled US\$200 million, making the latter Liaoning's fifth largest export target. Although trade between Liaoning and North Korea has continued to grow, South Korea has replaced North Korea as one of Liaoning's five top trading partners since 1992.

Nepal

Beijing has maintained a stable relationship with Nepal in economic as well as religious and cultural aspects since the two sides established diplomatic ties in 1955. Trade between Tibet and Nepal has increased since the border areas were granted more favorable treatment. In October 1983, the PRC and Nepal formed a joint economic and trade commission. In August 1986, a trade agreement between the Tibet Autonomous Region and Nepal was concluded. Despite these efforts, however, trade volume between mainland China and Nepal has been limited because of the latter's lagging economic development. The trade volume between the two nations totalled US\$7.6 million in 1986, US\$9 million in 1991, and US\$35.86 million in 1992. The trade volume between Tibet and Nepal has been similarly limited. In 1993, Tibet's imports from Nepal totalled US\$1.94 million, and its exports to Nepal was US\$6.98 million.

India

In the mid-1950s, small-volume trade and individual transactions took place along the Sino-Indian border. However, as a result of border clashes between mainland China and India beginning in 1959, the trade relationship between the two sides was suspended in 1962. The two sides mutually sent ambassadors in 1976 and resumed direct trade the following year, with further improvement stemming from mainland China's 1978 reforms. In August 1984, the two sides concluded a trade agreement, and in December 1988, Beijing and New Delhi jointly established a Sino-Indian liaison group on economy, trade, and technology. During his visit to India in December 1991, Beijing's premier Li Peng and Indian leaders signed a memorandum for the restoration of trade in Sino-Indian border areas. Since the summer of 1992, border trade between the two sides has resumed, although the volume has not been significant.¹⁸

Southeast Asia and Hong Kong

Before the Cultural Revolution, only small-scale border trade and individual commercial activities were carried out between Yunnan and Burma. Trade between the two sides resumed in 1984,¹⁹ and volume increased after 1988, when the Burmese government removed some restrictions on trade. In July that year, Yunnan and Burma signed an agreement to reopen official border trade beginning in October. Trade volume between Yunnan and Burma increased from US\$14.4 million in 1984 to US\$240 million in 1991, US\$328 million in 1992, and US\$384 million in 1993.

The rupture of relations between mainland China and Laos in 1978 adversely affected trade between the two sides, and relations were not improved until 1986. In November the following year, the two sides began to negotiate for reopening their economic and trade relationship, including trade through government enterprise units and border residents, as well as the exchange of technical and professional personnel. Consequently, in December 1988, Beijing and Vientiane signed a trade agreement, the first governmental agreement ever

¹⁸Tian Zengpei, ed., *Gaige kaifang yilai de Zhongguo waijiao* (China's diplomacy since the initiation of reform and opening-up) (Beijing: Shijie zhishi chubanshe, 1993), 108.

¹⁹Ingrid d'Hooghe, "Regional Economic Integration in Yunnan," in Goodman and Segal, *China Deconstructs*, 300.

concluded between the two. Based on the agreement, the two sides planned to adopt all possible measures to promote their trade relationship, including extending most-favored-nation (MFN) treatment to each other in tariff and in commercial transactions. However, trade volume between the two sides has been uneven, mainly due to economic difficulties in Laos. Trade volume totalled US\$5.23 million in 1991, even lower than the 1990 record high of US\$7 million. There was an increase in 1992 to US\$31 million.

Border trade between Guangxi and Vietnam has had a long history. It was suspended from the mid-1970s to 1983 as a result of military conflict between the two sides. No sooner had the two sides resumed diplomatic ties than trade volume increased. The two sides have been able to transport their commodities not only by land but also by sea. The trade volume between them reached US\$200 million in 1991, an increase of 1.86 times over the previous year. In December 1992, Beijing and Hanoi concluded a governmental trade agreement and a provisional decision on the handling of border area affairs.²⁰ This has helped to promote the border trade between Guangxi and Vietnam; in 1993, the trade volume between them totalled US\$360 million, making Vietnam second only to Hong Kong (US\$760 million) among Guangxi's trading partners.

The large volume of Guangdong's border trade is due to its geographical advantages, as it not only borders on the sea but also adjoins Hong Kong. Hong Kong has been Guangdong's largest trading partner: in 1993, Guangdong imported Hong Kong commodities worth US\$15.5 billion, or 78.1 percent of the province's total imports. In the same year, Guangdong's exports to Hong Kong reached US\$22.95 billion, or 84.92 percent of the province's total exports.

