Arctic and North. 2026. No. 63. Pp. 113–129.
Original article
UDC 330.322(571.6)(045)
DOI: https://doi.org/10.37482/issn2221-2698.2026.63.141

The Russian Far East North Attractiveness for Chinese Investment: Problems and Prospects

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Abstract. The Far Eastern Federal District should objectively be the main beneficiary of the strategic partnership between Moscow and Beijing. However, for more than 10 years now, the three northern regions of the Far East — Kamchatka Krai, Magadan Oblast and the Chukotka Autonomous Okrug — demonstrate zero investment activity by Chinese entrepreneurs. This mesoregion, accounting for almost 10% of our country's territory, is extremely rich in mineral and biological resources, possesses impressive tourism potential, and, moreover, provides several ports along the Northern Sea Route (NSR); yet it still does not receive any direct Chinese investment. The article examines the main challenges to the investment attractiveness of the northern regions of the Far East, as well as the dynamics of investment in fixed capital and foreign direct investment in the Far East regions. It also analyzes changes in gross regional product (GRP). Investment rating indicators for these regions are presented, and their components are characterized. It is noted that the preferential regimes of the Far East, such as the territories of advanced development (TAD), confirm their effectiveness, and the launch of the mechanism for international territories of advanced development (ITAD) in 2026 will be a supportive factor for investment cooperation. The main issues hindering the risk appetite of Chinese investors are outlined. The objectives of attracting foreign investors and restructuring activities to identify new business areas and enhance investment attractiveness are defined.
Keywords: *Far Eastern Federal District, north of the Far East, China, Northern Sea Route, spatial development, investment, TAD, ITAD*

Introduction

One of the most significant advantages of the "pivot to the East" strategy is the new opportunity for accelerated and dynamic development of Russia's Far East, especially since the economic situation in these regions has shown more than moderate growth or stagnation in recent decades[1].

The excessive concentration of economic activity has led Russia to fragmentation and de facto encapsulation — the confinement of the country's economic space to a limited number of territories. The result of this asymmetry in the spatial structure of Russia's economy over the past 30 years, across most indicators of economic activity (with the exception of mineral extraction), has been an increase in the share of the western regions at the expense of a decline in the share

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For citation: Fomin M.V. The Russian Far East North Attractiveness for Chinese Investment: Problems and Prospects. *Arktika i Sever* [Arctic and North]. 2026; 63: 141–159. https://doi.org/10.37482/issn2221-2698.2026.63.141

[1] Babaev K. The Role of Siberia and the Far East in the "Pivot to the East" of the Russian Economy. URL: https://russiancouncil.ru/analytics-and-comments/comments/rol-sibiri-i-dalnego-vostoka-v-vostochnom-povorote-rossiyskoy-ekonomiki/?sphrase_id=178019609 (accessed 25 June 2025).

of the eastern ones. This highlights the problem of uneven spatial development and does not allow claiming that Far Eastern regions possess sufficient competitiveness and investment attractiveness (Fomin, Smirnov, 2022).

On December 28, 2024, the Government of the Russian Federation approved [2] the Strategy for the Spatial Development of the Country until 2030 with a forecast to 2036. The document outlines the objectives of creating a balanced system of territorial spatial development and the search for optimal forms of territorial organization of the economy, including supply-side economics. Domestic demand, both consumer and investment, is identified as the key driver of supply-side economics. In the medium and long term, industries focused on innovation and increasing investment demand will receive additional incentives.

Consequently, enhancing investment attractiveness and sustaining the supply-side economic growth of the Far Eastern regions is a key strategic objective for the state in the current context. At the same time, given the territorial extent and regional disproportionality, the spatial development of remote constituent entities of the Russian Federation is particularly important, including the territories of the northern Russian Far East: Kamchatka Krai, Magadan Oblast, and Chukotka Autonomous Okrug (Fomin, Bezverbny, Seleznev et al., 2020).

The Far Eastern Federal District (FEFD) covers 6.95 million km^2, or more than 40% of Russia’s territory. However, it is home to 7.86 million people, or less than 5.5% of the country’s population (the average density is 1.13 people/km^2, compared to the Russian average of 8.53 people/km^2). The territory of the three northern regions of the Far East covers 1.65 million km^2 (9.6% of the Russian Federation’s territory and 23.7% of the FEFD), but the population is just over 470,000 people, which is less than 0.33% of the Russian total and 6% of the FEFD (the average density is extremely low, even for the Far East — less than 3 people/10 km^2).

Furthermore, spatial development in the Far East should be ensured in the context of depopulation over the medium term, especially given that the key challenges here include both low population density and unfavorable natural and climatic conditions for economic activity (Fomin, Smirnov, 2022).

It is also necessary to consider the significant remoteness (from the main centers of economic activity) and infrastructure deficit (the need to renovate ports and airfields, to build highways, and lack of rail links), as well as the predominantly unpredictable air and seasonal maritime connectivity. Moreover, overall, despite reports and management initiatives to increase investment attractiveness, the northern regions of the Far East are currently not experiencing an increase in investor risk appetite.

The region’s investment attractiveness is largely linked to, if not synonymous with, territorial marketing and branding, a history of which spans more than 60 years. “There are various ap-

[2] Order of the Government of the Russian Federation of 28.12.2024 No. 4146-r "On approval of Strategy for the Spatial Development of the Country until 2030 with a forecast to 2036". URL: http://government.ru/docs/all/157308/ (accessed 25 June 2025).

proaches: strategies of "emphasizing competitive advantages" and "traditional specialization", "catch-up" and "post-industrial" development. Successful examples — Singapore, Hong Kong, Dubai, and others — are well known" [3].

