

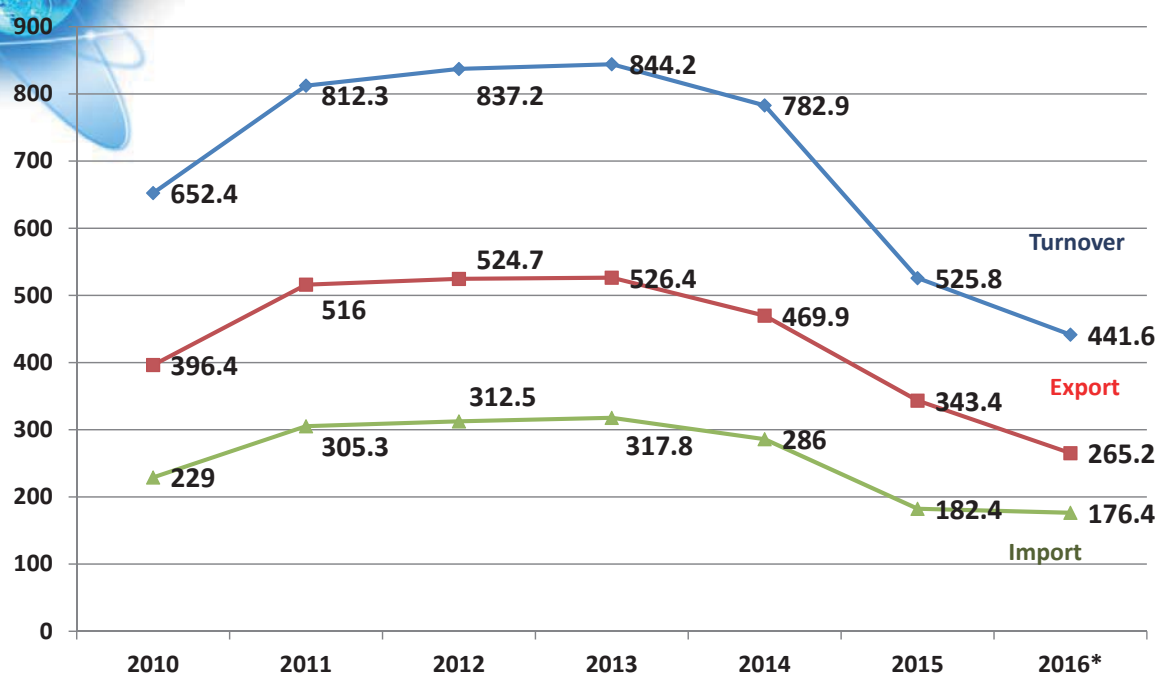


TURN TO THE EAST: INTENSIONS AND ACTIONS

P. A. Minakir
Economic research Institute
FEB RAS, Khabarovsk



Foreign trade of the Russian Federation, bln. USD



The advantages of the way "to Asia"

1. None of the Asian countries are not disposed towards a hostile Russia, all the major regional players' relations with Russia are better than each other.
2. Unlike Europe, Russia in Asia doesn't deal with the desire to use value-based leadership to establish advantageous to rules of the game.
3. Asia is more understandable due to pragmatism.

Obstacles on the "path to Asia"

1. The presence of a "bad history" since 1987 "turn to the east" was declared, but did not occur
2. The new "turn to the East" is declared at the end of 2012, but is activated only after the aggravation of political relations in Europe, which makes Asian partners confidence in the irreversibility of "rotation"
3. Asian countries focus on the economic presence of Russia in Asia, its capacity requires resources, and the acquisition of resources depends on the "turning to the east"
4. In the leading Asian economies maintained a high level of non-tariff barriers that hinders the liberalisation of markets and particularly the market entry of new major players in non-energy goods.

