

Analysis of the Dynamics of Policy Changes in the International Border Cooperation Center under the Perspective of Multi-Source Flow Theory

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Abstract: The China-Kazakhstan Horgos Frontier International Cooperation Center has been established for nearly 20 years, and its targeted policies have gone through the stages of initiative, negotiation and modification, official operation, and optimization and enhancement. This paper explores the problems, policy, and political sources of policy changes since the establishment of the Horgos International Border Cooperation Center by applying the multi-source flow theory to find the opening of the problematic and political windows. It also constructs a model of policy change dynamics to provide suggestions on how the government should better promote the good development of China's first transnational cooperation center.

Keywords: Horgos; Cooperative centers; Policy changes; Multiple source flows

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1. Introduction

Since the establishment of the China-Kazakhstan Horgos Frontier International Cooperation Center, the policy dimension of its development has undergone several iterations and optimizations. Given the special nature and unique needs of the zone, the formulation and adjustment of policies and institutions have usually taken an adaptive approach to guiding and defining the direction of development of the Cooperation Center.

2. Policy changes of China-Kazakhstan Horgos Frontier International Cooperation Center (CKHFICC)

2.1. Initial concept of the China-Kazakhstan Horgos Frontier International Cooperation Center(CKHFICC)

In 2003, the leaders of China and Kazakhstan agreed to jointly establish the "China-Kazakhstan Horgos Frontier International Cooperation Center" (CKHFICC) in the Horgos border crossing area, to promote the growth of border trade, supporting the strengthening of economic ties between the two countries along the border and

inland areas, and upgrade CKHFICC's status as a regional center for economic and trade activities and the development of processing industries. At the preliminary planning stage, the detailed functional positioning of the Cooperation Center has not yet been clarified ^[1].

2.2. China and Kazakhstan signed an agreement on the management of the Cooperation Center

In July 2005, the governments of China and Kazakhstan signed an agreement on the management of the activities of the cooperation center, stipulating that the cooperation center is under the jurisdiction of the judicial systems of the two countries, and clarifying the mode of operation of the cooperation center, providing a set of specialized policy frameworks and legal norms for the operation of the cooperation center. In conjunction with the China-Kazakhstan Horgos Frontier International Cooperation Center, the Reply of the State Council on Issues Related to the China-Kazakhstan Horgos Frontier International Cooperation Center was issued in 2006. The Approval provided detailed regulations on the entry and exit policies, taxation, customs, etc. of the Cooperation Center, creating a “zero-tariff” environment and laying the foundation for the early and rapid development of the Cooperation Center.

2.3. Supporting policies on the occasion of the official operation of the Cooperation Center

In July 2012, China issued the Interim Measures for the Management of the Chinese Region of the Horgos International Border Cooperation Center (KICC), which clarified the trade rules, applicable laws, legal protection, operational principles, and governmental responsibilities in the Chinese region. Relevant departments have also actively introduced a series of targeted measures. For example, the Measures for Supervision and Administration of Entry-Exit Inspection and Quarantine of the Cooperation Center issued by the State General Administration of Quality Supervision (AQSIQ) in September 2012 and the Circular on the Policy of Value-Added Tax (VAT) Refund (Exemption) issued jointly by the Ministry of Finance and the State Administration of Taxation in January 2015, which have accelerated the development of the core industries of the Cooperation Center, such as trade, tourism, and convention and exhibition, and so on ^[2].

3. Causes and drivers of policy change

3.1. Opening of the problem window

3.1.1. Location advantages do not fully leverage the role of the port

Horgos is located in Ili Kazakh Autonomous Prefecture, bordering Kazakhstan, in the Shanghai Cooperation Organization (SCO) member states and observer states. It lies at the core of the region on the new Asia-Europe Continental Bridge, serving as an important throat zone and the end of the Lianhuo Expressway. Its role as the “external attraction inward, east and west, west to east,” connecting the east and west acts as an important hub. After the founding of New China, the city has been connected to the east and west by the Holland Expressway. Through the Horgos port, China and the Soviet Union established an extremely friendly trade situation, imported means of production accounted for about 90% of Xinjiang's total imports. But in 1962, the Sino-Soviet relations deteriorated, the two countries' trade also fell to the bottom, and Horgos port also sank. In 1983, the State Council approved the official reopening of Horgos port, at this time, the port is waiting to be revitalized, but the advantages of the location have not been fully utilized.

