

# МИГРАЦИОННЫЕ ПРОЦЕССЫ И МЕЖКУЛЬТУРНЫЕ КОММУНИКАЦИИ В УСЛОВИЯХ ГЛОБАЛЬНЫХ ВЫЗОВОВ

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## ATTRACTIVENESS AND RISKS OF RUSSIAN MARKET FOR CHINESE MIGRANT ENTREPRENEURS

### *Abstract:*

Studying the attractiveness and risks of the Russian market for Chinese migrant entrepreneurs is important not only for the purpose of clarifying the motives of Chinese entrepreneurs coming to Russia, but also for identifying the risks, thus revealing the “missing” aspects of migrant entrepreneurship.

### *Keywords:*

Russian entrepreneurship market, Chinese migrant entrepreneurs, migrant entrepre.

The need to find new sources of economic growth and structural development in Russia has led to increased attention to entrepreneurship and the development of small and medium-sized enterprises. The development of entrepreneurship not only creates more jobs but also has the potential to bring about changes in the economy's structure. The external shocks caused by the pandemic and large-scale sanctions against the Russian economy have exacerbated regional differences in sectoral structure and the number of SMEs. Despite the large number of Chinese migrants organizing their own businesses in Russia, there is still a scant understanding of migrant entrepreneurship.

A significant number of Chinese migrants come to Russia for business or labour purposes. In 2022, there were 240,132 Chinese citizens with migration registration data in Russia, of whom approximately 59.5 percent arrived for business or working purposes. However, there is no data on the number of the Chinese registered at their place of residence doing business in Russia. There is a shortage of academic research on migrant entrepreneurship and a lack of systematized analyses<sup>39</sup>.

In addition, the study of the phenomenon of Chinese migrant entrepreneurs allows us to propose new approaches to developing the potential of migrant entrepreneurship for the Russian migration policy, which is focused on the attraction of hired labour.

### ***How Chinese migrant entrepreneurs appeared on the Russian business market***

Following China's reforms and opening up, a wave of migration began in the 1990s, which coincided with the Chinese government's active encouragement of small and medium-sized enterprises (SMEs) to enter the international market. As a result, many Chinese started to set up businesses overseas. [Wang. Y., 2020] Since the early 1990s, Russia has pursued policies aimed at attracting foreign direct investment (FDI) and migrant workers, which has created favourable conditions for the entry of Chinese businessmen engaged in trade and promotion of Chinese goods [1].

Despite the severe pandemic in 2020, there are still between 50,000 and 60,000 entrepreneurs residing in Russia, according to statistics from the World Overseas Chinese Report 2020 [2]. Many Chinese businesspeople find the Russian market appealing.

### ***The attractiveness of Russian policies for Chinese migrant entrepreneurs:***

After the USSR collapsed in 1991, the Russian Federation continued to have enormous economic potential, which allowed it to develop an economy that was stronger than that of the other former Soviet Union countries and a labor market that was bigger in terms of both volume and price. Many migrant workers start their enterprises and become entrepreneurs because there are resources and possibilities available in the host country. To make the most of their experience in Russia, migrants actively engage in commercial operations and hire workers, which enables them to engage in both the Russian labor market and the macroeconomic life of the country [3].

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<sup>39</sup> Data of the Federal State Statistics Service (Rosstat). Source: <https://rosstat.gov.ru/compendium/document/13283>.

Russia demonstrates a high ranking in the ease of doing business, especially when compared to the countries of the former Soviet Union. The World Bank Group's Doing Business 2020 report ranks Russia 28th out of 190 countries<sup>40</sup>.

The Russian Federation has significant economic potential and an extensive domestic market for goods and services. In 2024, Russia is ranked fourth in the world ranking of economies by GDP at purchasing power parity (PPP)<sup>41</sup>.