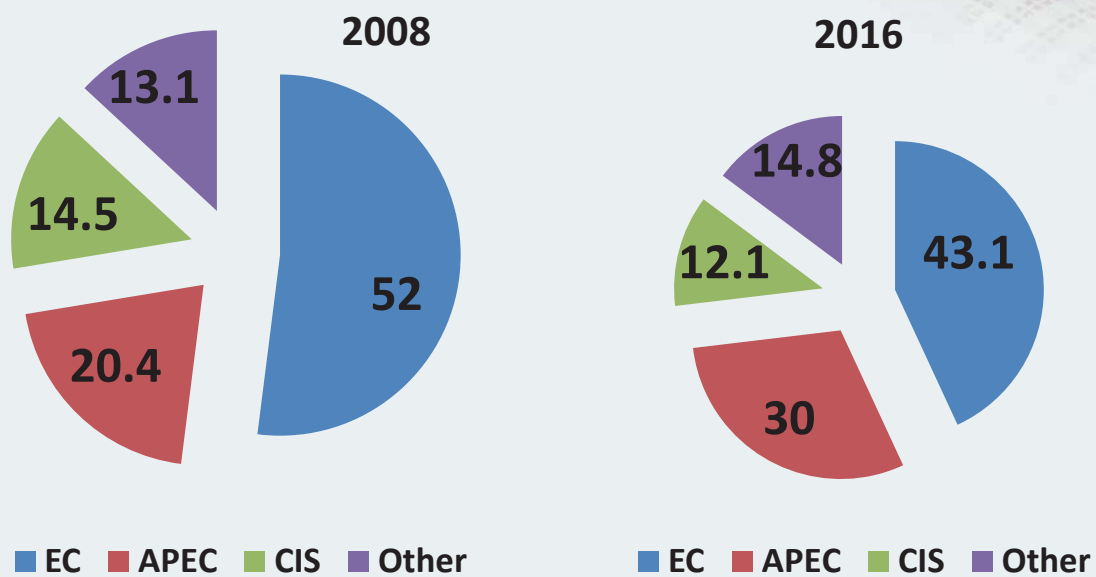
Economic myths

- 1. Eastern markets critically need in Russian raw materials**
- 2. East Asia is a large potential investor for Russia**
- 3. East Asia can replace the US and the EU in technological exchange**
- 4. The development of the Russian Far East - a sufficient condition for integration with EA**