Since 2007, the term "competitive identity" (Anholt, 2007) has been in use — a broader concept than territorial branding. Professor Simon Anholt [4], the author of the term, developed a method based on it that differs from other strategies. It is based on improving the image of a specific territory, increasing its investment attractiveness, and stimulating innovation by the state. This requires [5] a synthesis of brand management with the region's development strategy and the enhancement of its competitiveness in six areas: (1) quality of governance, (2) export growth, (3) public hospitality, (4) unique culture, (5) developed tourism, and (6) investment openness.

In the 1990s, international energy giants introduced the concept of "no alternative". For a long time, this term best defined the investment attractiveness of the regions of the northern Far East: the raw materials vector of development prevails, and, accordingly, there was no need to change it. However, in the current context of changing global order and technological paradigms, there is a clear shift from a consumer society towards a society with significant self-restraint — a social model of sustainable and secure development.

In such a society, according to Professor He Chuanqi's theory of secondary modernization (He, 1998), the primary focus is on the development of innovative ideas. This is its qualitative difference from primary modernization, which is mainly focused on the country's economic security. It is no longer possible for a country to remain competitive solely through the extraction and export of non-renewable natural resources. Therefore, the implementation of a supply-side economy in Russia, involving the introduction of innovations and enhancing the investment attractiveness of regions, is the only viable option.

Collision of attractiveness

According to Rosstat [6], the volume of fixed capital investment in the Far Eastern Federal District in 2024 amounted to over 3.93 trillion rubles (10% of the Russian total), of which 306.8 billion rubles were accounted for by the three northern regions of the Far East (less than 8% of the FEFD's investment). In other words, 9.6% of the country's territory accounts for only 0.78% of Russian fixed capital investment. This is essentially proportional to the size of the local population — less than 0.33% of the national total. This is not a matter of arithmetic, simply comparing numerical values, as these territories are not impoverished wastelands, but lands and waters rich in min-

[3] Fomin M. How to improve the image of the Sverdlovsk Oblast? URL: https://www.e1.ru/text/world/2022/02/01/70416341/ (accessed 25 June 2025).

[4] Professor Anholt visited Russia twice: in December 2012 as a keynote speaker at the Moscow Urban Forum and in September 2013 to make a report at the tenth session of the Valdai Club. *Author's note.*

[5] Fomin M. How to improve the image of the Sverdlovsk Oblast? URL: https://www.e1.ru/text/world/2022/02/01/70416341/ (accessed 25 June 2025).

[6] Investments in fixed capital by constituent entities of the Russian Federation (2000–2024). URL: http://ssl.rosstat.gov.ru/storage/mediabank/invest_sub.xlsx (accessed 25 June 2025).

eral and biological resources, possessing impressive tourism potential, and which, moreover, have access to the Northern Sea Route (NSR) and are of geostrategic importance to the state.

Nevertheless, in 2024, the Investment Rating of Russia (NRA) once again recorded [7] a high attractiveness rating for regions in the northern FEFD: Magadan Oblast confirmed its status in the IC3 group, Kamchatka Krai joined this group from the lower IC4 group, Chukotka Autonomous Okrug moved up to the IC2 group, with only Moscow and St. Petersburg ranking higher (IC1). These high rankings are due to the launch of major projects in the mineral resources sector, transportation, and tourism, which will ultimately impact the regional economies as a whole. Improvements in the business climate, including simplification of administrative procedures and expansion of support measures, were also noted at the ratings presentation.

Table 1

Investment in the northern regions of the Far East [8]

Region	Volume of attracted investments in fixed assets, billion rubles								NRA Investment Rating, 2024
	2021	% by 2020	2022	% by 2021	2023	% by 2022	2024	% by 2023	
Kamchatka Krai	78.471	126.9	94.668	102.5	128.157	124.1	104.324	70.4	IC3, increased
Magadan Oblast	75.193	149.0	81.502	95.4	97.144	109.2	100.182	102.8	IC3, confirmed
Chukotka AO	50.753	151.8	81.379	146.2	88.174	100.4	102.293	108.8	IC2, increased
Total	204.417	–	257.549	–	313.475	–	306.799	–	–

However, the Russian-Chinese Investment Index 2024 [9] (calculated by the National Centre for Strategic Studies jointly with the Institute of China and Contemporary Asia of the Russian Academy of Sciences), which forecasts the development of Chinese investment in various regions of Russia, does not include the northern Far East. Chinese companies registered in these three regions are either absent, or there are only a few or non-operational enterprises. The most attractive regions to Chinese investment were Moscow, Primorskiy Krai and Amur Oblast.

The top 10 Far Eastern Federal District regions also included Zabaikalskiy Krai (6th place) and Khabarovsk Krai (7th place), while the top 20 regions in the ranking included the Republics of Buryatia and Sakha (Yakutia), Sakhalin Oblast, and Jewish Autonomous Oblast. Undoubtedly, both objective factors (location, market size, incentives, export potential, etc.) and subjective factors (business culture, absence or negative experience of colleagues, etc.) play a significant role in the selection of regions for Chinese companies to operate in Russia.

In the latest Rating [10] of the Productivity of Interaction between Russian Regions and China for 2025, prepared by the Russian-Chinese Committee for Peace, Friendship, and Cooperation

[7] Annual assessment of investment attractiveness of Russian regions. URL: https://www.ra-national.ru/wp-content/uploads/2024/11/investicionnaja_privlekatelnost_regionov_2024-3.pdf (accessed 25 June 2025).
[8] Source: compiled by the author based on data from Rosstat and the NRA.
[9] Russian-Chinese Investment Index. National Coordination Center for International Business Cooperation. 2024. URL: https://nccibc.ru/upload/iblock/1e5/pw5oledaohy1p7lkkgxbhbd83jip38wz.pdf (accessed 25 June 2025).
[10] Rating of the productivity of investment interaction between Russian regions and China. Russian-Chinese Committee for Peace, Friendship, and Cooperation. 2025. URL: http://russian-chinese.com/2025/06/19/boris-titov-centr-

jointly with the Petersburg Policy Foundation, the northern regions of the Far East were classified as ***moderately*** or ***low productive*** for the second year in a row. However, it should be noted that the interests of Chinese investors are primarily focused on the Far East: six regions of FEFD are included in the high-productivity group, having scored between 7 and 9 points. Primorskiy Krai, Amur Oblast, and Jewish Autonomous Oblast scored 9 points each, Yakutia and Khabarovsk Krai scored 8 points each, and Zabaikalskiy Krai scored 7 points.

