

*Keynote Address**The Long-Term Strategy for the Development of Russia and
the Far Eastern Region*

ISHAEV, Victor I.

Chairman of the

Interregional Association of Economic Interaction "Far East and Transbaikalia ",

Governor of Khabarovsk Krai, and

Academician of the Russian Academy of Sciences

Summary

The formation of a market economy in the Russia of the 1990s accompanied a serious transitional recession, and that ended with the 1998 financial crisis. During the period from the crisis of 1998 up to autumn 2008, the Russian economy underwent stable development. During the period from 1998 to 2007, GDP increased 187%, industrial output 170%, and fixed capital investment 273%. The balance for the stabilization fund as of the beginning of 2008 had grown to 3.9 trillion rubles. In terms of gold and foreign currency reserves Russia came to rank third behind China and Japan.

Based on the capital accumulated during this time, in 2008 the Russian government formulated the "Concept of the Long-Term Socio-Economic Development of the Russian Federation up to 2020 (Concept 2020)". Due to the fact that exports built around raw materials have limitations, directions have been outlined for the diversification of the structure of the economy and the promotion of innovation. In this they are attempting to make the 2020 GRP of the Siberian and Far Eastern Federal Districts 2.5-2.6 times that in 2007.

In addition to the already-adopted "Federal Program on Economic and Social Development of the Far East and Zabaykalye up to 2013", work will soon end on formulating the "Strategy for the Socio-Economic Development of the Far East, the Republic of Buryatia, Zabaykalsk Krai and Irkutsk Oblast in the period up to 2025". What forms the basis for these

strategies and programs are the large-scale investment projects in traditional specialist sectors—namely the power generation, mining, fuel, timber, and heavy-machinery manufacturing industries, etc.—with an optimal use of the economic potential of the Asia-Pacific region and the border-region cooperation mechanisms.

The development of the Far East, based on rich natural resources, is only a basis which is comprehensive to a fault. On top of that the selection of a basic economic development model for the region is important. Of the inertial and innovative models, the latter is a model which assumes a diversification of the economy which takes the strengthening of human capital as its mainstay. If the region developed in accordance with this scenario, an economic growth rate of 260% up to the year 2020, proposed in "Concept 2020", could be realized. This would exceed the 230% growth rate for Russia as a whole.

Under the current crisis it is feared that its effect on the resource-based economy of the Far Eastern region will be more profound and drawn-out than the average for Russia as a whole. Consequently, the maximum possible maintaining of the presence of the Far East in the markets of East Asia is an immediate measure for mitigating any upheaval. To that end, a temporary elimination of export duties on exports of unprocessed raw materials is necessary. At the same time in the regions adjoining Northeast Asia, the stimulating of the establishment of high-technology enterprises, which specialize in high-level processing and the manufacturing of finished products, has become necessary.

Northeast Asia has long been a region attracting Russia's economic and political interest. In the last ten years the trade volume with China has grown 9.1-fold, with Japan 7.8-fold, and with the ROK 6.2-fold.

The countries of Northeast Asia comprise the greater part (approximately 75% in 2007) of the foreign trade of the Far East and Zabaykalye region, and the ties between this region and the countries of Northeast Asia could be said to be extremely strong. The trade volume with the countries of Northeast Asia for 2008 was in excess of US\$26.2 billion. Within the Far East and Zabaykalye region, the four regions of Sakhalin Oblast, Primorsky Krai, Khabarovsk Krai, and the Republic of Sakha are responsible for approximately 90% of foreign trade.

In the last ten years the structure of the commodities in the region's foreign trade has seen almost no change. What can be seen is that in recent years the export share of crude oil and petroleum products has expanded and the export share of logs and timber products has shrunk, and the steadily increasing trend in food imports over the last four years.

The foreign investment into the Russian Far East constitutes 5% of the total for Russia as a whole. In the period 2005-2007, foreign investment stayed level, and has maintained a level of approximately US\$6 billion. Broken down by region, more than 80% is directed toward Sakhalin Oblast.

In accordance with the "Federal Program on Economic and Social Development of the Far East and Zabaykalye up to 2013", the nation has begun investment in the development of the infrastructure necessary for the economic development of the Far Eastern region. Projects are underway, including the Pacific Ocean pipeline, the gas program for the eastern part of the country, the South Yakut comprehensive development, and the formation of the Sovetskaya Gavan-Vanino logistics hub.

As is well known, an economic crisis brings not only losses, but also new possibilities. What form and scale Russo-Japanese economic exchange acquires in the post-crisis period depends on whether the two countries coordinate and seek new possibilities, and are able to effectuate them.

(The responsibility for the wording of this piece lies with ERINA)
[Translated by ERINA]