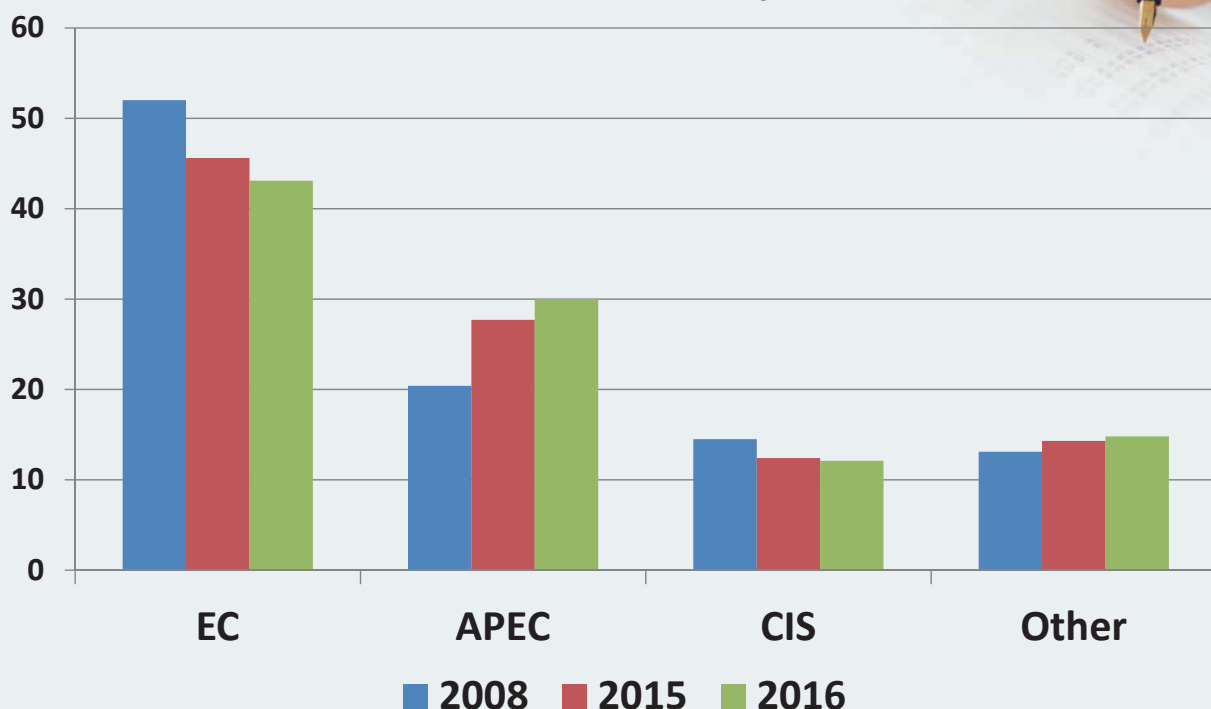
Reality

- 1. The main trade and financial partner for China is the US and the EU**
- 2. Both China and the EA generally have diversified sources of raw materials. For China, the Russian raw materials may become critical only in the case of blocking Maritime trade routes**
- 3. Financial transactions from China on the lines of major banks are blocked by the sanctions. The rest of the country EA are not financial donor for Russia**
- 4. EA (excluding Japan partially) does not have sufficient technological capacity**
- 5. Joint projects in trade and military-technical cooperation is the only viable opportunities in the Eastern direction.**

Geographical structure of foreign trade turnover of the Russian Federation, %

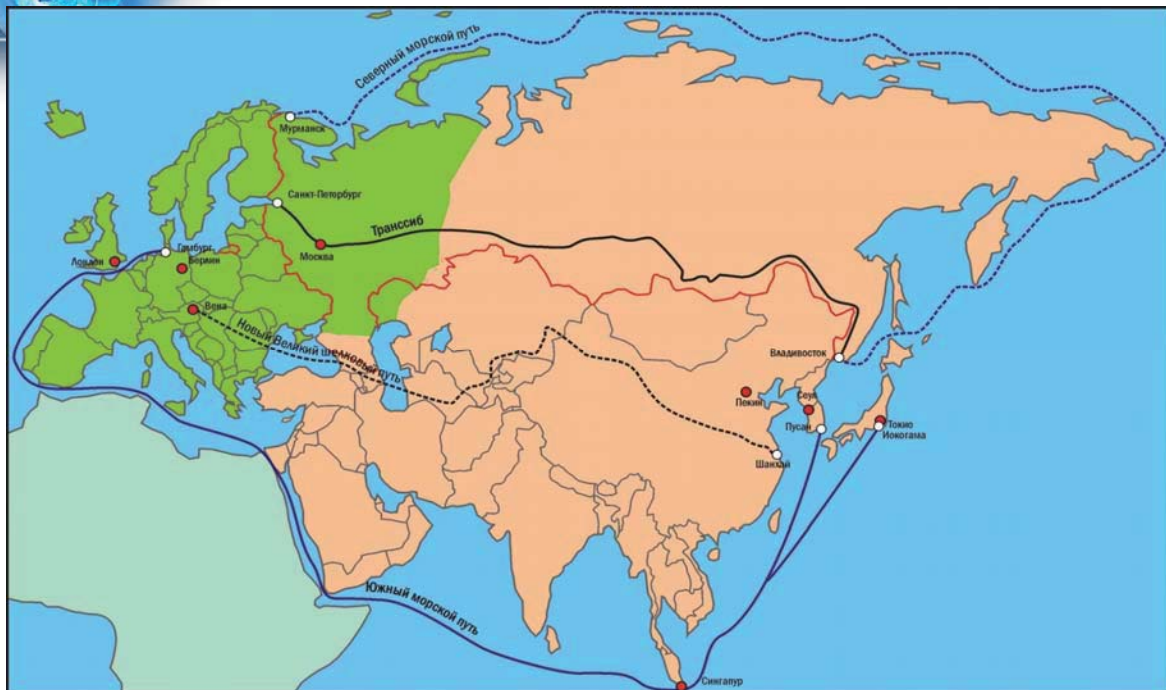


Dynamics of the geographic structure of foreign trade of the Russian Federation, %





Global transport corridors in Eurasia



fppt.com

Foreign direct investment in the Far East, 2015.

	billion USD
Accumulated balances, totally including Sakhalin	39,56
	35,24
Proceeds to the share capital and in the form of debt including Sakhalin	10,8
Yakutia	0,965
Magadan	0,758
Primorye	0,699
Amur region	0,615
Other	0,345
Balance including Sakhalin	6,76
Other	6,19
	0,57

Mythology

1. The far East is losing population, it's a disaster, come the Chinese, and Russia will lose the far East under the scenario of Kosovo or any other
2. The Far East turned into a raw province of Russia and the Asia-Pacific region, is condemned to stagnation
3. The economic potential is lost, all is lost, the evacuation is inevitable without the paternal care of the state