Kamchatka Krai was classified as having moderate productivity (5 points). It should be noted that in the 2024 ranking, it scored 6 points. Kamchatka was particularly noted for Chinese modular housing projects and bay dredging for the gas industry, as well as significant growth in salmon and nickel exports (China accounts for 40% of the region's total export and import volume). Following the commissioning of the new Petropavlovsk-Kamchatsky airport terminal, direct flights to China are expected to commence; preparations are underway to organize a monthly sea service to boost tourism; a container line from the port of Qingdao has been launched.

Magadan Oblast (3 points) and Chukotka Autonomous Okrug (2 points) are included in the low productivity group. Kolyma Krai lost 2 points in its rating and was moved down from the higher group. Previous reports indicated possible interest from Chinese investors in mineral extraction (primarily oil on the Sea of Okhotsk shelf [11] and ore gold). The possibility of constructing a transport corridor with a railway from Mohe, China, to Magadan is periodically discussed. Chukotka (-1 point) exports coal to China. The launch of the Baimskiy Mining and Processing Plant is expected to lead to increased copper supplies to China, and possible cooperation in tourism, construction, energy, agriculture, and logistics is being discussed.

The Rating's final communiqué summarizes that regions in the high productivity group are not only attractive to Chinese investment and have significant experience in a number of large-scale projects, but are also ready to promote this experience in both China and Russia through their established connections. Regions with moderate productivity fully justify their group name — they are characterized either by isolated cases or are merely expressing interest and are dissatisfied with the long wait for Chinese investment. The third group of regions, with low productivity, has not yet seen any real impact from potential cooperation (including due to geographic remoteness), and contacts with potential investors are more formal.

It is noteworthy that in the ASI National Investment Climate Ranking [12], both Magadan Oblast (9th place among regional groups) and Kamchatka Krai (15th place) are among the top 15 regional groups in the country. Although Chukotka Autonomous Okrug improved its position by six

tyazhesti-vzaimodejstviya-rossijskix-regionov-s-kitaem-postepenno-sdvigaetsya-s-vostoka-v-centralnuyu-chast-strany-2/ (accessed 25 June 2025).

[11] Rosneft Oil Company is currently conducting geological exploration at the Magadan-1, Magadan-2, and Lisyanskiy licensed areas on the Sea of Okhotsk shelf. Rosneft is collaborating with China Oilfield Services Limited at the Magadan-1 and Lisyanskiy areas. *Author's note.*

[12] National Investment Climate Rating. Agency for Strategic Initiatives. 2025. URL: https://asi.ru/government_officials/rating/ (accessed 25 June 2025).

places (from 29th to 23rd), it is still classified [13] as lagging behind. At the same time, the volume of investment in fixed assets per capita in these regions is traditionally (due to their low population size) very high (Chukotka ranks 3rd nationally [14], Magadan Oblast — 7th, and Kamchatka — 10th). Per capita GRP rankings are also impressive [15]: Chukotka Autonomous Okrug ranks 5th, Magadan Oblast — 6th, and Kamchatka Krai — 12th.

Table 2

Comparison of rankings for the northern regions of the Far East (2023) [16]

Region	Per capita investment		Per capita GRP		Total investment raised		GRP	
	rub.	place in RF	rub.	place in RF	bln rub.	place in RF	bln rub.	place in RF
Kamchatka Krai	443 696	10	1 228 720	12	128.157	51	440.147	62
Magadan Obl.	725 764	7	2 338 219	6	97.144	60	403.893	66
Chukotka AO	1 839 454	3	2 946 172	5	88.174	64	186.709	79

The report by the Federal Agency for Strategic Planning “Vostokgosplan” notes [17] that the FEFD maintains its leadership in investment growth rates. From 2019 to 2023, investment volumes increased by 60% compared to 2018, which is twice the national growth rate. Cumulative investment over the five-year period reached 11.3 trillion rubles by the end of 2023, accounting for only 9% of the national total. Since 2017, the Far Eastern Federal District has ranked first among federal districts in terms of the share of investment in GRP, reaching approximately 35% in 2023. At the same time, the share of the northern Far East regions in the structure [18] of Russia’s GRP is extremely low — 0.7% (the total for all 11 constituent entities within the FEFD is 6.5%).

Table 3

GRP of the northern Far East [19]

Region	GRP, billion rubles			Base structure of GRP, 2022	Share of Russia’s GRP, %
	2021	2022	2023		
Kamchatka Krai	351.234	357.462	440.147	25.8% (fishing)	0.3
Magadan Oblast	320.160	315.361	403.893	49.5% (mineral extraction)	0.3
Chukotka AO	140.026	145.060	186.709	29.7% (mineral extraction)	0.1

The bulk of investment in the FEFD was directed towards transport and logistics (29%) and mineral extraction (24%). The sectoral structure is characterized by a declining share of investment in pipeline transport and oil and natural gas extraction, while investment in non-ferrous