Foreign Trade Models in the Border Provinces

In border trade, mainland China's most important trading partners are Hong Kong and Russia. The importance of the others are listed in order as follows: Burma, North Korea, Mongolia, Nepal, Laos, and Pakistan.²¹ Due to geographical constraints, mainland

²⁰Ibid., 82.

²¹Liu, *Zhongguo duiwai jingji maoyi zhengce zhinan*, 53.

China's border provinces have engaged in trade mainly with their neighboring countries. For instance, Tibet must rely on its neighboring countries rather than mainland China's inland provinces for its food supply, as transportation costs would otherwise be formidable. In another example, transportation considerations have prompted Yunnan to export an annual average of 8.6 million tons of goods to neighboring countries rather than inland provinces.

From table 1, we can see that mainland China's border trade has been affected by these geographical factors, as well as Beijing's relations with neighboring countries. For example, Inner Mongolia's border trade with Mongolia and Russia occupies a very high proportion of Inner Mongolia's foreign trade. In 1993, Inner Mongolia imported a total of US\$346 million worth of goods from Russia, or 62.5 percent of its total imports. In 1992, the ratio was 56.7 percent, and imports from Mongolia the same year was about US\$40 million, or 7.23 percent of its total import. From table 1, it is clear that Jilin, Heilongjiang, Guangdong, Guangxi, Yunnan, Tibet, and Xinjiang all have close trade relationships with their neighboring countries. From table 2, it is apparent that Guangdong, Guangxi, Heilongjiang, Yunnan, and Xinjiang's major trading partners are also their neighboring countries.

In handling their foreign trade, the border provinces also have followed patterns different from that of the nation. With the initiation of reform, local areas have used their autonomy to look for more trading opportunities. In the meantime, they have chosen their trading partners and promoted trade mainly to enhance their own interests, while paying little attention to the interests of the nation as a whole.

From table 3, we can see that while Hong Kong, Japan, and the United States were mainland China's major trading partners from 1991 to 1993, they were not necessarily major partners with the border provinces. Table 2 indicates that except in coastal border provinces like Liaoning, Guangdong, and Guangxi, border provinces have conducted trade mainly with neighboring countries rather than mainland China's major trading partners. Nevertheless, these provinces do carry on a considerable amount of trade with Hong Kong, Japan, and the United States.

Also worth noting is that border province trade has been lopsided toward neighboring countries, which, except for Hong Kong and Russia, are economically backward. Based on statistics published by the Asian Development Bank, the 1992 per capita gross national

Table 2
Major Trading Partners of Mainland China's Border Provinces, 1991-93

	1991		1992		1993	
	Import	Export	Import	Export	Import	Export
Inner Mongolia	Russia	Russia	Russia	Russia	Russia	Russia
	United States	Hong Kong	Hong Kong	Hong Kong	Mongolia	Japan
	Hong Kong	Japan	Mongolia	Japan	Hong Kong	Hong Kong
	Japan	Italy	United States	Italy	Japan	Mongolia
Liaoning	Japan	Japan	Japan	Japan	Japan	Japan
	Hong Kong	United States	Hong Kong	Hong Kong	Hong Kong	United States
	United States	Hong Kong	South Korea	United States	United States	Hong Kong
	Germany	Singapore	United States	Singapore	Russia	
Jilin	Germany	Hong Kong	Germany	Hong Kong	Germany	Japan
	Russia	Japan	Russia	Japan	Russia	North Korea
	North Korea	Russia	North Korea	Russia	North Korea	Russia
	Hong Kong	North Korea	Japan	North Korea	Japan	South Korea
Heilongjiang	Russia	Russia	*	Russia	*	Russia
	Hong Kong	Hong Kong	Germany	Japan	Germany	Hong Kong
	Japan	Japan	Russia	Hong Kong	Russia	Japan
	United States	Indonesia	North Korea	South Korea	North Korea	North Korea
Guangdong	Hong Kong	Hong Kong	Hong Kong	Hong Kong	Hong Kong	Hong Kong
	France	United States	Japan	United States	Japan	United States
	Japan	European Community	France	European Community	Taiwan	European Community
	United States	Japan	Indonesia	Japan		