11

Policy documents on the development of the Russian Far East

1	Long-term state program for the integrated development of the productive forces of the Far Eastern economic regions, of Buryatia and the Chita region until 2000		19.08.1987
2	The federal program "Economic and social development of the Far East and Trans-Baikal 1996-2005"	1996-2005	15.04.1996
3	The federal program "Economic and social development of the Far East and Trans-Baikal 1996-2005 and until 2010"	2002-2010	19.03.2002
4	The federal program "Economic and social development of the Far East and Trans-Baikal for the period until 2013."	2008-2013	21.11.2007
5	Strategy for Socio-Economic Development of the Far East and the Baikal region for the period till 2025	2014-2025	28.12.2009
6	Russian State program "Social and economic development of the Far East and the Baikal region"	2014-2025	29.03.2013
7	The federal program "Economic and social development of the Far East and the Baikal region for the period till 2018"	2014-2018	06.12.2013
8	Russian State program "Social and economic development of the Far East and the Baikal region"	2014-2025	15.04.2014

The territory of advancing social and economic development (TASED) in the Russian Federation – what is it?

Economic zones, where the radical deregulation and large-scale tax incentives carried out . In the first 3 years they can be created only in the Far East.

Difference between the TASED and the special economic zones – TASED is based on individual work with each investor. In addition to tax benefits, the state creates the necessary infrastructure. – Explanation of the Far Eastern Economic Development Ministry.

The law on the establishment of a TASED entered into force on March 30, 2015. Lead Agency in the creation of such areas - the Ministry of the Russian Federation on development of the Far East. Of the 400 sites selected 14.

To enter into these areas is to offer an investment project in a high degree of maturity. Minimum amount of investments - 500 thousand rubles. (6500 USD). The company should be registered and based in the Far East and could not have branches outside of the territories.

The population of the Russian Federation, mln. people (without the Crimea)

Federal District	1991	2016	Growth (+) decrease (-)
Russia as a whole.	147,2	144,1	- 3,1
Central	38,1	39,1	+ 1,0
Northwestern	15,2	13,8	- 1,4
Volga	31,9	29,7	- 2,2
South	13,6	14,0	+ 0,4
The North Caucasus	6,6	9,7	+ 3,1
Ural	12,7	12,3	- 0,4
Siberian	21,1	19,3	- 1,8
Far Eastern	8,0	6,2	- 1,8 ¹⁴