[13] The ranking is calculated based on 110 indicators in 8 areas: real estate; utility networks; business protection; business support measures; export activities; infrastructure and technology; human resources and labor resources; and market development and competition. Magadan Oblast secured its position in the top 10 due to its second place in human resources and labor resources, third place in support measures, and fourth place in business protection.
[14] According to Rosstat: 1st place – Yamalo-Nenets AO, 2nd place – Nenets AO. *Author's note.*
[15] Gross regional product by constituent entities of the Russian Federation in 2016–2023. Rosstat. 2025. URL: http://ssl.rosstat.gov.ru/storage/mediabank/VRP_s_1998.xlsx (accessed 25 June 2025).
[16] Source: compiled by the author based on Rosstat data.
[17] Socio-economic profile of the Far East. Analytical report. FSBI "Vostokgosplan". 2024. P. 11. URL: https://solnechniyadm.khabkrai.ru/?menu=getfile&id=37812 (accessed 25 June 2025).
[18] Gross regional product by constituent entities of the Russian Federation in 2016–2023. Rosstat. 2025. URL: http://ssl.rosstat.gov.ru/storage/mediabank/VRP_s_1998.xlsx (accessed 25 June 2025).
[19] Source: compiled by the author based on Rosstat data.

metals, coal, petroleum products, chemicals, and metallurgy is growing, as well as in the development of energy, rail freight transportation, and marine cargo terminals. The share of extra-budgetary funds in the structure of funding sources in 2023 is 91%, which is 10 percentage points higher than the Russian average [20]

However, when looking at these results in absolute terms, it turns out that these figures are extremely low on a national scale. Overall, the FEFD accounts for only 10% of the investment attracted (the leaders are the Central Federal District with 31.9%, the Volga Federal District with 14.4%, and the Ural Federal District with 13.5%). In terms of the volume of investment attracted across the district, the northern regions also lag behind: Kamchatka — 3.9%, Magadan Oblast — 2.6%, Chukotka — 2.5% (the leaders are Yakutia and Amur Oblast — 21.6% each).

Furthermore, a very important aspect of investment attractiveness is the structure and geography of foreign direct investment (FDI). "Based on an analysis of the dynamics of FDI inflows by territory, industry, and country, it was established that significant industry asymmetry in FDI attraction remained in the Far Eastern Federal District until 2022–2024. The overwhelming majority (approximately 90%) was concentrated in the extraction of fuel and energy minerals" (Suslov, 2024).

In 2021, the FEFD accounted for 10% of Chinese direct investment (excluding the overall negative value), while the share of cumulative Chinese investment was only 26.4% of their total volume in Russia. "This could be considered an impressive result if not for the 4.2 thousand km border connecting the Far Eastern Federal District with China, its enormous natural resource and spatial potential, which China is interested in exploiting, and the hopes of filling the sails of the Russian (including the Far Eastern) economy with the 'Chinese wind'" (Baklanov, Larin, 2023).

Table 4

Chinese investment in the Russian economy [21]

Period	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Direct investment from China to Russia, billion USD	6.3	29.6	12.9	15.5	7.3	-3.8	5.7	-10.7	2.3	6.3
Cumulative direct investment from China, billion USD	86.9	140.2	129.8	138.7	142.1	128.0	120.7	106.4	99.2	106.7

According to [22] the Central Bank of the Russian Federation, as of January 1, 2022, the total FDI balance in the Far Eastern Federal District amounted to 98.092 billion US dollars, of which 89.996 billion (91.8%) was spent on mining. The balance of direct Chinese investment amounted to 842 million US dollars (including 55 million withdrawn from Primorskiy Krai), ranking third after

[20] Socio-economic profile of the Far East. Analytical report. FSBI "Vostokgosplan". 2024. P. 11. URL: https://solnechniyadm.khabkrai.ru/?menu=getfile&id=37812 (accessed 25 June 2025).
[21] Source: compiled by the author based on data from the National Bureau of Statistics of China. Flow and volume of direct investment from China to Russia (2014–2023). URL: https://data.stats.gov.cn/english/easyquery.htm?cn=C01 (accessed 25 June 2025)
[22] Foreign direct investment (2015-2021). Central Bank of the Russian Federation. 2022. URL: https://cbr.ru/statistics/macro_itm/external_sector/di/ (accessed 25 June 2025).

Cyprus (3.111 billion US dollars) and the Netherlands (1.289 billion US dollars). Excluding offshore FDI (the Bahamas and Bermuda), the balance amounted to 84.008 billion US dollars, invested in Sakhalin's fuel and energy complex projects. Their territorial distribution across the FEFD's constituent entities also remained largely unchanged: the main focus of Chinese direct investment is Transbaikal (585 million US dollars), while investments in Amur Oblast (280 million US dollars) have grown significantly — by almost fivefold. The constituent entities of the FEFD that have not yet received any Chinese investments are Kamchatka Krai, Magadan Oblast, and Chukotka AO.

Table 5

Dynamics of Chinese direct investment in the FEFD by constituent entity, million US dollars[23]

Constituent entity	2014	2015	2016	2017	2018	2019	2020	2021
Republic of Buryatia	0	0	17	28	16	18	15	16
Republic of Sakha	0	0	-5	2	1	1	1	1
Zabaykalskiy Krai	200	2	3	350	412	484	521	585
Kamchatka Krai	0	0	0	0	0	0	0	0
Primorskiy Krai	-1	-45	17	1	-35	-40	-58	-55
Khabarovsk Krai	27	28	24	18	16	7	16	11
Amur Oblast	27	49	61	65	58	66	58	280
Magadan Oblast	0	0	0	0	0	0	0	0
Sakhalin Oblast	10	10	11	11	11	11	11	1
Jewish AO	9	19	19	20	13	9	8	3
Chukotka AO	0	0	0	0	0	0	0	0
Total Chinese direct investment in the FEFD	272	53	147	495	493	566	572	842
equity participation	20	-14	42	60	51	110	93	-
debt instruments	252	67	105	432	445	456	479	-

Despite sanctions risks, positive investment trends in projects implemented by Chinese investors were maintained in 2022–2024. According to[24] Piao Yangfan, Consul General of China in Vladivostok, total Chinese investment in the Far East in 2023 amounted to over 13 billion US dollars.

