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THE NORTHERN SEA ROUTE AS A CATALYST FOR INTEGRATION IN NORTH EAST ASIA

Интеграционный процесс в Северо-Восточной Азии (СВА) продвигается медленно, с большим количеством трудностей. В статье рассматривается сотрудничество стран СВА в Арктике (в частности, по Северному морскому пути) как один из потенциальных инструментов активизации торговых связей с Россией и Европейским союзом. Россия, в свою очередь, может использовать его для развития Дальнего Востока и Арктики. Кроме того, такого рода сотрудничество позволяет странам СВА сформулировать некоторые положения для будущего интеграционного соглашения.

Ключевые слова: интеграция, торговля, Северо-Восточная Азия, Арктика, Северный морской путь, Европейский союз.

Integration process in North East Asia is moved slowly with lots of difficulties. The article considers NEA countries cooperation in the Arctic (Northern sea route particularly) as one of potential tools to boost their trade links with Russia and European Union correspondingly. In its turn Russia can use it to develop its Far Eastern and Arctic regions. In addition this kind of cooperation lets NEA countries to formulate some provisions for future integration accord.

Keywords: integration, trade, North East Asia, Arctic, Northern sea route, European Union.

North East Asia (NEA) is a sub-region which consists of Russia, China, Japan, Mongolia, Northern and Southern Korea. In recent years the NEA countries have been trying to accelerate economic integration in the region, especially in the trade and transport sectors. The most active integration ideas were promoted by Russia, China, Japan and Republic of Korea (ROK). However, up to now countries have not achieved significant results in this area.

The main reasons for this situation include differentiation of countries in economic development, the similarity of production and export structure in the NEA countries, intensifying competition between them; different interests of the dominant countries in the region (China, Japan, Russia); significant differences in tariff and non-tariff trade regulations.

Despite the high importance of trade with the NEA countries (see figure 1), only one free trade agreement was concluded between these countries [6]: China and ROK (in 2015). Two documents are in the stage of consideration and negotiation now: Japan and ROK (since 2008), ROK and Russia (since 2007). In addition, China, Japan and Southern Korea have been negotiating a tri-lateral economic agreement since 2013. A number of experts believe that the basis for the new document will be a free trade agreement between ROK and China [1].

China is the main trade partner in North East Asia for studied countries (see table 1). In turn, Russia's share in gross export and import of the NEA countries is still minor (see table 2).

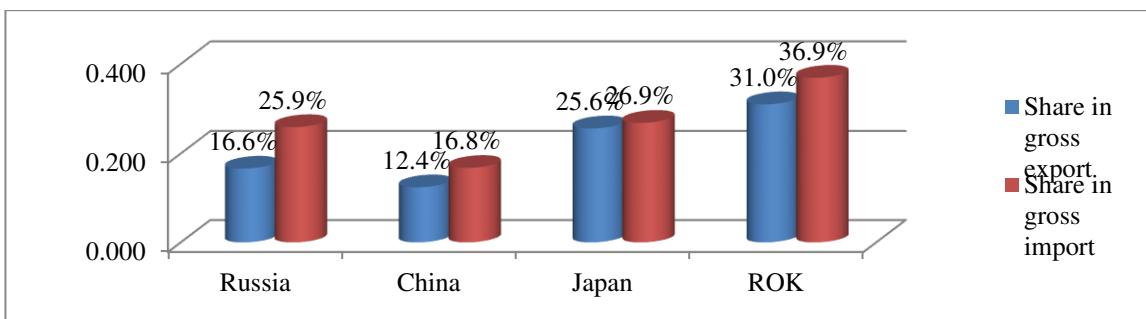


Figure 1 – The share of the NEA countries in the gross export and import of Russia, China, Japan and Southern Korea in 2016 [4, 5]

Table 1 – Chinese share in the gross export and import of Russia, Japan and ROK in 2016 [4, 5]

Country	Chinese share in the gross export, %	Chinese share in the gross import, %
Russia	9,8	20,5
Japan	17,6	21,3
ROK	25,1	23,1

Table 2 – Russian share in the gross export and import of China, Japan and ROK in 2016 [4, 5]

Country	Russian share in the gross export, %	Russian share in the gross import, %
China	1,8	1,8
Japan	0,8	1,5
ROK	1	2,5

However, Russia is of the greatest interest for the NEA countries as a transport hub linking with the European Union (EU) States. In 2016 the EU is among the top three trading partners for China (16.2% in gross export), Japan (11.4%) and the Republic of Korea (9.5%) [4, 5]. In 2011, ROK and the EU signed a free trade agreement. Negotiations are underway to conclude agreements with Japan (since 2013) and China (since 2014) [6]. Taking this into account, as well as Russia's close ties with the European Union, which is its main trade partner (45.8% in gross export in 2016), the use of Russian transport infrastructure can significantly reduce the delivery cost of the NEA countries products, increase its competitiveness in European markets, and, consequently, increase their trade turnover with the EU.

In this regard, the use of the Northern sea route (NSR) as the shortest and cheapest route for the delivery of goods to the European markets is of considerable interest for the NEA countries. At the same time, it is expedient for them to use the Far Eastern sea ports (both technically and economically) as a foothold for the delivery of goods through the NSR. First, they are located close to the studied countries. Secondly, the Russian government is interested in the development of the Far East, that's why provides preferential conditions for foreign investors.

In particular, the free port of Vladivostok regime which covers almost all seaports of the Primorskiy region has been operating in Russia since 2015. The free port of Vladivostok has a special legal regime for entrepreneurial and investment activities, accord-

ing to which its residents receive a number of preferences: tax benefits (exemption or reduction of taxes on profit, property and land), simplification of customs and visa procedures, maximum reduction of administrative barriers, etc [2]. At the same time it is planned to expand the regime to the sea ports of the Kamchatka, Khabarovsk, Sakhalin and Chukotka territories. These ports can be used by the NEA countries as transshipment bases for the delivery of products to the EU countries via the Northern sea route, which will significantly reduce transportation costs.

Along with this the Russian government has created so called territories of advanced socio-economic development - special economic zones close to some Far Eastern seaports, whose residents (including foreign investors) are provided with preferential tax and customs conditions, as well as a simplified administrative regime (the possibility of attracting foreign qualified personnel, reducing state control, etc.) [3]. The most popular areas for foreign investment at the present time are agriculture, production of construction materials and equipment.

After the conclusion of some potential integration agreement the NEA countries can receive additional preferences: removing tariff and regulatory barriers, the simplification of the investment regime, unification of trade rules, etc. In this case there are three options for deepening integration processes: the conclusion of a General agreement between the NEA countries, bilateral agreements with Russia, free trade agreements between the NEA countries and the Eurasian Economic Union (EAEU). Under the current circumstances, the third option is the most realistic. In 2016 China began negotiations with the EAEU, in 2017 Southern Korea did the same. Japan has also repeatedly expressed its interest in the functioning of the EAEU. Within the framework of potential agreements, it would also be useful to consider

provisions on cooperation in the Arctic region. The NEA countries are showing increased interest in the Arctic. China, Japan and ROK are observers in the Arctic Council, indicating an understanding of the region's importance for economic development and a willingness to cooperate with the Arctic States. In particular, in 2014 China signed a free trade agreement with Iceland, since 2009 it has been negotiating with Norway, since 2016 – with Canada. In 2012 ROK concluded a free trade agreement with the United States, in 2015 – with Canada, with which Japan has been negotiating a similar agreement since 2012 [6]. In turn, the deepening of integration processes with Russia will allow the NEA countries to more fully take advantage of the Arctic region and the Northern sea route, as well as intensify trade with European countries.

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