Innovation management strategy to promote the regional cooperation between China and Russia (case study of Moscow and Yiwu’s Cooperation)

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Abstract. China and Russia are not only two major influential power in the world, but also the two largest economic transition countries. As a neighboring country, the cooperation of economic and trade between two sides not only has obvious geographical advantages, but highly complementary. With the in-depth cooperation in trade and economic of two countries, more and more direct cooperation between cities has taken place. In the past years, due to geographical advantages, the cooperation mostly took place in border cities, such as Heihe City and Blagovichensk City. With the new cooperation trend between China and Russia, more and more developed city of two countries begin to make cooperation, it’s a new cooperation phenomenon that different from previous cooperation between border cities. In the process of cooperation, there are advantages and mutual interests, as well as difficulties and conflicts. Therefore the management of the cooperation of these cities also need innovation method. Therefore, it is urgent to analyze the problems and make research in this field. The previous researcher mainly focus on the analysis of the cooperation and management strategy between border cities of two countries which has been fully studied. However, there is less even almost no research analysis the current new cooperation situation between the economic center cities of two countries, including the problems exiting, further cooperation analysis, and future development trend as well as innovation management method to well promote the cooperation of them.

1 Introduction

China and Russia are not only two major influential power in the world, but also the two largest economic transition countries. As a neighboring country, the friendly relationship of two countries promote the cooperation between the two sides, therefore in the process of cooperation of two countries there exits not only obvious geographical advantages, but also highly complementary. The two countries have always played a pivotal role in each others’ foreign strategy and have a crucial impact on mutual security, stability and development. With the continuous deepening of China and Russian relations, the cooperation between the

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two countries has broad prospects with huge potential [1].

There is a quite long history of China and Russia’s economic and trade exchanges. Even during the period of China and Soviet relations deteriorated, the exchanges between the two sides have not been completely interrupted. After the disintegration of the Soviet Union, strengthening foreign trade and economic cooperation was regarded as an important task of Russia’s long-term development strategy, and China and Russian cooperation relations began to gradually recover and develop [2].

In 1996, on the basis of long-term cooperation, China and Russia publication the announcement of establish strategic partnership of cooperation. In 2001, two countries signed the "China and Russian Treaty of good neighborly friendship and cooperation ", emphasizing that bilateral economic and trade cooperation has the material basis for the strategic cooperative partnership between the two for equal trust.

Since then, the strategic cooperation has been continuously upgraded. Especially after Putin became president, the strategic partnership of cooperation has been comprehensively deepened. Together with the great importance attached by the two governments, trade volume and investment amount have been made obvious progress under the joint efforts of each other. Cooperation has maintained a rapid development momentum, and new progress has been made in economic and trade cooperation. This paper has conducted a more in-depth analysis of these new developments [3].

When the Ukrainian crisis broke out in 2014, USA, the European Union and other Western countries imposed economic sanctions on Russia, which caused a heavy blow to the Russian economy. Moreover, with the development of the crisis, Russia is also restricted to the dilemma of isolation by Western countries. The relationship between Russia and the West has fallen to the bottom of the Cold War. This relationship is difficult to improve in the short term. This has greatly enhanced the urgency of Russia's economic cooperation with Asia-Pacific countries, and began to implement the "eastward-looking" strategy of the economy, focusing on the integration of the Asia-Pacific economy, and paying more attention to Russia-China economic cooperation, especially paying more attention to the pragmatic situation in eastern Russia and northeast China. The issue of strengthening economic and trade cooperation.

On the other hand, Russia's accession to the World Trade Organization has provided new opportunities and at the same time brought new challenges of cooperation of two countries. China and Russia must conduct cooperation business of tread and economic under the rules of the World Trade Organization. In fact, in recent years, we have achieved fruitful cooperation in the fields of trade, agriculture, science, energy and technology, investment, finance, and local cooperation. In the long run, the cooperation between China's "One Belt and Road" and the Russia's "Eurasian Economic Union" will definitely push China-Russia economic and trade cooperation to a higher level.

