

Politics and Economics in the Russian Far East

Changing ties with Asia–Pacific

Edited by
Tsuneo Akaha



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Politics and Economics in the Russian Far East

The dramatic reforms in Russia are affecting all levels of the economy and society as well as the political life of that country. The impact of these changes is also being felt in the Russian Far East and has raised questions as to how that region's relations with other countries in Asia will develop and whether a stable democratic society will evolve.

Politics and Economics in the Russian Far East provides a background to the region's economic development and relations with its neighbors. It surveys the challenges of economic development including fiscal, capital, resource, energy, and environmental problems, highlighting the generally disruptive effects of reform on the region, but also pointing to some areas of potential, including international trade and foreign investment. The book places the Russian Far East in the context of Russia's bilateral relations with the United States, Japan, China and Korea, and examines the political, economic and security significance of the region in Northeast Asia.

This book is a major contribution to the wider debate over Russia's future and its place in the international community. It is a comprehensive, interdisciplinary survey of the region's present situation and future prospects both in terms of its internal, economic, social and political development as well as its changing international role in Northeast Asia.

Tsuneo Akaha is Professor of International Policy Studies and Director of the Center for East Asian Studies at the Monterey Institute of International Studies, California.

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Foreword

Robert A. Scalapino

As the twentieth century comes to a close, the uncertainties concerning the future of Russia remain huge. Here is a people talented and with a highly educated elite, capable of major accomplishments in the scientific-technological realm. Here is a region abundant in natural resources, with a very favorable land-population ratio and a pivotal geopolitical position—astride the Eurasian continent. Yet the economic and political turmoil that has followed the dismemberment of the Soviet empire has not yet ceased.

The euphoria that greeted ‘the end of Communism’ has recently been decidedly subdued. Many Russians, confronted with the economic hardships of recent times and the seemingly endless wrangling in the political arena, have asked, ‘Is this democracy?’

Thus, in Russia as in some other ex-Communist states of East Europe and in the newly independent Central Asian states, Communists of varying political hues have shown increased strength. Frequently, they proclaim themselves social democrats, dedicated to attacking the inequities, lawlessness and corruption of the new order.

At the same time, nationalists of a more strident type have also garnered support, in part a reflection of Russians’ historic ambivalence as to whether they are or should be an integral part of the West or whether they should pursue a separate destiny. Heightened nationalist sentiment is also an answer to the humiliation of having lost power and influence, and Russia’s perceived exclusion from decision-making on matters important to it.

While political uncertainties continue to abound, there are some signs—as yet not definitive—that Russia’s economic crisis may have passed its worst phases. Should this prove to be true, it would encourage the cause of political centrism as well as the continued effort to make the transition from a statist economic strategy to one of greater economic liberalism, albeit with the state retaining an important economic role. Yet, whatever its precise course, the Russian political and economic system will undoubtedly have certain unique features, as has been the case throughout its long history.

It is in this context that the Russian Far East (RFE) must be seen. A part of Russia, and yet apart from the Russian heartland, the RFE faces west politically but with an increasing interest in the east economically. With only 8

million people in the Far Eastern region and close to 1.2 billion Chinese to the south, the advocacy of political independence is likely to remain a minority position. Yet the quest for greater economic autonomy—already amply evidenced—will surely continue.

It has not been easy to break away from the old system whereby this region furnished its natural resources and military supplies for a massive Soviet defense force, a sizeable portion of which was stationed in the region and, in return, received subsidization from the Center. Inter-regional economic intercourse was limited, and economic contact with the rest of East Asia was inhibited by formidable political-ideological barriers.

The old barriers are largely gone, although certain restraints remain including ethnic suspicions and unresolved territorial issues. The greatest barrier to date, however, has been the sorry state of the Russian Far Eastern economy, and the massive costs of the infrastructure requirements if RFE resources are to be more fully exploited.