While Rosstat (in per capita ratings), the National Research Agency (NRA), and the Agency for Strategic Initiatives (ASI) assess the regions of the northern Far East as fairly attractive for investment (except for Chukotka Autonomous Okrug, which is ranked in opposite positions by NRA and ASI), the country's business and public associations are more cautious in their analysis, as confirmed by the Central Bank of the Russian Federation's statistics on foreign direct investment (FDI) since 2014.

The northern regions of the Far East, while possessing significant resource and raw material potential and representing an absolute strategic priority, do not yet provide sufficient investment attractiveness for potential Chinese investors, neither in terms of their share of the country's GRP, nor in terms of the volume of investment attracted into fixed capital and the zero volume of

[23] Source: compiled by the author based on statistics from the Central Bank of the Russian Federation.
[24] Concerns and enthusiasm: what's holding back Chinese investors in the Far East. URL: https://www.eastrussia.ru/material/opaseniya-i-entuziazm-chto-sderzhivaet-kitayskikh-investorov-na-dalnem-vostoke/ (accessed 25 June 2025).

Chinese FDI, and even less so in terms of population size — the potential capacity of the consumer market, a catalyst for domestic demand and the supply-side economy.

Support measures: business climate potential

Nevertheless, even the nominally high (in terms of growth rates) investment activity in the Far Eastern Federal District is supported primarily by the activities of residents of preferential regimes: the Territories of Advanced Development (TADs), the Free Port of Vladivostok (FPV), and the Arctic Zone of the Russian Federation (AZRF). Currently, there are 16 TADs operating in ten out of eleven regions within the FEFD.

In addition to Primorskiy Krai, the FPV regime applies to Kamchatka Krai and Khabarovsk Krai, Sakhalin Oblast, and Chukotka Autonomous Okrug, while the AZRF preferences are available in Republic of Sakha (Yakutia) and Chukotka Autonomous Okrug. In Magadan Oblast, there is a special economic zone (SEZ) — an area with a special tax and customs regime within the administrative boundaries of the city of Magadan. On June 7, 2025, the President of Russia amended [25] Federal Law No. 104, allowing the creation of TAD in Magadan Oblast within the SEZ.

The total number of residents in preferential economic zones exceeds 3,000, of whom almost 75% are residents of the Free Port of Vladivostok (FPV). Moreover, over 80% of investments were made by residents of the territories of advanced development (TADs), primarily in gas chemical cluster projects in Amur Oblast [26]. In total, residents have invested over 3.4 trillion rubles, creating over 130,000 jobs. It should be noted that in the north of the Far East, TADs currently operate only in Kamchatka and Chukotka, and FPV is only available in the ports of Petropavlovsk-Kamchatsky and Pevek [27]. Although Magadan Oblast has seaports, they have not been included in FPV.

Table 6

Options, incentives, and preferences in the Far East [28]

Options, incentives	TAD	FPV	AZRF
Connection to infrastructure	✓	–	Subsidy up to 20%
Provision of land	✓	–	✓
Area of application	Cadastral units for each TAD	Municipal boundaries	The entire territory of the AZRF
Minimum investment threshold for entry	500,000 rubles	500,000 rubles over three years	1,000,000 rubles in fixed assets
Provision of infrastructure	✓	–	–
Tax incentives	✓	✓	✓
Administrative incentives	✓	✓	✓

[25] Federal Law No. 132-FZ of June 7, 2025 "On Amendments to Article 3-1 of the Federal Law ‘On the Special Economic Zone in the Magadan Oblast’". URL: http://publication.pravo.gov.ru/document/0001202506070008 (accessed 25 June 2025).

[26] Socio-economic profile of the Far East. Analytical report. FSBI "Vostokgosplan". 2024. P. 12. URL: https://solnechniyadm.khabkrai.ru/?menu=getfile&id=37812 (accessed 25 June 2025).

[27] Several ports in the northern Far East (Pevek, Anadyr, Provideniya, Petropavlovsk-Kamchatsky, Magadan) provide navigation along the NSR, which is divided along the 80th meridian east longitude (Dikson Island) into eastern and western sectors. The length of the NSR from the Kara Gate to Provideniya Bay is 5,610 km. The Greater NSR — from St. Petersburg to Vladivostok — is 14,280 km (the same route via the Suez Canal is 23,200 km). *Author's note.*

[28] Source: compiled by the author based on data from the FSBI "Vostokgosplan".

The NCC report for the EEF 2024 notes [29] that "for modern China, the practical scope of the "pivot to the East", particularly in the neighboring East Siberian and Far Eastern regions, is largely linked not only to the potential for exploiting hydro and mineral resources, but also to the 22 TADs created by Russia (in Eastern Siberia and the Far East), the updated status and infrastructure of the FPV ports, and the potential alternative to the Suez Canal — the Northern Sea Route. The key parameters and sector-specific features of each TAD are presented in sufficient detail and are designed to attract both Russian and foreign / Chinese capital. This initiative has partially proven successful: in addition to foreign companies, Russian state corporations have also entered the Far East, and new projects have emerged in agribusiness, infrastructure, hydrocarbon processing, and other sectors. However, the main objective — the large-scale attraction of foreign investment, primarily from China — has not yet been achieved."

The investment attractiveness of a region is linked to the implementation of major projects, an improved business climate, and investor support measures. Furthermore, key factors for Chinese investors include: geographic location (proximity to Asia-Pacific countries, availability of natural resources — minerals, fuel and energy, forestry); territorial potential (preferential regimes: SEZs, TADs, FPV; unique location — architectural and natural heritage monuments); transport and developed infrastructure (roads, ports, access to the NSR); telecommunications; skilled workforce. However, the main challenge to Russian-Chinese bilateral cooperation is "secondary sanctions" against Chinese banks interacting with Russian counterparties. Furthermore, since the spring of 2024, payments to and from Russia have been subject to significant difficulties and serious delays.