Based on international trade theory, Geo-economic theory and regional cooperation theory, this paper makes a comprehensive and systematic analysis of the current situation of regional economic cooperation between China and Russia. It mainly analyses characteristics, existing problems and future development trend of two countries. This paper also analyses the obstacles and conflicts in the strategic docking between China and Russia, and puts forward some countermeasures and suggestions for strengthening cooperation. This paper takes Yiwu, a typical trading city, and Moscow, Russia, for example, to analyze the current situation of light industry development and the depth of cooperation between the two cities. The advantages and obstacles of regional economic cooperation between Yiwu and Moscow, the Countermeasures of strengthening urban direct economic and trade cooperation and the conception of building a free trade area [4].

Through the study of previous scholars' literature, it is found that previous scholars' research in this field mainly focused on the methodological theory of transnational regional
economic cooperation. Few scholars studied China and Russian regional economic cooperation. Most of the studies on regional economic cooperation of two countries also focused on the analysis of the economic and trade process of the two side in recent years and the economic and trade cooperation relations between the border areas of the two countries. However, there is almost no research analysis the regional economic cooperation in import and export developed cities of two counties about the current cooperation situation, the problems exiting, obstacles, further cooperation analysis, and future development trend. Therefore, a comprehensive analysis is urgently needed in this field.

2 Innovations

The main innovations of this paper are as follows:
1. Based on the theory of innovation management theory and regional economy combined with the current situation of China and Russian economic and trade cooperation, this paper systematically combs the situation of regional cooperation in economic between the two countries and makes a concrete analysis of the main areas cooperation between the two countries. On this basis, it summarizes the characteristics of the economic and trade cooperation of two side, to analyses and predicts development prospects and main directions of two countries further cooperation in field of economic and trade.
2. Put forward and emphatically analyze the potential of cooperation between Yiwu and Moscow in the light industry, emphatically analyze the present situation of light industry development and the depth of cooperation between the two cities. The advantages and obstacles of economic cooperation between Yiwu and Moscow, the Countermeasures to strengthening urban direct economic and trade cooperation and the conception of building a free trade area. Through the analysis of the regional cooperation between the this two typical cities, this paper looks forward to the new situation, opportunities and challenges faced by the further regional cooperation of China and Russia.

3 Theoretical framework

3.1 Innovation management theory

Innovation management includes a set of tools that allow managers plus workers or users to cooperate with a common understanding of processes and goals. Innovation management allows the organization to respond to external or internal opportunities, and use its creativity to introduce new ideas, processes or products. By utilizing innovation management tools, management can trigger and deploy the creative capabilities of the work force for the continuous development of an organization. The process can be viewed as an evolutionary integration of organization, technology and market by iterating series of activities: search, select, implement and capture.

Innovation processes can either be pushed or pulled through development. A pushed process is based on existing or newly invented technology that the organization has access to. The goal is to find profitable applications for the already-existing technology. A pulled process, by contrast, is based on finding areas where customers' needs are not met and finding solutions to those needs. To succeed with either method, an understanding of both the market and the problems are needed. By creating multifunctional development teams, containing both workers or users plus marketers, both dimensions can be solved.

Innovation, although not sufficient alone, is a necessary prerequisite for the continued survival and development of enterprises. The most direct way of business innovation is
through technological innovation, disruptive innovation or social innovation. Management of innovation, however, plays a significant role in promoting technological and institutional innovation.

The goal of innovation management within an organization is to cultivate a suitable environment to encourage innovation. The suitable environment would help the organizations get more cooperation projects, even ‘the take-off platform for business ventures’ Senior management's support is crucial to successful innovation; clear direction, endorsement, and support are essential to innovation pursuits.

Nowadays, with the new cooperation trend between China and Russia, more and more developed city of two countries begin to make cooperation, it’s a new cooperation phenomenon that different from previous cooperation between the nearby cities of two countries, the cities that build cooperation relationship the distance of them is becomes further than previous, therefore the management of the cooperation of these cities also need innovation method.

3.2 Geoeconomic theory

In Geo-economy, the basic elements is geographic factors. Geographic factors is an inherent advantage or disadvantage for a country including geographical location and natural resources which made an significant influence in country's development as well as national economic behavior.

Geo economics is going to analysis how to protect national interests in international competition from a geographical point of view. Human activities on the earth also need to consider the geographical conditions, which would limited or promote by it.

