

Primorskii Krai and Russia's 'Turn to the East': A Regional View

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Abstract This chapter surveys the plans for making Primorskii Krai a key actor in Moscow's efforts to expand political and economic ties with the countries of Northeast Asia. After a review of key budgetary, administrative, legislative and policy changes accompanying Russia's 'turn to the East', the author examines several specific tools mandated by these changes to see how they have performed in practice in Primorskii Krai: special economic zones of various stripes, a land giveaway programme, transport infrastructure development and efforts to make the region attractive for investors. While the 'turn to the East' has brought intensified cooperation with China in the Russian Far East, it seems questionable whether these initiatives have entailed substantial changes in the socio-economic conditions of the region.

Keywords Primorskii Krai • Russian regional politics • Regional economic development • China • Advanced special economic zones

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Seen from Moscow, the Russian Far East is a remote periphery and a strategic area for developing international cooperation, primarily with the Northeast Asian states. However, from the Far Easterners' viewpoint, Primorye has its own political, economic and social dynamics. For two centuries the local population has been engaged in cross-border relations.

Thanks to its location, Primorskii Krai can function as Russia's interface with the countries of East Asia. As John Stephan put it: 'simultaneously comprising the northern periphery of East Asia and eastern periphery of the Russian Republic, [the region] has an elasticity inherent in the Russian term *Dalnii Vostok*, which can refer to anything from a province to half the world' (Stephan 1994, p.7). Deteriorating relations with the West in the context of the Russia–Ukraine crisis and Western economic sanctions have made Russia's 'turn to the East' a vital necessity. However, such a turn to the East is easier said than done. This chapter describes the plans—and challenging realities—for turning Primorskii Krai and the Far Eastern Federal Okrug more broadly into key players in Moscow's efforts to expand political and economic ties with the countries of Northeast Asia.

I begin by reviewing the key budgetary, administrative, legislative and policy changes accompanying Russia's 'turn to the East', as manifested in the region itself, before turning to several specific tools mandated by these changes to see how they have performed in practice. These include the establishment of special economic zones (SEZs) of various stripes, a land giveaway programme, transport infrastructure development and efforts to make Primorye attractive for investors. I conclude by noting that the turn to Asia has indeed resulted in intensified cooperation with China in the Russian Far East, but question whether these initiatives have brought actual substantial change in the socioeconomic conditions of the region.

BUDGETARY, ADMINISTRATIVE, LEGISLATIVE AND POLICY CHANGES

Since the break-up of the Soviet Union, two different approaches have emerged as regards developing the Russian Far East. In the 1990s, the Far East was left to survive mainly on its own, developing cross-border relations and integrating in global trade, while Moscow retained the functions of protecting the borders and preventing secessionism. During this period, business activity in the Russian Far East was closely linked to international trade, primarily within the Asia-Pacific region (Troyakova 2007).

After the turn of the millennium, Moscow changed its approach, taking an active role in the socioeconomic development of the region. A key element in this has been the internal redistribution of budget revenues, which have benefitted the Far Eastern Federal Okrug immensely. However, Moscow's increased transfers have been accompanied by stricter control over the Far Eastern 'gateway to the global world', and a reorientation of the regional economy towards Moscow. Nevertheless, some experts hold that federal support is integral to expanding economic relations in the Far East. According to Anton Kireev, 'existing cross-border cooperation mechanisms in the Far Eastern regions (...) are highly dependent on government support, they operate on a local scale, are primarily trade-oriented and largely incapable of attracting foreign technology and investment' (Kireev 2012, p.63).

These changes have taken place in parallel to key shifts in the overall dynamics of centre-periphery relations. In the 1990s, most Far Eastern governors represented the local elite and were able to play an independent role. For example, in the mid-1990s Primorye Governor Evgenii Nazdratenko (1993–2001) repeatedly spoke out against the demarcation of the Russian–Chinese border (Troyakova 2000). However, with the consolidation of the federal government that commenced with the Putin presidency, local politicians were gradually replaced with appointees from Moscow. Under the new conditions, governors lost their independent power base and position and could readily be removed. In the run-up to the 2012 APEC summit in Vladivostok, Governor Sergei Darkin (2001–12) was replaced, at Moscow's behest. An extraordinary session of the Legislative Assembly of Primorskii Krai voted for Moscow's gubernatorial candidate, rector of the Far Eastern Federal University Vladimir Miklushevskii, a former Russian Deputy Minister of Education and Science who had arrived in the region only two years prior.