Nevertheless, Primorskiy Krai, Khabarovsk Krai, and Amur Oblast improved their ratings to IC3 in the NRA investment rating. In this group, they joined Sakhalin Oblast, which confirmed its rating.

"We are seeing growing interest in our region among entrepreneurs. The region accounts for more than 53% of all projects being implemented in the Far East and the Arctic. There are approximately 2 thousand of them, worth over 3.4 trillion rubles," said Andrey Blokhin, Minister of Economic Development of Primorskiy Krai. He also noted that "the region offers the largest number of special legal regimes in the country. There are five in total: territories of advanced development, the Free Port of Vladivostok, the special administrative region on Russkiy Island, the Innovation Science and Technology Center "Russkiy", and the Primorye Entertainment Zone. All this allows creating the most comfortable conditions for business in the region." [30]

Undoubtedly, the preferential regimes in the Far East and the Arctic are proving their effectiveness. Since their establishment, the regions have attracted approximately 2 trillion rubles in

[29] Russia – China: The Potential for Cooperation between Eastern Siberia and the Far East and the People's Republic of China. An Analytical Report, 2024. P. 17. URL: https://aprcenter.ru/wp-content/uploads/2024/09/rossiya-kitaj.pdf (accessed 25 June 2025).

[30] Nabivachev S. What attracts investors to the Far East. URL: https://rg.ru/2024/12/12/reg-dfo/ryvok-v-vysshuiu-ligu.html (accessed 25 June 2025).

foreign investment in 98 projects involving foreign capital. Of these, 65 projects inclide Chinese businesses. At the same time, it is necessary to continue improving preferential regimes for Chinese investors in the Far East (TAD, FPV), increasing their attractiveness, providing information on regional incentives through various channels, and continuing interdepartmental dialogue on priority areas. The launch of the International Territories of Advanced Development (ITAD) mechanism in 2026 will be a supportive factor for investment cooperation.

The first sites for them have already been selected. Within ITAD, it is possible to apply the free trade zone procedure. However, it is regrettable to note that the pilot ITAD will be established [31] not in the north, but in the south of the Far East — in the Amur territory (Khabarovsk Krai, Amur Oblast, Jewish Autonomous Oblast) and Primorye. The draft law on the establishment of the ITAD (adopted in the first reading and revised by the government) provides that resident status will be granted to investors planning to establish high-value-added production in the FEFD. The primary mission of the ITAD is to strengthen Russia's technological sovereignty. The emphasis is on high-tech development areas: space, electronics and microelectronics, automotive engineering, and metallurgy.

A key distinction between the ITAD and other preferential regimes is the possibility of establishing them on the basis of an international treaty, as well as the participation of foreign investors in the management company. The Analytical Center under the Government of the Russian Federation estimates that ITADs will eventually evolve into centers of international cooperation with special legislation, international logistics hubs, and infrastructure for payments in national currencies, including digital currencies, which is particularly relevant given the development of the BRICS alliance [32].

It should be noted that, despite the tax incentives available in ITAD, foreign investments in the Russian Federation are not yet insured or reinsured. Furthermore, it is important for Chinese investors to remove a number of significant barriers that currently negatively impact their risk appetite. The main reasons include: the judicial system; high taxes and unjustified fees; complicated procedures and lengthy project approval cycles; poorly developed infrastructure [33].

There are other issues hindering Chinese FDI. One of them is Russian legislation: Chinese investors consider Russian laws to be rather complex to understand and subject to frequent changes. The "business psychology" of Chinese businessmen also affects the rate of investment inflow. Chinese investors are not supporters of investing in start-ups or niches free from competition. Before entering a market, they need to be sure that other companies from their country are

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[31] Four sites for international TADs have been identified in the Far East. URL: https://ria.ru/20231220/mtor-1916853558.html (accessed 29 June 2025).

[32] AC under the Government of the Russian Federation. URL: https://ac.gov.ru/news/page/pri-sozdanii-mtor-vazno-ucityvat-kak-budut-sootnositsa-mezdunarodnoe-i-rossijskoe-zakonodatelstvo-27893 (accessed 25 June 2025).

[33] Russia – China: The Potential for Cooperation between Eastern Siberia and the Far East and the People's Republic of China. An Analytical Report, 2024. P. 18. URL: https://aprcenter.ru/wp-content/uploads/2024/09/rossiya-kitaj.pdf (accessed 25 June 2025).

already present there. To attract Chinese businessmen, projects should be large-scale and have been operating successfully in the market for a long time.

This process requires the formation of real opportunities for improving the business climate and increasing the capitalization of territories, which is "directly linked both to the growing role of the image component of the investment attractiveness of regions, and to the significant increase in their responsibility, as subjects of the Federation, for compliance with the targets and priorities of modern public administration policy." [34]

In this regard, the decree [35] issued by the President of Russia on June 5, 2025, is particularly relevant. According to it, the VEB Group [36] (including the Far East and Arctic Development Fund) will focus primarily on regional development and attracting private investment, including foreign investment. It is evident that the primary function of state development institutions is now to stimulate the creation of a supply-side economy in the country.

Conclusion

The Russian Far East is traditionally considered a focal point for Chinese business activity. Moreover, since 2015, China has acquired the status of a net FDI exporter and has focused its attention on resource and raw materials investment projects. At first glance, the Far Eastern Federal District has everything necessary to attract Chinese investment: territorial proximity, accumulated experience of cooperation (Makino, Tsang, 2011), differences in economic development (Tsang, Yip, 2007), and complementarity (Zhihua, Gordyachkova, 2021).