In process of the economic activities of a country, countries prefer to choose to cooperate with neighboring regions. The economic relations resulting from geographical connections are called Geo-economic relations. This kind of relationship is usually manifested in combination and cooperation, i.e. economic grouping, or opposition, or even containment, mutual barriers, etc. Complementary relationship is the name of the former, which the latter is called competitive relationship.

In the absence of sufficient conditions for global economic integration, regional economic integration is regard as the key manifestation and content of it.

Capital internationalization, scientific and technological revolution, deepening international, division of labor, the combination of work of these produce the multinational corporations.

They have their own advantages in choosing foreign direct investment. Their branches span the globe and form an integrated network of contemporary multinationals in production, sales, technology and new product development. The development of current multinational company has deepened regional and urban economic cooperation.

The transnational operation carried out by transnational corporations has strengthened the links between countries, developed and deepened the cooperative relations in production, exchange, circulation, consumption and technological product development between countries. Transnational corporations have promoted more effective flow of the economic resources within the region including the flow of goods, services and capital.

Transnational corporations have promoted the new potential of regional trade and expanded the circulation of multinational business. Internalization trade is an significant area of international corporations' internationalization.

Transnational corporations communicate with each other in terms of factors of production, production results and information through their parent companies, subsidiaries and subsidiaries. In international trade, the regional trade of transnational corporations take for about 1/3 of the entire global trade volume. The world operation of transnational
corporations has promoted the development of regional trade and prospered regional economy.

China and Russia are adjacent to each other, and have unique geographical advantages in economic cooperation. Geo-economic cooperation has been fully demonstrated in the regional economic cooperation. In the process of the deepening of China and Russian relations, bilateral economic and trade cooperation has great prospects and huge potential.

3.3 Theory of International Regional Economic Cooperation

International regional economic integration refers to the Regional Economic Union established by several countries and regions in order to improve the degree of freedom of trade between regions and strengthen the free circulation of factors.

The two major characteristics of the current world economic development are the world economic globalization and the integration of regional economic. With the parallel development trend of regional economic integration and economic globalization, regional cooperation has become a prominent feature of the global economy and is being strengthened [9].

It's a mutually beneficial of the broad range of cooperation of regional economic between China and Russia due to geographical neighborliness, resource sharing and economic complementation. Our regional economic cooperation in current stage can be divided into two levels: broad sense and narrow sense. Broadly speaking, China and Russian regional economic cooperation refers to the cooperation in field of economic and trade between we two sides. It’s based on the territory of the two countries, including all-round, multilevel and wide-ranging economic, trade and technical cooperation. In a narrow sense, China and Russian regional economic cooperation stand for the business and trade cooperation in the nearly areas between China and Russia. It’s limited to the economic and trade relations between Heilongjiang, Jilin, Inner Mongolia Autonomous and Xinjiang Autonomous Region of China and the adjacent areas of Russia. To study the regional economic cooperation between Russia and China, we should combine the broad sense with the narrow sense. Geographical neighborliness and resource sharing are more in line with the narrow definition of concepts, while economic complementation is suitable for the broad definition of concepts. Because adjacent areas are often isomorphic and competitive in climate, resources and industrial structure, their complementarity should be weighed at the level of two countries. Complementarity is a complementary relationship between China and Russia for the differentiation of the natural resources and industrial structure [10].

Complementarity is the cornerstone of economic and business relations between the two countries and the driving force of regional economic cooperation. In today's international community, the struggle of ideology has given way to the struggle for economic interests, and the realization of win-win situation among countries has become a universal guideline. China and Russian regional economic cooperation is guided by border trade, relying on the whole country, radiating all regions and areas. Therefore, the Sino-Russian regional economic cooperation should break away from the limitations of economic and trade cooperation in border provinces and regions and coordinate the Sino-Russian regional economic cooperation from the general pattern and framework of national development. Only in this way can the cooperation be carried out in an omnidirectional, multi-level and high-level approach and make the cooperation between China and Russia have more potential, stamina and development space. This is also the purpose Sino-Russian regional economic cooperation in a broad and narrow sense [11].