Also the ways Moscow organizes government functions for the 'periphery' have changed. In May 2012, President Putin signed an executive order establishing the Ministry for the Development of the Far East (see Blakkisrud, Chap. 2, this volume). A local, Viktor Ishaev, former Khabarovsk governor (1991–2009), now Presidential Plenipotentiary to the Far Eastern Federal Okrug (2009–13), was appointed minister. However, already the following year, in August 2013, Ishaev was dismissed. He was replaced as minister by an activist from the All-Russian People's Front, Aleksandr Galushka, while Iurii Trutnev, who had been serving as a presidential aide since May 2012 and as Minister of Natural

Resources (2004–12), became Presidential Plenipotentiary to the Far Eastern Federal Okrug.

The ‘turn to the East’ has been supported by a suite of new legislation, programmes and strategy documents. In 2008, in relation to the decision to organize the 2012 Asia-Pacific Economic Cooperation (APEC) Summit in Vladivostok, the ‘Development of Vladivostok as a centre for international cooperation in the Asia–Pacific region 2008–2012’ was adopted as a sub-programme within the federal targeted programme for the development of the Far East (*FT&P* 2013). Moreover, in December 2009, a ‘Strategy for the Socioeconomic Development of the Far East and the Baikal Region until 2025’ was adopted. The extensive list of regional policy objectives listed in the preamble to the strategy can be reduced to three political objectives. First, the Far Eastern Federal Okrug must have sufficient permanent population to stave off any claims of foreign powers to the area. Second, the standard of living in the Far East must be improved. Third, infrastructure and industrial capabilities must be created to exploit the natural resources of the Russian Far East for the benefit of the entire nation. This strategy was operationalized through several rounds of revisions of the associated federal targeted programme, the most important of which took place in March 2013 (Ishaev’s programme) and April 2014 (Galushka and Trutnev’s revision).

The latest major revision was adopted in June 2016. The current version envisages implementation of five sub-programmes: ‘Creating conditions for advanced social and economic development of the Far Eastern Federal Okrug’, ‘Support for the implementation of investment projects in the Far Eastern Federal Okrug’, ‘Support for the implementation of investment projects planned for implementation in the Baikal region’, ‘Improving the investment attractiveness of the Far East’ and ‘Ensuring implementation of the State Programme and other measures in the field of balanced spatial development’ (Minvostokrazvitiia Rossii 2016a).¹

A major challenge in relation to realizing these ambitious programmes is to attract private investment and, to this end, Moscow has introduced a range of new institutions. The Far East Development Corporation develops infrastructure for investors and represents them vis-à-vis the regulatory authorities. The Far East Human Capital Development Agency provides investors with labour resources. The Far East Development Fund offers long-term low-interest project funding. And the Far East Investment and Export Agency is tasked with working with potential investors,

interfacing with residents in the advanced special economic zones (ASEZs; see below) and promoting exports.

A further key challenge related to the future development of the region is depopulation. With its 1.9 million inhabitants (2017), Primorye is the most populous region of the otherwise sparsely populated Far Eastern Federal Okrug. However, over the past 25 years, Primorskii Krai has lost about 360,000 residents, and the trend continuous to be negative. According to the Primorye statistics department, in 2016 there were 23,600 births (4 per cent less than in 2015) and 26,200 deaths in Primorye: thus, the number of deaths was 11 per cent higher than the number of births. Also the migration balance has been negative: between January and November 2016, 19,400 people from other parts of Russia and 11,300 from abroad migrated to the region, whereas 23,300 people left for other Russian regions and 9700 moved abroad during the same period (*ZRpress.ru* 2017a).

In January 2017, the Ministry for the Development of the Far East submitted a concept for the demographic development of the Far East to Prime Minister Dmitrii Medvedev (*Minvostokrazvitiia Rossii* 2017). According to this document, the plan is to increase the population of the Far Eastern Federal Okrug from the current 6.2 million to 7 million by 2030 by attracting people from other regions (*Avdeev* 2017). Reaching this target will require ensuring good living conditions for the current inhabitants of the Far East so as to stop outmigration—and this again will hinge on the realization of the socioeconomic ambitions outlined in many of the recent strategic documents and laws summarized above.