Since 2018, the majority of Chinese direct investment in the FEFD has consisted of debt instruments (in 2020, they amounted to [37] 479 million US dollars, or 83.7%, with only 93 million in equity participation). The fact that equity investments in Far Eastern enterprises account for a small share (no more than 20%) indicates that Chinese investors are taking a rather cautious approach to investing in Far Eastern businesses. Furthermore, the zero volume of Chinese direct investment in the northern regions of the Far East since the start of the investment boom in China in 2015 is already being interpreted as a tacit rejection by potential investors.

However, most Russian commentators and officials view Russian-Chinese investment cooperation extremely positively: "In the Far East, 65 investment projects with Chinese capital are

[34] Russia – China: The Potential for Cooperation between Eastern Siberia and the Far East and the People's Republic of China. An Analytical Report, 2024. P. 13. URL: https://aprcenter.ru/wp-content/uploads/2024/09/rossiya-kitaj.pdf (accessed 25 June 2025).

[35] Order of the President of the Russian Federation dated June 5, 2025 No. 222-rp "On the special working group for coordinating the activities of development institutions of the Council under the President of the Russian Federation for Strategic Development and National Projects". URL: http://www.kremlin.ru/acts/bank/51985 (accessed 25 June 2025).

[36] A working group of development institutions has been established within the Presidential Council for Strategic Planning and National Projects, headed by Igor Shuvalov, Chairman of the VEB.RF State Corporation. Decree of the President of the Russian Federation No. 381 of June 5, 2025. URL: http://www.kremlin.ru/acts/bank/51982 (accessed 25 June 2025).

[37] Foreign direct investment (2015-2021). Central Bank of the Russian Federation. 2022. URL: https://cbr.ru/statistics/macro_itm/external_sector/di/ (accessed 25 June 2025).

being implemented in the TADs and the FPV, with a total investment volume of 1.1 trillion rubles. There could be more such projects," emphasized [38] Yuri Trutnev, Deputy Prime Minister of the Russian Federation and Presidential Plenipotentiary Envoy to the FEFD, in May 2025.

A comparison of trends in the development of Russia's investment policy and its results shows that the period of regulation of Chinese investment in the Russian Federation, which began in 2012, can be assessed as the most successful in the last 30 years. Nevertheless, the volume of accumulated [39] Chinese capital is insufficient to compensate for the reduction in budget investment in the macro-region and ensure its accelerated growth. The structure of Chinese investment supports the maintenance of an economy based on the extraction and export of natural resources. The actual dynamics of Chinese FDI do not correspond to the stated goals of state policy for the development of the Far East (Zuenko, Ivanov, Savchenko, 2019).

Despite the high level of political mutual trust and significant growth rates in trade turnover, investment growth is extremely weak. From 2019 to 2021, an outflow of Chinese FDI was recorded (-10.7 billion US dollars in 2021). Even in 2022, despite the rapid growth of Chinese-Russian trade and economic cooperation, Chinese FDI in Russia accounted for only 0.36% of China's total FDI [40].

The potential of Chinese investment is often exaggerated in official and expert [41] circles. Moreover, key drivers of Chinese economic activity in traditional sectors of the Far East economy are weakening. Diminishing opportunities for Chinese labor, increasingly protectionist economic policies of regional authorities and growing competition from large Russian businesses are closing off possibilities not only for expansion, but also for maintaining current positions. Today, Chinese investors are faced with the need to reorient their activities and seek new areas of business (Kireev, 2022).

As noted above, Chinese investors have already invested over 1 trillion rubles in TAD projects, but the main management challenge lies in administrative coordination and synchronization of TADs located in different regions. Furthermore, it is clear that the strategic goals of TADs do not yet correlate with the national development goals of the Russian Federation. China's domestic experience (SEZs, etc.) demonstrates that the success of preferential regimes depends on a clear

[38] The first results of the AmurExpo-2025 forum have been summarized. Ministry for the Development of the Russian Far East. URL: https://minvr.gov.ru/press-center/news/investitsii_sotrudnichestvo_i_perspektivy_podvedeny_pervye_itogi_foruma_amurekspo_2025/?view=desktop (accessed 25 June 2025).

[39] The total volume of accumulated Chinese FDI in Russia as of January 1, 2024 was 106.7 billion US dollars.

[40] Russia – China: The Potential for Cooperation between Eastern Siberia and the Far East and the People's Republic of China. An Analytical Report, 2024. P. 29. URL: https://aprcenter.ru/wp-content/uploads/2024/09/rossiya-kitaj.pdf (accessed 25 June 2025).

[41] Chinese investment in Russia accounts for less than 1% of China's total global investment, whilst Russian investment in China accounts for less than 0.1% of foreign investment. The agreement on mutual investment, renewed in April 2025, is of paramount importance. It will provide more stable legal protection and more open market access conditions for investors from both countries. Interview with Wan Wen (Dean of the People's University of China). URL: https://www.vedomosti.ru/economics/characters/2025/06/08/1115502-van-ven-protivodeistvie?from=copy_text (accessed 25 June 2025).

strategy, state support, infrastructure development and a focus on international markets. Regulatory changes in China's preferential regimes are an important element of the country's strategy for adapting to revolutionary processes in global trade.

The number of companies with Chinese capital in Russia has exceeded 9,000 [42] (of which almost 1,000 are joint ventures (Hanting, 2025)), which is more than three times more than the number of companies remaining with German capital and ten times more than those with American capital. According to the Russian Ministry of Economic Development, more than 6,000 companies currently hold 100% Chinese capital. At the same time, investment cooperation with China is not developing rapidly, although the number of joint projects is increasing. This cooperation predictably takes place both geographically and sectorally.

While Moscow and the Far Eastern regions bordering China dominate geographically, the main areas of investment cooperation between both countries have traditionally been logistics and infrastructure, the mining industry and agriculture (including aquaculture), the chemical industry and mechanical engineering.