The second chapter mainly analyses the current situation of Sino-Russian regional economic cooperation.
From the analysis of two country’s long and gradually deepening development process in economic and business cooperation, this paper makes an deep analysis of the status of trade cooperation and the progress of investment cooperation of two countries. On this basis, it summarizes the following characteristics of China and Russian cooperation relationship: the expanding area of cooperation in trade, the government-led and driven cooperation in major projects, the slow development of bilateral investment cooperation compared with the quick expansion of border trade between the two side, and the cooperation between provinces and states. Push forward business cooperation between China and Russia. Regional trade cooperation between two countries has been deepening and expanding, and the two countries complement each other in advantages and exchanges. However, in the process of cooperation, there are still obstacles and conflicts in the strategic docking of regional economic cooperation.

This paper analysis the key areas of economic and trade cooperation between China and Russia. The development of international economic and trade relations shows that only when the domestic economy develops rapidly, can the two sides continue to develop the range of economic cooperation, and the quality and level of cooperation between the two countries will be improved simultaneously. With the gradual recovery of the Russian economy and the continuous enhancement of the economic strength of China and Russia, the level of cooperation between the two countries has been constantly improved, the areas of cooperation have been gradually expanded, the achievements of cooperation have been increasingly enriched, and the cooperation has been strengthened. In view of this, this paper mainly analyses the cooperation in the areas of energy, agriculture, finance, science and technology, forestry, tourism, transportation and logistics.

There are favorable and hindering factors in the development of cooperation between us[12]. The cooperation has many advantages, such as strong complementarity, good political relations, obvious geographic advantages. It’s significant that leaders of the two countries pay great attention to it and the continuous improvement of the cooperation mechanism. At the same time, there are also unfavorable factors such as unreasonable structure of import and export commodities, imperfect economic system and crisis of trust.

4 The main trade barriers and conflicts between China and Russia are as follows

1. We have to admit that there is a lacking of a long-term and stable basis of cooperation of two countries that in some cases it would cause trust issues for some first time cooperation and the different cultural background would also make some difficulties in business cooperation.

2. Sino-Russian trade is small in scale, low in level and single in mode. The scale of Sino-Russian trade in goods does not accord with the status of the two countries as big powers. At present, the cooperation range is still mainly based on border trade and general trade. The processing trade is weak. It has not really penetrated into the hinterland of China and Russia, and has insufficient driving force for the hinterland economy. The small-scale border trade between Heilongjiang Province and Russia accounts for half of the total, far higher than the general trade. Although the general trade volume between Heilongjiang and Russia has risen rapidly since 2011, the processing trade is still very weak and growing slowly. In 2012, the processing trade volume between Heilongjiang and Russia was only US$1.4, which is very inconsistent with Heilongjiang's geographical advantages and the complementary advantages of resources [13].

3. Sino-Russian mutual investment is small in scale and concentrated in fields.
5 Innovation management strategy to strengthen Sino-Russian economic and trade cooperation

1. Constructing Free Trade Area in well-developed cities of two countries rather than being limited to border trade cooperation. In the major transformation of the global trading system, regional economic integration is becoming the world trend. China has also promote the development strategy of "one belt and one road". Currently, China has signed 14 FTAs that 22 countries and regions was involving. In 2015, the trade volume between two countries was 69.03 billion US dollars, down 27.5% from the same period last year, but China is still Russia's largest trading partner, and its share of total trade volume rose to 12.1% from 11.3% in the same period last year. After joining WTO, Russia is also intensifying the preparation and negotiation of FTA with other countries. The situation of small scale border trade and energy trade in Northeast China and the Russian Far East has not follow the pace of the development of the times. Developing and deepening bilateral economic and trade cooperation has become a very meaningful strategy. Bilateral consultation has become more and more urgent to build a free trade area, which will strongly promote the upgrading of economic and trade cooperation of two countries. The construction of Free Trade Area is a systematic and complex process, which is of great significance, especially in promoting the transformation and upgrading of trade types between China and Russia.

2. Using Electronic Trade to Promote Regional Deep Cooperation

According to the study, Aliexpress has more than 7 billion textile products that are sold to customers in Russia, and 25 large companies have officially joined this online market, and the best seller of one product more than 2 thousand one month, it shows that the customer of Russia is greatly interested in buying a Chinese product and a great potential. The Russian electricity market Platform, online and offline, is about to open a new construction boom. In 2016, the sales volume of e-Commerce in Russia amounted to 650 billion rubles, an increase of 16% compared to 2015, and the average price of an order increased from 3750 to 4050 rubles, but even if sales were continuous growing for many years, they still accounted for only 2% of total retail sales in Russia. Insiders predict that in the next 5-10 years, sales of Russian electricity suppliers will continue to maintain a high rate of development.