None the less, the RFE is an eminently logical candidate for growing economic interaction with its close neighbors. It is surely destined to become a part of one or more Natural Economic Territories (NETs) that will grow in years to come: the Tumen River delta, the Sea of Japan (Eastern Sea) rim, and the Sino-Russian border region. NETs, taking advantage of geographic proximity, combine resources, manpower, capital and management to optimal advantage for the parties concerned. They cut across political boundaries, but often include only portions of states. And whatever state support is obtained, NETs depend for their ultimate success upon their attraction to the private sector.

NETs may create new issues or problems. Matters of jurisdiction and control are likely to emerge. Specific problems such as immigration and environmental degradation will require attention. Moreover, certain resources of this region will be increasingly needed within each country. Nevertheless, for the RFE, the pursuit of an export-led strategy that banks on its available resources would seem to be the most logical developmental course. This will lead to the increased involvement of this region—and hence, of the greater Russia of which it is a part—with the political and strategic, as well as economic future, of the surrounding Northeast Asian societies. What happens in China and on the Korean peninsula, for example, will affect the RFE in increasing measure in the years ahead. Russia must thus be a part of the efforts to achieve greater regional cooperation in all fields.

The essays that follow explore many of the issues raised here in greater depth, and with the insights that only those who are scholars well versed in their subject-matter can offer. The mix between Russian and non-Russian specialists is one admirable feature of this volume. We shall revisit the issues set forth here at various points in the future, but now we have an excellent foundation from which to advance.

Robert A. Scalapino
Robson Research Professor of Government Emeritus
Berkeley, California, December 1995

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Needless to say, the views contained in this volume are those of the individual authors and do not necessarily represent those of the organizations to which they are affiliated or the organizations providing support for the above seminar. Responsibility for editorial work rests with the editor.

Introduction

Tsuneo Akaha

Peaceful relations among countries in any region require stable and mutually beneficial relations at all levels, both governmental and non-governmental, and in all dimensions, including political, economic, security, and social-cultural fields. When countries' ideological orientations pit them against each other and their economic systems are incompatible, there is little or no prospect of cooperative relations among them. This is particularly so if their historical hostilities cloud their contemporary views of each other and their national security establishments see each other as adversaries, potential or real, rather than as partners in cooperative security. Unfortunately, this was largely the case for the former Soviet Union and its capitalist neighbors in Asia-Pacific during the Cold War era.

Within the Cold War geostrategic context, the Soviet Far East had an almost exclusively military significance in Asia-Pacific, and the Soviet Union was seen by its neighbors as a menacing security threat and a source of political instability in the region. Moscow's historical view of the Far East as a vulnerable frontier in perpetual need of military protection did no more to change the hostile international relations in this part of the world than the US forward deployment in the western Pacific as part of its global containment policy against its ideological adversary. Economically, in contrast to the deepening interdependence among the capitalist countries of Asia-Pacific, the Soviet Far East's ties to its regional neighbors were extremely limited. Moreover, any desire among the leaders of the Soviet Far East to develop closer ties with their Asian-Pacific neighbors was subordinated to the Soviet Union's development strategy based on a geographical division of labor, with its Far Eastern region serving almost exclusively as a supplier of natural resources for the country's industrialization and producer of military-industrial products to meet the country's defense needs.

Now that the Cold War is over, the Soviet Union has disappeared, and Russia is attempting to transform itself into a democratic society with a market economy, will the nation be able to forge a stable and peaceful relationship with its Asia-Pacific neighbors, politically, economically, and even in the security realm? What role should and can the Russian Far East and its Northeast Asian neighbors respectively play in bringing Russia and the Asia-

Pacific economies into closer and cooperative relationships? These are the fundamental questions addressed by this collection.