Table 2 (Continued)

	1991		1992		1993	
	Import	Export	Import	Export	Import	Export
Guangxi	Hong Kong Japan Russia Singapore	Hong Kong Japan United States Germany	Hong Kong Ukraine Russia Singapore	Hong Kong Japan United States Russia	Hong Kong Vietnam Russia Ukraine	Hong Kong Vietnam Russia
Yunnan	Burma United States Germany Hong Kong	Burma Hong Kong Japan United States	Burma Hong Kong United States Germany	Burma Hong Kong Japan Singapore	Burma Hong Kong United States Germany Vietnam	Burma Hong Kong Japan Vietnam
Tibet	Japan Sweden United States Nepal	*	Japan Hong Kong Macao	Nepal Singapore Japan Italy	Japan Hong Kong Nepal	Nepal Singapore Hong Kong
Xinjiang	Russia Hong Kong United States Japan	Japan Hong Kong Russia Romania	Kazakhstan Hong Kong Kyrgyzstan Japan	Kazakhstan Japan Hong Kong Uzbekistan	Kazakhstan Hong Kong Kyrgyzstan	Kazakhstan Japan Kyrgyzstan

Remarks:

1. Where the information is not available is marked by *.
2. The order of the trading partners is arranged according to total trade volume between the respective border provinces and their neighboring countries.

Sources: The 1991-92, 1992-93, 1993-94, and 1994-95 editions of *Zhongguo duiwai jingji maoyi nianjian*.

Table 3
Mainland China's Major Trading Partners, 1991-93

	Import	Export
1991	Hong Kong Japan United States	Hong Kong Japan United States
1991	Hong Kong Japan United States	Hong Kong Japan United States
1993	Japan United States Hong Kong	Hong Kong United States Japan

Remarks: The order of the trading partners is arranged according to total trade volume between these countries and mainland China.

Sources: The 1992-93, 1993-94, and 1994-95 editions of *Zhongguo duiwai jingji maoyi nianjian*.

product (GNP) in India and Nepal was only US\$310 and US\$170 respectively, for example.²² In 1992, the highest trade volume was recorded between Yunnan and Burma, at US\$328.6 million, and in 1993 the highest volume was between Jilin and North Korea, at US\$524 million. In short, border provinces like Inner Mongolia, Jilin, Yunnan, Tibet, Xinjiang, and Guangxi's trade volumes have been limited by the economic capacity of their neighboring countries. As a sharp contrast, the trade volume between Guangdong and Hong Kong is formidable because the latter is economically prosperous. In 1992, trade between Hong Kong and Guangdong was US\$23.826 billion, and rose to US\$38.492 billion the following year, and profits obtained through this have further enhanced Guangdong's economic development.

Conclusion:

Trade Models and Their Political Implications

Mainland China's border provinces have lagged far behind other provinces in economic development, mostly because many of them

²²Asian Development Bank, *Key Indicators of Developing Asian and Pacific Countries* (Manila: Asian Development Bank, 1994), 15.

are populated by minority nationalities and lack technological and educational development. Moreover, economic development in these areas was ignored in past decades, as the policy priorities focused on coastal provinces.²³ Not until recently has the central government placed any attention on the border areas, but the promotion of border trade since 1978 is expected to continue encouraging such trade, as Beijing envisions a peaceful international environment for optimal economic development.

Compared with the coastal provinces, the border areas have been more concerned about the political and economic situations of their neighboring countries. In other words, border province trading patterns rely heavily on the neighboring countries, and therefore have tended to be quite different from the general national patterns, with little concern about international openness. The coastal areas have been more in tune with national policies on foreign trade as their more accessible locations give them greater advantages in the international market. The divergence of foreign trade policy between the border areas and the coastal provinces (and the nation as a whole) is bound to have some political effects. Conflicts of interest between the center and localities have given rise to a market localism in which local leaders have followed policies which best serve the interests of their own areas.²⁴ Their demand for autonomy in trade and economy will spur a demand for political autonomy and consequently deteriorate their relations with the central government.

²³Xie Shujiang, "A Summary of the Symposium on the Theory of Economic Development in Our Country's Border Areas," *Jingjixue dongtai* (Economics Information) (Beijing), 1995, no. 12:42.

²⁴Womack and Zhao, "The Many Worlds of China's Provinces," 170.