3.1.2. Slow development does not fully meet the needs of the people

The Ili River Valley, where Horgos is located, is known as the “Jiangnan Beyond the Plateau” and is a

productive area for high-quality crops and high-quality mineral resources. However, it has been less than 50 years since the port was reopened, and the development of western China is lagging. According to public data, Horgos 2023 Gross Domestic Product (GDP) growth was only 3.2% year-on-year, not only lagging behind the 6.8% growth rate of the whole region of Xinjiang, but also lower than the national economic growth rate of 5.2%, which is inconsistent with its own regional development locomotive positioning, and it is difficult to satisfy the people's sense of access and happiness ^[3].

3.1.3. “Going out” dream: lack of career opportunities

Affected by the international situation, economic and trade exchanges between China and Europe through Russia's east corridors are severely impeded. Horgos, located in the strategic west corridor of Xinjiang, highlights its crucial role. However, behind these promising development opportunities lies a lack of career prospects. Horgos' tertiary industry accounts for 80% of all industries, but in 2023, the regional tertiary industry's added value was only 17.841 billion yuan, with a growth of just 1.6%. While primary and secondary industries have been growing rapidly, with an average growth rate of over 10% in recent years, their low absolute amount limits their ability to drive regional development effectively.

3.2. Opening of the political window

3.2.1. Dissolution of the Union of Soviet Socialist Republics (USSR) as a catalyst for the development of the Horgos Port

After the collapse of the Soviet Union on December 25, 1991, the Republic of Kazakhstan and five other Central Asian countries declared their independence one after another. In 1993, Kazakhstan issued its national currency (Kazakhstani Tenge) and established its own national banking and financial system. By attracting foreign investment and developing foreign trade, Kazakhstan was able to keep the economy from collapsing in a short period and stabilize inflation, even though the economy had not fully recovered. Simultaneously, Kazakhstan implements a balanced and practical foreign policy and establishes good cooperative partnerships with a large number of neighboring countries, including China. China and Kazakhstan established diplomacy in 1992, which is undoubtedly an important part of the promotion of the relevant ports and the China-Kazakhstan Horgos Frontier International Cooperation Center(CKHFICC).

3.2.2. Deepening political trust and economic cooperation between China and Kazakhstan

At the early stage of diplomatic relations, there was a complementary demand for commodities between China and Kazakhstan, which contributed to the smooth establishment of diplomatic relations and the deepening of cooperation between the two sides. For Kazakhstan, in the early stage of independence, there was an urgent need for a large amount of living materials to maintain the basic livelihood of the people, while the originally planned economic system made the domestic steel, cement, and other important materials full of government coffers, and the price was low. As for China, the reform and opening up and the development of heavy industry lead to the shortage of steel and other production materials. It can be said that the two exchanges complement each other's development, and the two countries work together for win-win cooperation. The process of subsequent exchanges, due to the complementary nature of Xinjiang and Kazakhstan in the economy, industry products, etc., prompted the establishment of the China-Kazakhstan Horgos Frontier International Cooperation Center project ^[4].

Table 1. The volume of trade exchanges at the Horgos port since the introduction of the project of the China-Kazakhstan Horgos Frontier International Cooperation Center

Time	2004	2005	2006
GDP (million yuan)	2.14	2.98	3.35
Import and export goods (tons)	43	44	43.2
Total import and export goods (million)	5.7	7.59	10.96

3.2.3. Further implementation of China’s western development strategy

The Chinese government has been committed to promoting the economic and social development of the western region. Horgos is an important window for the opening up of the western region. Its policy changes are also a concrete embodiment of the in-depth implementation of the strategy for the development of the western region. In 2003, the then President Hu Jintao during his visit to Kazakhstan and the country’s then President Nazarbayev on the establishment of the China-Kazakhstan Trade and Cooperation Zone in Horgos exchanged views, and later because the Kazakhstani side was not a member of the World Trade Organization (WTO), it was decided to change the name of the project to the China-Kazakhstan Horgos Frontier International Cooperation Center, an exchange that led directly to the establishment of the center.

3.3. Convergence of “Three Streams”

During the dissolution of the Soviet Union, China’s cooperation with it reached a freezing point, resulting in a period of depression and even closure of the Horgos port and a slowdown in the development of the Xinjiang region. The policy of port closure at that time was organically combined with the problems of lagging economic development under the general political background, and the streams of problems, politics, and policies converged, and policy changes took place accordingly. During the period of diplomatic relations between China and Kazakhstan, the trade structures of the two countries were complementary, cooperation between the two sides was deepening, and the ports were reopened, but the role of the ports in commerce had not been fully utilized. In the social environment at that time, the initiative of China-Kazakhstan Horgos Frontier International Cooperation Center was put forward, also as a result of the confluence of issues such as trade exchanges, China-Kazakhstan cooperation, and political and policy sources^[5].