This volume is predicated upon the premise that the peace and stability of Asia-Pacific requires a closer relationship among the countries of Northeast Asia and that this will depend on both Russia's transformation into a democratic society with a market economy and the Russian Far East's integration with the Asia-Pacific economy. The geographical proximity and the unbalanced level of economic development among the Northeast Asian countries, combined with the history of international animosities in this part of the world, are a potential source of conflict and instability that requires serious attention. If the Russian Far East is to be integrated into the Asia-Pacific economy, not only must the region's market forces be allowed to grow, but institutionalized mechanisms of cooperation must be developed to link the fledgling market forces in the Russian Far East to those of the dynamic Asia-Pacific countries, particularly Japan, South Korea, China, and the United States.

Another basic question discussed in this volume relates to the role of government in domestic economic development and international economic cooperation. On the one hand, there is the view that integration among disparate economic units, whether within a nation or among nations, requires market integration which is assisted and sustained by institutionalized cooperation. 'Market integration' refers to the development of a high degree of interdependence among essential factors of production, trade, and consumption, and 'institutionalized cooperation' refers to the development of a 'regime,' or a set of principles, norms, rules, and decision-making procedures, designed to promote the development and linkage of complementary market conditions. The Russian Far East is an underdeveloped region heavily dependent on defense and extractive industries. It borders the two capitalist giants of Japan and the United States with their highly diversified and well integrated economies, the newly industrialized economy of South Korea, and the fast growing economy of China. It also is adjacent to the moribund economy of North Korea and the struggling transition economy of Mongolia. Market forces in these economies are at such disparate levels of development that it would be tempting to suggest that strong policy coordination will be more effective than a *laissez-faire* approach to regional economic cooperation and integration. From this perspective, the central concern is that if left to market principles, the Russian Far East would find itself in an untenable position of permanent dependence, with serious political and security implications. To avoid this, the argument would suggest, the Russian Far Eastern economy needs a 'shot in the arm,' that is, the creation and development of market forces in the region cannot be left entirely to some 'invisible hands,' but rather they must be nurtured and promoted by public and private assistance from outside the region, from Moscow and from international sources. This will require the development of institutional cooperation among all the major actors concerned, including Moscow, the

Russian Far East's separate administrative and territorial units, and the governments of Japan, the United States, China, and Korea. We will return to this issue in the concluding chapter.

On the other hand, others maintain that given the low level of political trust and confidence that characterizes the current relations among the Northeast Asian countries, international policy coordination, even if desirable, is highly unrealistic. It is also problematic in that a state-led strategy of development for Russia would result in a high level of centralization of power that is inimical to market capitalism and stifle or distort the development of a market economy.

There are a number of other important questions which this collection addresses. Should the United States and other neighboring countries of Russia develop an Asia-Pacific policy with an explicit focus on the Russian Far East? If so, what would it look like? Are the growing trade relations between the Russian Far East and the neighboring East Asian economies necessarily conducive to balanced economic development of the region? How should the Far Eastern communities respond to the disintegration of Russia's national economy? Should they welcome it as it would potentially give greater freedom for the regional leaders to forge their own future? How important is the military-civilian conversion in developing a modern market economy in the Russian Far East? What are the regional and international security implications of the growing Russian weapons and weapons technology transfers to Asian countries.

How effective is Russian legislation in establishing the ownership and control of the all-important natural resources in the Far East? What can Russia and the Russian Far East learn from the international community, particularly from the United States, e.g., in the area of conversion, and from Japan, especially in the area of industrial and trade policy development? Should the Russian Far East develop an export-oriented regional economy? Can its exports be competitive enough on the international markets? More fundamentally, what role should government play in the development of industry in Russia? Should Russia follow the developmental state model exemplified by Japan and South Korea?

Is the current pattern of industrial and resource development in the Russian Far East conducive to long-term, environmentally sustainable development? To the extent that ecological awareness is growing in the region, is it being translated into effective policy? What do Moscow, regional governments, and foreign investors need to do to ensure sustainable development? Will the more immediate issues of economic survival prevent the Russian and Far Eastern leaders from developing effective health and welfare programs?