ECONOMIC DEVELOPMENT ZONES IN PRIMORSKII KRAI

If effectively implemented, SEZs may become one such tool to promote satisfactory living conditions and a competitive labour market. In Russia, the first SEZ was instituted in 2005. The SEZ on Russkii Island in Vladivostok was announced in March 2010. Primorye authorities hoped to attract investment into the development of the region's tourism potential and utilize the infrastructure developed for the 2012 APEC Summit (*Shevtsov* 2016).

The Russkii Island SEZ was to focus on wellness, nautical tourism, and eco- and adventure tourism. However, ever since it was established, there have been unresolved issues regarding the free transfer of lands from the Ministry of Defence and the federal government to Primorskii Krai.

Numerous difficulties in competing regulations between federal and regional authorities hampered the project (federal land transfer in particular). As a result, many potential investors pulled out. In 2014, the Ministry of Economic Development proposed to close the SEZ. A year later, it was decided that the project for developing a special regime on Russkii Island would be continued, at the expense of Primorskii Krai alone. However, the region had no funds to conduct such an independent effort. In September 2016, the federal government decided to close down the tourism and recreation SEZ on Russkii Island.

The Ministry for the Development of the Far East took over the project and proposed developing it in a new format: as an ASEZ. The new plan envisages the island as an area for research, education, innovation, and tourism and recreation, with the Far Eastern Federal University and Primorskii Aquarium as the major hubs of these activities. At the 2016 Eastern Economic Forum, President Putin instructed the government to complete a development strategy for Russkii Island by June 2017; the Moscow-based Strelka design company, owned by billionaire Aleksandr Mamut, was contracted to develop a master plan (*Primamedia.ru* 2017b).

Here it could be noted that the construction of the Primorskii Aquarium on Russkii Island is a clear example of the mismatch between lofty declarations and the implementation of Far Eastern policy. The aquarium was scheduled to open in September 2012, in advance of the APEC summit, but the official opening came four years later. In addition to the lengthy delay, misuse of public funds during construction resulted in a protracted court case (*Primamedia.ru* 2016d).

The establishment of a special gambling zone, introduced by a governmental decree in August 2009, has been more successful, with several projects currently under way. The Primorye Entertainment Zone is being developed by the Primorskii Krai Development Corporation, established in 2013 and wholly owned by the Primorskii Krai administration. Among foreign investors in the zone are companies from Macao, Malaysia, South Korea and elsewhere. In August 2016, Hong Kong-based Summit Ascent Holdings, which owns the Tigre de Cristal Casino—the only casino to have opened in the designated zone thus far—signed a memorandum of understanding with Kangwon Land, South Korea's largest gambling operator, on the potential involvement of the latter in the development of a phase two of Tigre de Cristal. In November 2016, Cambodian NagaCorp Ltd started building a new hotel with a casino and a waterpark, Maiak, scheduled to open in 2019 (*Primamedia.ru* 2016b). And in December

2016, representatives of the China Overseas Development Association (CODA) met with Primorye Governor Miklushevskii to discuss construction of an international exhibition and convention centre in the Primorye Entertainment Zone (*Moskovskii Komsomolets* 2016).

By 2016, Tigre de Cristal has become the largest casino in Russia, with more than 200,000 visitors, mostly from China, South Korea and Japan. Citizens of South Korea may visit Russia without a visa. There are also simplified entry procedures for Chinese citizens travelling to Russia in organized tourist groups. With the plans for a visa-free regime within the Free Port of Vladivostok (see below) came expectations of an increased influx of tourists from other countries to the casino as well. However, the simplified visa regime has not yet been implemented.

Advanced Special Economic Zones

The ASEZ regime is based on deregulation and large-scale tax incentives (see Min and Kang, Chap. 4, this volume, for an extensive discussion). On 30 April 2015, the Russian government adopted a resolution handing over responsibility for managing the ASEZs in the Far Eastern Federal Okrug to the Far East Development Corporation. In Primorskii Krai, the corporation works together with the Primorskii Krai administration to establish the necessary infrastructure. To date, three ASEZs have been established in Primorye: Nadezhdinskaia, Mikhailovskii and Bolshoi Kamen (see Table 3.1).