4. Dynamic models of policy changes

4.1. Dynamics of policy change in China-Kazakhstan Horgos International Cooperation Center (CKHFICC)

4.1.1. Problems change from “nothing” to “something” to “complexity”

Problems change according to internal and external sources, which is also in line with the theory of multi-source flow and provides opportunities for policy changes. The development of the Horgos port, which opens and closes due to Sino-Soviet relations, depends mainly on political factors, and therefore problems have become an important factor in political change. When the port is closed, the role of the port has disappeared and there is no question of the source of the problem, nor is there any theory of policy change. In the 1980s, when China formally began its reform and opening up, China’s GDP accounted for less than 2% of the world’s GDP at that time, but in 2004 it increased to 6%, and by 2014 it had jumped to 18%. The development of the West is emphasized by the Chinese government. However, the Horgos port, which is on the border of Central Asia, has

lagged in development, and local economic and livelihood issues have not improved with the opening of the port. As the national level has paid more attention to the trade at the port, problems have gradually emerged “from scratch.” In 1992, when China and Kazakhstan established diplomatic relations, the two countries began to communicate with each other to form the initial political basis, so the problem of trade development emerged. In 2002, China and Kazakhstan signed the Treaty on Good Neighborly Relations and Friendship, which provided a political basis for solving the problem. In 2004, the governments of China and Kazakhstan began to form the initial conception of the policy, and the governments of China and Kazakhstan jointly drew up the Agreement on the Framework of the Establishment of the China-Kazakhstan Horgos Frontier International Cooperation Center. The combination of Sino-Kazakh border trade, friendly political relations between China and Kazakhstan, and the initial ideas of China and Kazakhstan on policies provided the basic elements for the formal establishment of the China-Kazakhstan Horgos Frontier International Cooperation Center.

4.1.2. Increased feasibility of policy options

Since 2004, through the signing of the Framework Agreement on the China-Kazakhstan Horgos Frontier International Cooperation Center, the establishment of the Chinese side’s supporting zone, the opening of the railroad port and the opening of the international passenger transport, and other external conditions, the program for the establishment of the cooperation center matured in 2006, and the infrastructure was perfected. In 2012, the center formally operated, and the management mode of “liberalization of the first line, control of the second line” was implemented. After ten years of operation, combined with the feedback from local governments and enterprises, the “Measures for Customs Supervision in the Chinese Region of the China-Kazakhstan Horgos Frontier International Cooperation Center” was revised in 2023, providing an important guarantee for the realization of good political relations ^[6].

4.1.3. Changes in the political situation

As the relationship between China and Kazakhstan has become stronger, changes in the political situation have driven the establishment of the Horgos International Cooperation Center (KICC). In 2013, President Xi Jinping put forward the “One Belt, One Road” initiative, and Horgos became an important node and was designated as a demonstration project. Simultaneously, the local government issued the “Guiding Opinions on Further Promoting the High-Quality Development of Horgos” which gave impetus to the high-quality development of Horgos.

4.2. Dynamic patterns of political changes

To a certain extent, this model reveals the regularity of the policy change of the cooperation center since the initiative of the China-Kazakhstan Horgos Frontier International Cooperation Center was put forward in 2004, and it has the following insights for the government to better promote the policy change of the cooperation center:

- (1) The issue is in a dynamic state of change from nothing to complexity to “newness.” The political situation is adjusted according to the change in the relationship between the two countries, and the policy of CKHFICC will also change with the development of time, which is timely and effective in promoting the transformation and upgrading of the cooperation center ^[7].
- (2) The unanticipated emergence of problems may also cause changes in the issues, which in turn affect the change of policies. In the actual operation of international cooperation centers, the emergence of some problems is inevitable. After all, in domestic practice, there is no precedent for international cooperation centers, and some of these problems are ill-considered, some are due to the lack of maturity

of the operation mechanism, and some are newborn problems in the operation. The emergence of these problems has led to some changes in the policy of the Center for International Cooperation. In the face of some uncertainties, policymakers need to brainstorm and deal with them to solve them or make corresponding changes in the policy at the right time.