6 Analysis of Regional Economic Cooperation in Moscow and Yiwu

This chapter mainly analyses the regional economic and trade cooperation between Moscow and Yiwu, and explores the direction and mode of future cooperation of two cities and by analyzing the cooperation mode of the two cities, and then extend this model of cooperation in more regions of two countries.

Development status of light industry in Yiwu. Yiwu is belongs to Zhejiang Province. Zhejiang Province is located in the eastern coastal region. The economic development of Zhejiang Province in recent years is one of the best in China. And Yiwu City is one of the best economic development cites in Zhejiang Province. Many foreign import and export companies will visit to Yiwu to inspect, purchase and make trade cooperation.

It has superior geographical position, convenient transportation and extremely developed light industry. According to the latest information, the total import and export volume of Yiwu City from January to September 2018 was 195.86 billion yuan, an increase of 14.2% compared with 2017. There is an increase of 5% over the first half of the year. Export volume was 193.48 billion yuan, an increase of 14.5% , export volume of market
purchasing trade was 158.19 billion yuan, an increase of 1.42 billion yuan compared with last year. Imports of 2.38 billion yuan, down 10.9% year-on-year.

Among them, imports of consumer goods amounted to 76 million yuan, an increase of 87% compared with last year. The largest small commodity market in the world is the Yiwu small commodity market of China. The turnover of the compulsory small commodity market from January to September 2018 was 96.1 billion yuan, an increase of 12.8%. As a successful market development model, Yiwu small commodity market ranks first in commodity price competitiveness at home and abroad. Yiwu wholesale market commodities are exported to more than 212 countries and region [16].

Development status of light industry in Moscow. Moscow is the federal main body with the best investment environment, the highest consumption level and the largest foreign investment absorption in Russia. In the field of commodity circulation, because of its superior geographical position and strong economic strength, it has become the traditional distribution center of more than 100 cities in Eastern Europe and other countries. Heavy industry is highly developed, but the underdeveloped light industry mainly depends on imports.

Yiwu and Moscow make up for each other's shortcomings in economic structure. Yiwu's Zhejiang Shifeng Investment Company and Russian TASHIR Group have jointly invested US$500 million to establish a large-scale wholesale market, “Moscow Yiwu International Trade Center”. Moscow Yiwu International Business Center is 82 kilometers north of Moscow's Grand Ring Road (MKAD), adjacent to Rio (RIO) shopping center, Metro Supermarket and Oushan Supermarket and other well-known business districts. Traffic network is developed, from Moscow City to Moscow 1, 2 International Airport Expressway, the city to Moscow and other states of the highway trunk line just before and after the market. At the same time, the market is equipped with free purchasing shuttles to and from the market and the main entrances and exits of railway traffic in the vicinity, providing fast, safe and thoughtful services for purchasers throughout Russia to purchase goods [17].

This project relies on the strong purchasing ability of the Russian TASHIR Group, which is a major shareholder, which holds 30 to 40 large-scale supermarkets and shopping centers in Russia, to build a fast sales channel for Chinese commodities which are regularly and legally stationed. Especially, the project has been strongly supported by the Russian and Moscow governments [18].

7 The problems and measures of regional economic cooperation between Yiwu and Moscow are as follows:

The scale and scope of cooperation are small, both cities are in the initial stage of cooperation, and the types and scope of trade commodities are small.

Measures for speeding up regional economic and trade cooperation between Yiwu and Moscow:

1. Use electronic commerce to speed up commodity circulation and expand the scope of commodity sales

2. Attracting enterprises' investment. Investment cooperation are important ways to promote the development of two side trade, which can significantly improve the performance of enterprises' operation, ultimately realize the optimization of investment efficiency and promote the optimization and upgrading of investment cooperation.
8 The innovation management mode of government use to manage the economic cooperation between Yiwu and Moscow

1. The Customs "Green Channel" approved by the General Administration of Customs of Russia:
   - Russian Customs will calculate the tariff according to the value of goods declared in China, which greatly reduces the tariff cost.
   - The Russian Customs will not open the box at will for inspection and fast customs clearance.
   - In some special cases, the Russian Customs may release the goods before paying the customs duties.
   - Enterprises stationed at customs ports have priority in declaration.
   - Russian Customs allowed cargo pooling and adopted simplified classification measures.