A few other prospective ASEZs are currently under consideration. For example, there are plans to establish a petrochemical and refining ASEZ, Neftekhimicheskii, on the premises of the Far East Petrochemical Company (FEPCO), located near the sea terminal in Vostok Bay, Nakhodka. FEPCO is a subsidiary of Rosneft, and in 2016 Rosneft and the China National Chemical Corporation (ChemChina) agreed to establish a joint venture to implement the FEPCO project.

However, it is difficult to foresee successful business development within the ASEZs as long as these are designated by the Ministry for the Development of the Far East without much consultation with the local business community. The number of potential investors remains limited, and it is not always clear how infrastructure development will be funded. In addition, interconnections with the broader Asia-Pacific market are largely absent—as yet, none of the current residents in the local ASEZs aim to go international with an innovative product.

Table 3.1 Projects under the ASEZ regime realized in Primorskii Krai

<i>Name</i>	<i>ASEZ profile</i>	<i>Initiated</i>	<i>Major investors (country)</i>
Nadezhdinskaia	Light and food industry Transport and logistics	25 June 2015	Evroplast (Russia) Inkom DV (Russia) Primorskii Konditer (Russia) Nevada-Vostok (Russia) Kirei Chemical (Japan) Sewon Group (South Korea) Domostroitelnyi Kombinat Primorye (Russia)
Mikhailovskii	Agrobusiness (pig farming with associated feed production) Food processing and storage	21 August 2015	Mercy Trade (Russia) Primorskii Bacon (Russia) RusAgro-Primorye (Russia) Chernigovskii Agroholding Company (Russia) Yug Rusi (Russia)
Bolshoi Kamen	Shipbuilding Construction of logistics centres for storage and shipping of fish Residential construction	28 January 2016	Zvezda Shipbuilding Complex (Russia)

Source: Investsionnyi portal Primorskogo kraia (2017a)

Free Port of Vladivostok

The Far East Development Corporation is also responsible for developing the Free Port of Vladivostok, one of the most promising investment projects in Primorye. The law introducing the Free Port of Vladivostok was signed by President Putin in July 2015 and came into effect in October 2015. The free port regime includes a preferential tax system, the status of a free trade zone and a visa-free travel regime. The free port includes altogether 15 municipalities in the south of Primorskii Krai—from the port of Vostochnyi to the port of Zarubino close to the border with China and North Korea.

Several foreign companies have expressed interest. In December 2016, the Japanese engineering company JGC Corporation announced its plans to invest in the development of medical services in Russia, opening an

outpatient care centre in the Free Port of Vladivostok (Shatina 2016). The establishment of the free port has also been a major driver for South Korean interest in developing contacts and establishing or expanding the activities of Korean-owned companies in Primorye. In 2015, for example, Ssang Mun Co announced its plans for building a fish and seafood processing facility on the territory the free port.

Most active of all are the Chinese investors. In December 2016, UBO-Sumotori signed an agreement to set up facilities in the free port. This company is a joint Russian–Chinese project between the Sumotori Group, which specializes in the sale and maintenance of cars and lorries, and the Chinese state-owned automotive manufacturing company FAW Group; it will assemble and produce Chinese trucks. And in spring 2017, the Chinese Zhunda Timber Company will launch production at a new zero-waste wood-processing facility in Ussuriisk to manufacture modern construction materials.

This free port project has mostly progressed according to plan, but there have been some challenges related to introducing a simplified visa regime. This regime was originally scheduled to enter into force on 1 January 2016, then 1 July 2016, and was then postponed to the end of the year due to lack of regulatory approval. In December 2016, the Government Commission on Legislative Activity approved a draft law on a simplified visa regime for the Free Port of Vladivostok (*EastRussia* 2016). In connection with the State Duma's first reading of this draft in January 2017, Deputy Minister for the Development of the Far East Pavel Volkov stated: 'We hope the law will be passed by the end of March and the investors coming to the 3rd Eastern Economic Forum will be able to utilize this mechanism' (*ZRpress.ru* 2017b). At the same time, he emphasized that 'the draft law is only a part of a larger process which needs to be implemented to ensure simplified visa entry'.

