

The Russian Far East: Contemporary Situation and Perspectives

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Summary

In December 2012, President Vladimir Putin declared that the most important policy task for Russia in terms of its economy over the next 10-12 years will be accelerating the development of the Far East and Baikal region. This can be viewed as an expression of his dissatisfaction with the development of this region hitherto and his aspiration to set and achieve ambitious new goals in eastern Russia.

Overall, in spite of the obvious problems in maintaining stable economic growth, it would be fair to say that the growth rate of the Far East – and indeed, that of eastern Russia as a whole – is not the area in which adjustments are a matter of the utmost urgency. The economic growth of the region is supported by primary resources and relatively steady, large-scale external demand for these.

A much more fundamental problem from the perspective of development is the formation of intra-regional trade, creating an intra-regional cycle with a certain amount of autonomy, i.e. achieving the optimum degree of diversity in the economic structure. The second major component defining the development level is the achievement of comparative criteria for the social environment in the region; in economic terms, these criteria would be the relative level of opportunity cost involved in maintaining social norms and the income replacement rate within the region.

The rationales cited in support of the need to maintain the emergency measures by the state to support the development of the Far East and the East Siberia (the catastrophic nature of low growth rates and the catastrophic nature of loss of the population) are not borne out by the results of objective analysis. However, the political process of assigning priorities in state policy focusing on the region began, dedicated bodies for securing these priorities (the Ministry for Development of the Far East (MDFE) and the Far East Development Fund) were created, and approval of the new state program of development became inevitable. In the meantime, the drafts of such programs prepared by the Ministry of Regional Development were, as expected, deemed to be unsatisfactory, as it was necessary to include the new administrative and supervisory agency (the MDFE) in the game. This ministry has even submitted its own draft of the State Program of Development of the Far East and the Baikal Region for the period to 2025, which incorporates the Federal Target Program (FTP) of development of the region to 2018.

The much-hyped State Program to 2025 is a useful document from the viewpoint of expenditure of public funds that have actually been allocated within the framework of the FTP to 2018 and industry-specific (sectoral) programs of development in the Far East and Baikal region. However, the program is useless as an instrument for achieving specific targets for the development of the region, as this is completely unrelated to growth rates or the scale of investment projects.

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