2. Government support
   - The Chinese Government supports:
     - Vice Premier Li Keqiang attended and witnessed the signing ceremony of the Moscow-Yiwu International Trade Center project, and became one of the signing projects of the Trade and Investment Cooperation Forum. The Minister of Commerce of the State visited the project site for many times to guide the work; and the key support projects of the bilateral trade and local cooperation summit;
   - The Russian government supports:
     - Moscow Municipal Government accounts for 40% of the shares.
     - Russian Federal Customs Administration - "Green Channel" of Customs
     - Russian Federal Immigration Bureau - Guarantee of Immigration Quota
     - Russian Embassy and Consulate in China--Convenient Visa Service of Russian Embassy and Consulate

3. Convenient transportation routes
   - On January 30, 2018, the first Sino-European Banlie (Yiwu-Moscow) departed from the Customs control site at the Yiwu Railway Port to Moscow. This is the second Central European Ban Line from Yiwu to Russia after "Yiwu-Chelyabinsk". A total of 100 boxes of goods, mainly socks, bags, hangers and other small commodities, were carried on the export train. After leaving the country through Manchuria, the train finally arrived at the Cuban Fena Station in Moscow. It ran 10,150 kilometers. It took about 13 days for the train , and the train would travel 2-3 times a week. Opening this train is entirely market demand, because there is a distinguish growth of bilateral trade volume of two cities. Yiwu and Russia have strong economic complementarity, frequent economic and trade exchanges, and strong logistics demand [19].
   - According to the statistics of Hangzhou Customs, Yiwu's exports to Russia in 2017 were 3.55 billion yuan, an increase of 13% over the same period last year, which was higher than the increase of Yiwu's exports. In order to ensure smooth customs clearance of the first train cargo, the Ukrainian Customs has set up special service windows at the railway ports, giving priority to the export examination and release procedures. The new customs supervision sites at Yiwu Railway Port are equipped with intelligent supervision facilities such as electronic cards, and the logistics operation efficiency is high. Freight on the new railway line is four-fifths less than air freight and more than thirty days faster than sea freight. With Yiwu as the source of goods, the annual export of Russian containers exceeded 80,000 standard containers. Meanwhile, in recent years, the e-commerce between Yiwu and Russia has developed rapidly. The daily average number of postal parcels to Russia is about 23,000, accounting for half of the e-commerce between Zhejiang Province and Russia [20].
9 Conclusion

The most important result of our research is that to promote regional cooperation between China and Russia. There exist quite obvious advantage and strength but also disadvantages and difficulties. Cooperation between the two regions especially in light industry has great potential and is worth investing in, which can improve both the regional and country economies.

First, these are excellent economic conditions for cooperation between the two regions. Yiwu is the largest small commodity market in the world that the Light industry is well developed and Yiwu is ready to cooperate with other countries to develop the economy of the two regions. As for Moscow, due to the lack of raw materials Moscow always finds foreign industry to cooperate with each other, Yiwu at that time can perfectly sanctify the needs of Moscow.

Second, political advantage offer support of two city's cooperation, the Chinese government also supports Yiwu do export business which offers political preference to support regional development in the last year. The government of the Moscow region pays great attention to international cooperation between Moscow and other suitable region of the country, and foreign business is growing every year. The Customs "Green Channel" approved by the General Administration of Customs of Russia improve the effectiveness in the process of cooperation. A similar external objective would help cooperation between the two cities.

Third, convenient transportation routes that the the opening of the train line directly between Yiwu and Moscow greatly improves the cooperation efficiency of the two cities and saves a large amount of transport fee.

To make a summary, at the beginning of out research, we analyzed the micro and macro environment condition for cooperation of two country and two city’s, and we found that there exist great potential and good condition for further cooperation and investment between two cities.

Then we considered the advantages and disadvantages for cooperation and promote ways of further deepening cooperation relationship and the possible methods to solve the main trade barriers and conflicts.

In conclusion I’d like to emphasize that the cooperation between the two regions has great potential which can improve both the regional and country economies.

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