The 2020 Investment Guide to Russia published by the Ministry of Commerce of China found that Russia has a number of competitive advantages that make it appealing to Chinese investors:

- Russia is a country with abundant energy, mineral resources, and other resources;
- Research in cutting-edge fields in terms of basic science;
- Russia is a big generator of electricity and has a good supply of it;
- A significant amount of cross-border infrastructure is also present in China and Russia;
- Russia has a high penetration and access rate for fixed internet;
- There are numerous well-known e-commerce businesses in the country, including Wildberries, Ozon, Yandex.market, Avito, DNS shop, etc;
- Clothing, home appliances, and children's products from China are all popular goods;
- There was a lack of confidence in investing in Russia after sanctions were imposed on it in 2014. Due to the chance this provided for Chinese businesses to fill the market gap [4].

Russia is a large country with a tradition of welcoming migrants and ranks fourth among the countries preferable to foreign migrants<sup>42</sup>. In addition, the Russian government is committed to recruiting top migrant talent rather than low-quality workers. The Russian Ministry of Labour advocates that migration policy should be biased towards attracting qualified workers [4].

Russia demonstrates a high Human Development Index (HDI), indicating a long and healthy life, access to education and a decent standard of living. These factors have been assessed by the International Organization for Migration (IOM) as important for attracting migrants<sup>43</sup>.

According to the Global Entrepreneurship Monitor (GEM), attitudes towards entrepreneurs in Russia are improving, creating a positive and promising entrepreneurial climate.

***The risks of Russian policies for Chinese migrant entrepreneurs:***

The Russian business environment is characterized by a high level of risk<sup>44</sup>.

Macroeconomic growth in the country remains low, especially in the face of massive sanctions [5].

Russia has adopted a strategy of import substitution and economic restructuring [6.]

High logistics costs and critical congestion of the transport and logistics system, especially in the eastern direction, significantly increase the investment costs of enterprises [7].

Institutional risks should also be noted. Among the most serious obstacles faced by Russian SMEs are transaction costs, unfair competition, administrative pressure and corruption [7] [8].

Under current legislation, foreign migrants wishing to register a company in Russia must first obtain a residence permit (ПБП or БЖК). Without these documents it is impossible to establish a business. In order to obtain both of these statuses, a foreigner must demonstrate a certain level of knowledge of the Russian language. In addition, the number of permits is limited each year and it is extremely difficult to apply for them; it needs to be reviewed every year<sup>45</sup>.

Due to inadequate enforcement of the relevant rules or a lack of knowledge of them, Chinese business owners frequently lose money. [6]

Security risks are another major concern for foreigners in Russia [2].

There is a shortage of highly professional international staff who are fluent in Russian and Chinese [5].

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<sup>40</sup> Data: <https://documents1.worldbank.org/curated/fr/688761571934946384/pdf/Doing-Business-2020-Comparing-Business-Regulation-in-190-Economies.pdf>.

<sup>41</sup> Data from the World Bank: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>.

<sup>42</sup> Data on the number of international migrants until 2020. Retrieved from the Global migration data analysis centre website: [https://www.migrationdataportal.org/international-data?i=stock\\_abs\\_&t=2020&cm49=156](https://www.migrationdataportal.org/international-data?i=stock_abs_&t=2020&cm49=156).

<sup>43</sup> Data from the United Nations Development Programme website: <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI>.

<sup>44</sup> According to the country risk rating compiled by Allianz SE, the world's largest financial services group, Russia is categorised as D4. D is the highest risk level in the "Medium-term Rating", 4 is the highest risk level in the "Short-term Rating": [https://www.allianz.com/en/economic\\_research/country-and-sector-risk/country-risk/russia.html#rating](https://www.allianz.com/en/economic_research/country-and-sector-risk/country-risk/russia.html#rating).

<sup>45</sup> The information from Federal Tax Service: [https://www.nalog.gov.ru/rn25/news/activities\\_fts/12936802/](https://www.nalog.gov.ru/rn25/news/activities_fts/12936802/).

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