Since the Free Port of Vladivostok regime entered into effect and up until late 2016, the Far East Development Corporation received 197 applications for 256.7 billion rubles worth of investment projects with the potential for creating more than 27,000 new jobs (*DV Kapital* 2016). As of this time of writing (March 2017), the free port already has 150 resident companies.² Not all companies are staying, however. In late December 2016, the agricultural company Mentor, one of the free port's first residents, announced that it was leaving. According to General Director Dmitrii Panarin,

The incentives turned out to be unprofitable for us and, in my opinion, they are not of much help to small businesses overall. And, if we go back to what was promised to businesses when they just started talking about the free port, and look at the current law, we'll see two very different things. (*Primpres.ru* 2016)

In December 2016, the *Zolotoi Rog* business newspaper interviewed local entrepreneurs about the Free Port of Vladivostok. According to Andrei Michulis, a partner in Tiger Consulting, ‘Asian investors taking steps to establish businesses in Russia is a qualitative indicator of an improving investment climate... The deficiencies of the legal framework for the state programmes remain the weak spot’ (*ZRpress.ru* 2016a). Andrei Golotin, director of the Primorye branch of MOSP MSP–Opora, an association of small- and medium-sized construction enterprises, put it this way:

We have yet to feel a positive impact of the free port on business... We do not register any substantial interest in Primorye from investors. I am sure this interest will appear if investors become more confident about the Russian government being serious about attracting investment, that our country has serious intentions and that the rules of the game will not change (*ZRpress.ru* 2016b).

FAR EASTERN HECTARE

To address the demographic challenges of the Russian Far East, the Russian government in 2016 launched the ‘Far Eastern Hectare’ programme, allocating land for free to people interested in settling in the Far East. The idea was first brokered in late 2015, and, being pushed by Presidential Plenipotentiary to the Far Eastern Federal Okrug Trutnev, relevant legislation was adopted unusually swiftly.

The programme is administered by the Far East Human Capital Development Agency. Interested individuals can log onto the agency’s website and select a land plot up to one hectare from throughout the entire Far Eastern Federal Okrug. The website also offers users business project ideas to pursue—ranging from growing strawberries to sheep farming.

Initially, in an attempt to retain the population already living in the region, the application process was open only to the Far Easterners. Between June and mid-November 2016, almost 2400 applications were

filed for a free hectare in Primorskii Krai of which 440 were approved. From 1 February 2017, all citizens of the Russian Federation are eligible to participate. At a meeting of the Primorskii Krai administration in February 2017, Governor Miklushevskii announced that since the programme was introduced, there had been 17,860 applications from Russian citizens wishing to obtain a free hectare in Primorye. This means that Primorye ranks first among Far Eastern regions by number of applications (Veka 2017).

However, throughout the process, there have been numerous complaints about people being denied land, as well as problems with land plots with unmapped boundaries, unclear third-party rights and lack of registration in the cadastre system. The eventual success of the programme will depend on many factors—and many questions remain. To take but one: the land giveaway is focused more on immediate action than on long-term solutions. If the new owners do not put the land to use within five years, the government will reclaim it. But how can new business models be financed by individual land-holders if their land cannot be pledged as collateral? Successful implementation of the programme will require the establishment of a system of incentives, subsidized mortgages, taxation, infrastructure and the like. For the time being, however, officials prefer to highlight the number of applications for land, while they keep silent about the associated challenges and measures needed to create real, new possibilities for the freshly minted landowners.

DEVELOPING INFRASTRUCTURE

In the end of December 2016, Presidential Plenipotentiary to the Far Eastern Federal Okrug, Deputy Prime Minister Trutnev, and Deputy Prime Minister Arkadii Dvorkovich approved the development concept for the international transport corridors Primorye-1 and Primorye-2, linking China's northeast with the ports of the Russian Far East (*Government.ru* 2016). According to international expert assessments, 45 million tons of grain and containerized cargo will be shipped through Primorye-1 and Primorye-2 by 2030, generating an additional 91 billion rubles in annual revenues for the local ports and transport companies (Minvostokrazvitiia Rossii 2016c). Both Russia and China are predicted to benefit from the development of these transport corridors. During the construction phase, at least 3000 jobs will be created, followed by about 4000 new jobs at new infrastructure facilities once the transport corridors are in place.