What can the international community do to assist in the development of the Russian Far East? What are the social, political, and security implications of the growing foreign presence in the region, including business joint ventures, foreign laborers and merchants, and foreign goods? What are the outstanding issues between Russia and the neighboring Northeast Asian

countries that stand in the way of further cooperation? What incentives do the neighboring countries have for extending cooperative hands? Are their interests purely economic? What political or security concerns do they have? Does the Russian Far East present an opportunity for cooperation or a source of conflict? What confidence-building measures are conceivable in the near future to replace the historical suspicions and animosities that could again flare up with more amicable and mutually beneficial relationships? Is Russia ready to engage the neighboring countries politically, economically, and in the security realm in a way that is also conducive to the economic development of the Russian Far East?

Important as Russia's cooperation with its Asia-Pacific neighbors may be, however, the fundamental course of development for the nation and its Far Eastern territories will be defined by developments within Russia. On the eve of the Russian presidential election in June 1996, many outside observers feared the rise of anti-reform forces among nationalists and Communists throughout the country, some even predicting a sweeping roll-back of reform. After defeating Communist Alexandr Zhuganov in the run-off election in July, President Yeltsin retained Prime Minister Viktor Chernomyrdin and other pro-reform members of his cabinet and added new reform-oriented advisors. The policy of reform survived the pre-election jitter. Following the presidential election, however, Yeltsin underwent heart surgery and his failing health remained a continuing source of uncertainty, prompting many observers to predict further political turmoil in Moscow and throughout the country.

Caught between Russia and the Pacific, will the Russian Far East at last be able to define its own future? It is hoped that our collective effort to answer this question in this volume will contribute to the deepening of our understanding of the complexity of the issues involved in the development of cooperative relationships between Russia and its Asia-Pacific neighbors.

The sweeping changes in Russia make it very difficult to keep published studies up to date on events and developments. It should be noted that Chapters 1, 2, 4, 6, 7, 8, 9, 11, and 12 in this collection were originally presented at an international conference in Monterey, California on 20–22 October 1994, but they were all subsequently revised for the purpose of this publication. The Foreword, Introduction, Chapters 3, 5, 10 and 13 were prepared after the 1994 conference but before the Russian presidential elections of 1996. The editor revised and updated the Introduction and Conclusion after June 1996. In the end, however, the editor believes that the central issues addressed by the chapter authors remain outstanding and important, and that the authors' analyses and perspectives on those issues remain relevant and valid.

Part I

Moscow and the Russian Far East

1 The political dimension

Robert Valliant

INTRODUCTION

The political relationship between Moscow and the Far East is much more than between just those two actors. It is bound up in the way Moscow controls the provinces and the way the provinces, in turn, try to reduce that control through threats and wheedling. If any province achieves anything in the way of autonomy, it will be because all the provinces have worked together. Even as they are trying to cooperate on a larger scale with regional associations, provincial efforts are also being undermined by differences among themselves and within each province. This chapter will attempt to explore some of these factors, and then look at the Far East as a region in its own right.

To head off some confusion an explanation of the terminology is in order. Here the term 'province' is used interchangeably with krai, oblast, republic and okrug. At a more abstract level, the differences among them are only cosmetic. However, when discussing individual provinces, the terms common in Russia will be used. The word 'region' here means a group of provinces. This is in contrast to the Russian tendency to use 'region' for both a 'province' and a group of provinces. Finally, the terms 'governor' and 'head of administration' are used interchangeably. The former is the most common term in the West and in some Russian publications, but the latter is the correct term.

MOSCOW'S CONTROL AT THE PROVINCIAL LEVEL

Yeltsin and the government in Moscow have several means to control the provinces. The most important politically is probably the ability to appoint and dismiss the governors, but this is supplemented by the presence of a presidential representative in each province. Finally, there is the ability to control provincial finances in the broadest sense. That topic will not be touched on in this chapter.

Prior to the attempted *coup* in August 1991, provincial governors, then called chairs of the provincial executive committees, were elected locally. On