In the coming years, we can expect an increase in Chinese investment in the food industry, agribusiness, and marketplaces. These are currently the two key areas attracting the most interest from Chinese entrepreneurs. In the long term, Chinese investors are interested in establishing joint ventures specializing in the supply of automobiles, electronics, construction equipment, and construction sector.

The regions that attract the greatest interest from the Chinese side for cooperation are those that combine logistics, the availability of raw materials and human resources, a clear system for management decision-making, as well as the experience and involvement of local authorities. While some regions are leaders in investment attractiveness, including in Russian-Chinese interregional cooperation, the northern part of the Far East has a lot of work to do. First and foremost, it is necessary to expand information activities, for example, through annual forums and exhibitions on interregional cooperation. Such platforms facilitate the development of direct interregional business contacts.

Participation in or organization of business missions is extremely important. The development of formats for interaction between "clusters" of regions united by some characteristic also appears promising. Furthermore, the organization of an annual investment forum for the northern Far East appears to be both important and highly prospective. It would be advisable to hold it annually, rotating between the three regions, and to organize a panel discussion at the Eastern Economic Forum (EEF).

The regions of the northern Far East are not competitors in all the above-mentioned areas, and it is reasonable to discuss the development of cooperation in transport and infrastructure,

[42] In Russia, the number of companies with Chinese capital increased by 2.5 times in 2024. URL: https://www.kommersant.ru/doc/7734702 (accessed 25 June 2025).

construction and tourism, mining [43] and agriculture. Specifically, in mining, China's experience in organizing and financing the primary processing of raw materials and the production of lower-stage products — semi-finished goods, semi-manufactured goods and components — for further export will be very useful. Furthermore, it is crucial to utilize the potential of the ports of Anadyr, Magadan, Pevek, Petropavlovsk-Kamchatsky and Provideniya.

It is noteworthy that on the sidelines of the Eastern Economic Forum (EEF) held in September 2025, the Chinese company NewNew Shipping Line and the Far East and Arctic Development Corporation (FEADC) signed [44] an agreement to create a logistics complex in the Chukotka Autonomous Okrug. The project entails the construction of a terminal in Providence Bay for the transshipment of cargo from ice-class vessels to conventional container ships to reduce shipping costs along the NSR. The total investment in the project is 5 billion rubles. This is the first Chinese direct investment in Chukotka. This is undoubtedly a significant event for the northern Far East as a whole, as the implementation of specific projects signals to investors that this territory possesses real appeal. This creates opportunities for the implementation of international investment initiatives.

Moreover, in Chukotka alone, more than 25 promising deposits of gold, tin, tungsten and other minerals have been explored and are ready for development. The presence of the richest mineral deposits in the north of the Far East justifies the development of downstream processing here — semi-finished products, intermediate products, materials and technological components. Although the priority is evident (this will lead to the re-establishment of fully-fledged production chains across the entire country), the implementation of such projects is currently extremely difficult, primarily from an organizational standpoint.

The northern Far East is a classic "meso-region" (from the ancient Greek μέσο — "middle"). Based on its territorial characteristics and spatial similarities, it is a natural cluster that urgently requires the creation of a "North of the Far East" ITAD (Kamchatka Krai, Magadan Oblast, Chukotka Autonomous Okrug) or the inclusion of these regions (their municipal districts) in one of the future ITADs, similar to the FPV regime.

In this context, it is important to develop a coordinated approach to setting project objectives across the regions and to ensure forward-looking financing, for example, through the issuance of bonds as part of PPP projects. The potential of targeted bond loans is underutilized in Russia, and the credit market is very expensive. Moreover, PPPs facilitate a shift from the distribution

[43] It should be noted that, at recent SPIEF 2025, V.G. Kuznetsov, Governor of the Chukotka Autonomous Okrug, signed two agreements on the implementation of investment projects to develop the "Lenotap" and "Sekushchee" gold ore deposits in the Egvekinot MD. Both projects are planned in four phases, with total investment in the first phase exceeding 1.1 billion rubles. The mining and processing plants at the sites are scheduled to commence operations in 2032 and 2033 URL: https://chaogov.ru/press-tsentr/novosti-chao/chukotka-na-pmef-2025-podpisala-dva-krupnykh-soglasheniya-po-osvoeniyu-zolotorudnykh-mestorozhdeniy-/ (accessed 25 June 2025).

[44] A Chinese investor will build a logistics complex for Northern Sea Route vessels in Chukotka. URL: https://erdc.ru/news/kitayskiy-investor-postroit-na-chukotke-logisticheskiy-kompleks-dlya-sudov-sevmorputi/ (accessed 06 September 2025).

of financial resources to the realization of potential and the improvement of the investment attractiveness of regions.

Recommendations for improving the situation in the northern regions of the Far East require further analysis of the problem and comparison with other regions of Russia where Chinese investors are more active (for example, Primorsky Krai). This will be reflected in a forthcoming publication. This will enable the identification of best practices and specific business case studies or the views of Chinese investors.

It should be noted that the ability to identify and specify which infrastructure projects (roads, ports, logistics centers) require priority attention can be achieved through fieldwork. It may also be necessary to collect primary empirical data, as has already been reflected, for example, in our work "Problems of Spatial Development in the Northern Regions of the Russian Far East: A Sociological Analysis" (Fomin, Bezverbny, Seleznev et al., 2020).

The supply-side economy is a target model that assumes growth in production, which should stimulate final demand, expressed in consumption and investment. The problem is that our supply-side strategy currently amounts to realizing opportunities that remain subject to strict constraints. Accordingly, the future of growth lies in building confidence in the Russian investment environment.

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The article was submitted 26.06.2025; approved after reviewing 04.07.2025; accepted for publication 14.07.2025

The author declares no conflicts of interests