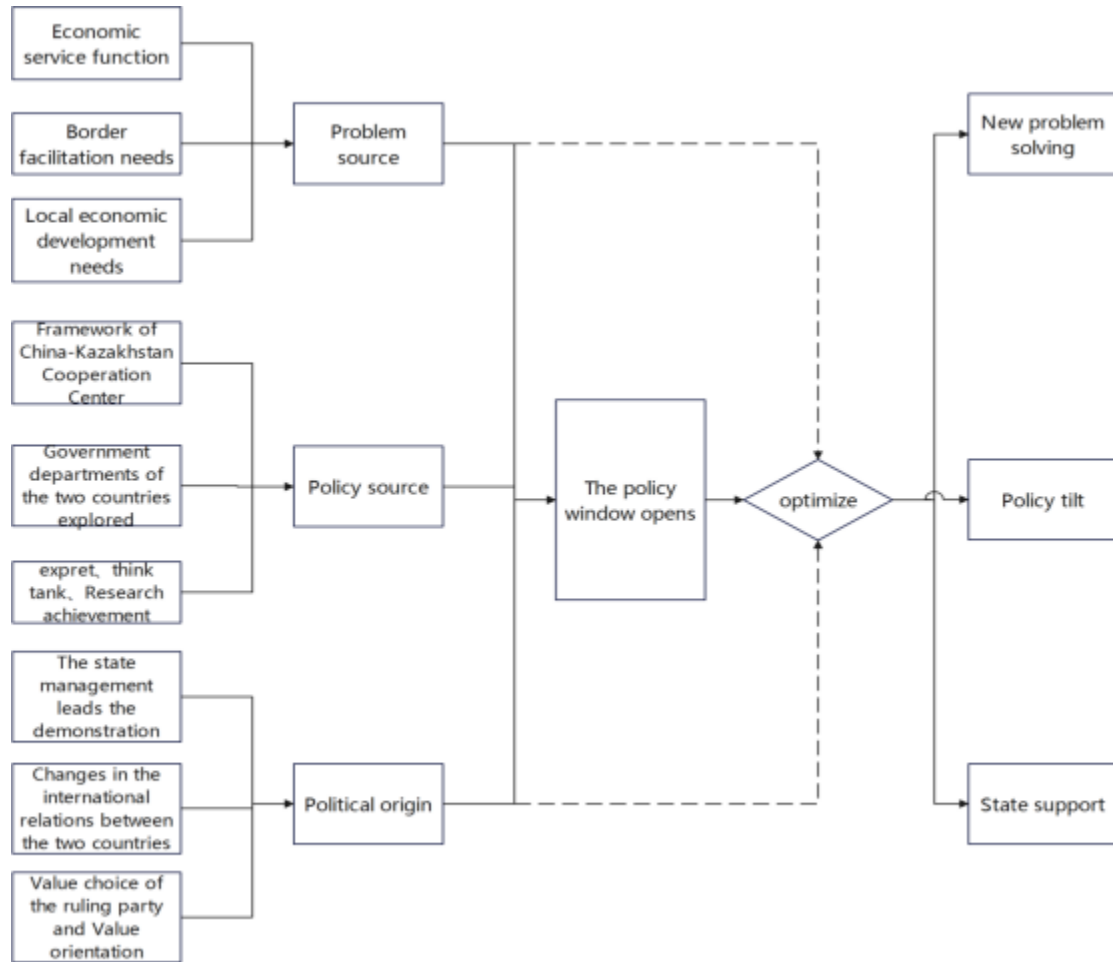


Figure 1. Policy dynamics factors and optimization path of China-Kazakhstan Horgos Frontier International Cooperation Center under the perspective of multi-source flow

5. Conclusion and discussion

The establishment of the China-Kazakhstan Horgos Frontier International Cooperation Center is the result of the convergence of problem flow, policy flow, and political flow under the theory of multi-source flow. This paper analyzes the dynamics of policy change in the cooperation center since the idea of the China-Kazakhstan Horgos Frontier International Cooperation Center was put forward, and constructs a model of policy change dynamics, which confirms that the enhancement of the feasibility of the program can also provide opportunities for policy change. The China-Kazakhstan Horgos Frontier International Cooperation Center is not only a product of the state's response to the challenges of regional economic development and the deepening of its open-door strategy but also a manifestation of the deepening of the relationship between China and Kazakhstan and the strengthening of the demand for international cooperation. Its establishment is not only of great economic significance but also has far-reaching impacts in many aspects, including politics and culture.

Disclosure statement

The authors declare no conflict of interest.

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