The focus on international transport corridors is nothing new; the idea first came to the fore in Primorye in the mid-1990s when various initiatives were put forward for using the ports of Nakhodka, Vladivostok and Posyet as transit points for freight from Northeast China. However, despite the clear geographic potential, freight volumes on these routes have been modest; as of today, they lose in competition with alternative routes, in terms of cost and time.

South Korean actors are also interested in developing transport infrastructure in Primorye. In March 2015, the Korean International Trade Association (KITA) and the Primorskii Krai administration agreed to establish a council for logistics cooperation and to facilitate joint investment in developing the port of Zarubino. By the end of May 2015, a regular container shipping line connecting Hunchun (China), Zarubino (Russia) and Pusan (South Korea) was launched. A new project, the Big Port of Zarubino, to be developed in the Troitsa Bay by Russian port operator Summa Group, envisages development of rail, road and energy infrastructure between Zarubino and Hunchun. The plan is for the port to serve as a transit point for shipping freight from Northeast China to Southern China as well as for Russian grain exports. Investment is estimated to be upwards of 200 billion rubles.

The Free Port of Vladivostok regime can play a decisive role in further development of transit corridors in Primorye. Through the Free Port law, various new measures aimed at removing administrative barriers for the movement of goods, including from China to the ports of Primorye, entered into force from 1 October 2016. These include such measures as round-the-clock checkpoints, a 'single window' for border control, preliminary e-declarations and a 'green channel' for foreign trade.

It should be noted that these international transport corridors will be operational without substantial additional investment, once the new administrative regulations are in place. For example, the infrastructure related to the Primorye-1 corridor and the ports of Nakhodka and Vladivostok is already sufficient to handle several million tons of cargo. To manage these levels of cargo, the main updates needed involve expanding the existing border checkpoint, upgrading the Grodekovo railway station (the first station east of the Sino-Russian border) and renovating the road between Pogranichnyi and Ussuriisk. These measures can be implemented in the foreseeable future and will require no more than an estimated 10 billion rubles worth of investment. However, more extensive work is needed for the Primorye-2 corridor, including laying railway tracks,

constructing a road and port infrastructure. An estimated 170 billion rubles worth of infrastructure investment is needed. The cargo flow through this corridor could be up to 38 million tons of grain and containers. Tentatively, the Primorye-2 project is scheduled for launch in 2020.

PRIMORYE'S REGIONAL ECONOMIC DIPLOMACY

Various challenges are facing the region in connection with attracting foreign direct investment. One is the overlapping and sometimes competitive or confusing jurisdictions of federal and regional authorities. Russian regional policy, with its heavy focus on bureaucratic regulation, has resulted in the establishment of many administrative entities which often duplicate each other. However, the regional authorities in Primorskii Krai and the city of Vladivostok have sought to attract investors and create a positive image of the region's investment potential. The Primorye Investment Portal contains detailed information about local development institutions: the Primorskii Krai Investment Agency, Primorskii Krai Guarantee Fund, Primorskii Krai Development Corporation and Primorskii Krai Export Development Centre (Investsionnyi portal Primorskogo kraia 2017b). A total of 184 projects are currently listed in the Investment Project Register (Investsionnyi portal Primorskogo kraia 2017c).

Vladivostok, with its 7 consulates-general and 16 honorary consulates as well numerous representative offices of international companies, constitutes the diplomatic capital and international gateway of the Russian Far East. The city regularly hosts large international events attracting, among others, heads of Asian states. Recently, a special focus on economic diplomacy has become evident. In the autumn of 2015, an annual Eastern Economic Forum was launched in Vladivostok to attract investors in the context of the 'turn to the East' policy. The first forum, held in September 2015, resulted in signing of more than 80 large investment contracts (*Primamedia.ru* 2016a). At the 2016 forum, the authorities and businesses signed 216 agreements. The number of forum participants had more than doubled: from 2000 to 4600—and it included three heads of state/government: from Russia, Japan and South Korea. Similarly, at the end of September 2016, Vladivostok hosted the Fifth International Economic Business-Congress. This event, initiated by the Dialogues business club, targets owners and executives of companies in the Far Eastern Federal Okrug and the Asia-Pacific region (*Minvostokrazvitia Rossii* 2016b).

A key target of these efforts is China, whose engagement in the region outstrips other countries. Out of 1 trillion rubles invested in ASEZs and the Free Port of Vladivostok, some 160 billion are of Chinese origin. The relationship attracts high-level attention, also at the federal level. In late December 2016, Presidential Plenipotentiary Trutnev was appointed Russian co-chair of the Bilateral Russian–Chinese Commission on Cooperation and Development of Russia’s Far East and Baikal Region and Northeast China. This Commission will deal with Russian–Chinese cooperation projects in Russia’s Far Eastern Federal Okrug and Baikal region, as well as in the Chinese provinces of Heilongjiang, Liaoning and Jilin and the Inner Mongolia Autonomous Region.

However, the Russian Far East is also looking beyond China, courting investors from the rest of East Asia. An important milestone in this respect was the acquisition of Vladivostok International Airport in 2017 by an international consortium comprising Singapore’s Changi Airports International, Basic Element and the Russian Direct Investment Fund (RDIF). At the 2016 Eastern Economic Forum, the delegation of the Republic of Korea, headed by President Park Geun-hye, presented investment proposals for more than 2.6 billion rubles, now under review with the Far East Development Corporation. Korean investors are ready to develop an electronic fare payment system for public transport in Vladivostok and to build a plant for the production of polyurethane and household chemicals in Primorye.

Improving Russian–Japanese relations also offer hope for the development of cooperation between Primorskii Krai and Japan. It has already been announced that Japanese Prime Minister Shinzo Abe will attend the 2017 Eastern Economic Forum. And at the end of November 2016, Governor Miklushevskii visited Japan with a group of entrepreneurs to mark the 25th anniversary of friendly relations between Primorskii Krai and the Japanese prefectures of Tottori and Shimane.

CONCLUDING REMARKS

Recent years have seen massive government investment in the Russian Far East. Indeed, if divided among the 6.2 million Far Easterners, it could make each regional resident a rich individual. However, putting this money to work in the service of broader, long-term aims has proven challenging.

Implementation of Russia's regional policy has been hampered by sluggish economic performance and by the attempts of Western powers to reprimand Russia, politically and economically. Unsurprisingly, the recent fall in GDP led to a reduction in the federal government's capacities for investing in regional development. In November 2016, substantial funding cuts to the federal targeted programme for the socioeconomic development of the Far East and Baikal region were announced (*Primamedia.ru* 2016c, 2017a). Besides budget constraints, another reason for reducing the funding to the Far East has been the alleged low effectiveness of programme implementation. Both the Ministry of Finance and the State Duma Committee on Regional Policy and the Problems of the North and the Far East have assessed the effectiveness of implementation of this state programme as unsatisfactory (*Primamedia.ru* 2016c).

Key causes for this lack of progress are the lack of coordination among various branches of the government and the new institutions they have set up, problems of corruption and an unsatisfactory investment climate. Instead of deregulation, bureaucracy has proliferated. New entities for managing development projects are established, spending project budgets on developing new governance methods, performance indicators and the like—without bearing any responsibility for the effectiveness of the end product. High levels of corruption still plague major government projects in Primorye. At present, the development forecast for Primorskii Krai can hardly be called optimistic. However, thanks to the implementation of several projects, some moderate growth can be expected. Moreover, if Moscow will continue to keep the Far Eastern periphery in focus, that should help to prevent further economic and demographic decline. One can also hope for greater interest from Russian and foreign entrepreneurs in the new mechanisms that have been introduced to stimulate socioeconomic development.

If the federal and regional authorities can work together and coordinate their efforts, and if the authorities and business can cooperate, the goal of improving the investment attractiveness of Primorye may be achieved. Growth centres, such as the ASEZs, the Free Port of Vladivostok and international transport corridors, have already been established, but much work remains to be done to ensure that these mechanisms will live up to expectations. In sum, there remains a substantial discrepancy between the declarations of making Primorskii Krai the frontrunner in Russia's 'turn to the East' and actual achievements.

NOTES

1. For an overview of the numerous revisions, see the governmental webpage listing federal targeted programmes, at <http://fcp.economy.gov.ru/cgi-bin/cis/fcp.cgi/Fcp/ViewFcp/View/2013/136/>. Accessed on 23 March 2017.
2. An overview is available on the webpages of the Far East Development Corporation, <http://erdc.ru/upload/iblock/8cb/8cb9bffd1262c2ced5486f9fb14f4850.pdf>. Accessed on 23 March 2017.

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