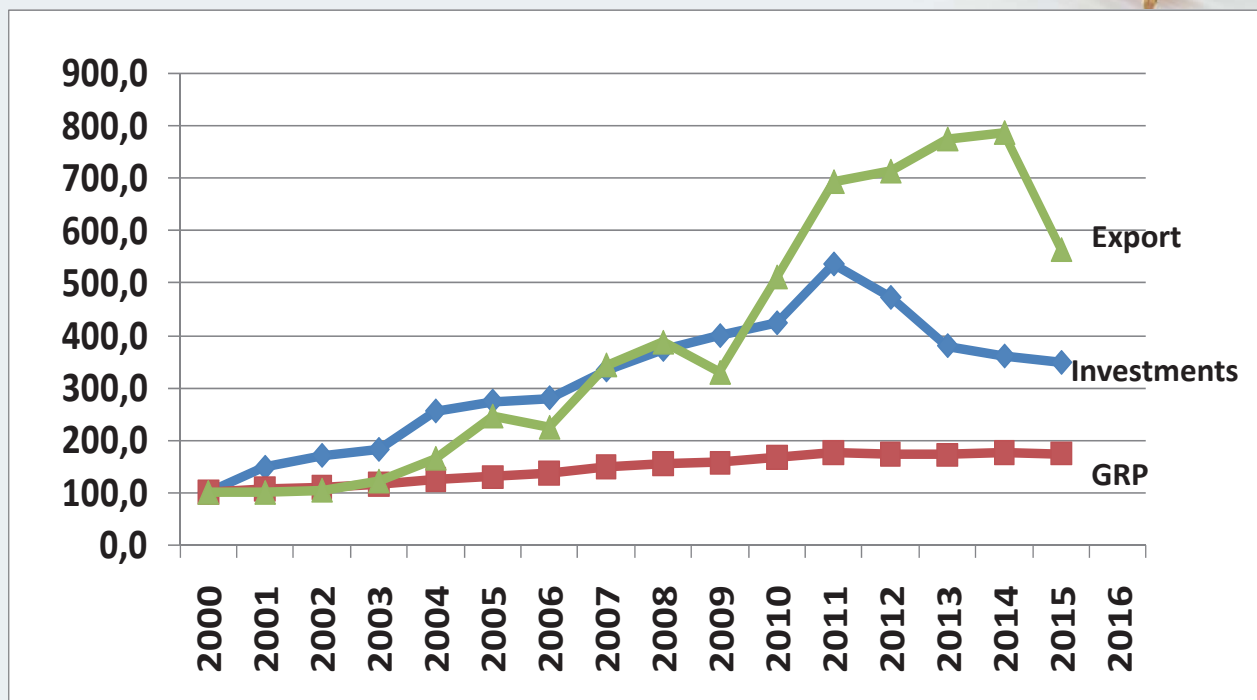
Macroindicators, 2009-2016, %, 2009=100



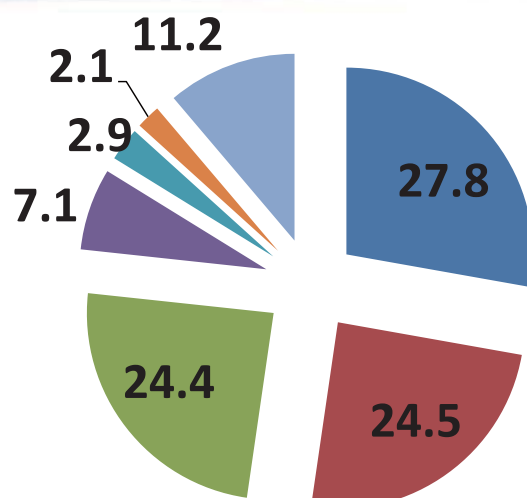
Investments to fixed capital, 2010-2015

Federal Districts	Blns. of Roubles	Share in total volume, %	Gross Rates, %
Central	18094.7	24.4	126.6
North-West	8211.7	11.1	90.2
Southern	7309.5	9.9	98.4
North-Caucasien	2511.9	3.4	121.4
Volga	12286.1	16.6	119.4
Ural	12417.1	16.7	121.7
Siberian	7965.4	10.7	101.0
Far Eastern	5358.2	7.2	83.7

The ratio of macrotrends in the Far East, %



Foreign Trade Turnover, Far East, 2015, %



- Japan
- China
- ROK
- Belgium
- USA
- India
- Others

The index of real incomes of the population(1995 = 100%)



Commodity Structure of Far Eastern exports to Northeast Asia, %

	2000	2014
Total	100	100
Machinery, equipment, vehicles	16,5	0,8
Fuel, minerals, metals	34,9	84,7
Chemical products	0,2	0,2
Wood and pulp and paper products	17,3	4,4
Flavoring Products	23,4	9,9
Industrial consumer goods	0,4	0
Other	7,3	0

Resident status of TASED

1. 0% tax on profit, on property, on land for the first 5 years
2. 0% import and export duties
3. 0% VAT on imports for processing
4. 7.6% of insurance premiums instead of 30% for the investor during the first 10 years
5. free land and ready infrastructure
6. accelerated procedure for the return of VAT to exporters
7. no inspections without the consent of the Ministry of development of the East
8. "one window" for investors
9. free customs zone for the residents of priority development areas
10. simplified state control
11. accelerate and facilitate the administrative procedures, including obtaining building permits, customs clearance.

Adopted TASED

June 25, 2015 approved :

1. Territory of priority development "Nadezhdinskaya" - Nadezhda district of Primorye Territory, 806 hectares, 3 anchor resident (transport and logistics center, a confectionery factory, food industry enterprises for the production of semi-finished products), private investments - 6.7 billion rubles, the budget investment-3.9. bln., the creation of 1630 jobs.
2. Territory of priority development "Komsomolsk" - within the boundaries of the cities of Komsomolsk-on-Amur and Amursk, the total area of 210 hectares, 4 anchor resident (the production of parts for aircraft and woodworking), the volume of private investments - 7.9 billion rubles of budget investments - 1.2 billion rubles, the creation of 770 jobs.
3. Territory of priority development "Khabarovsk" - within the boundaries of Khabarovsk, an area of 587 hectares, 9 anchor residents (metallurgical plant, a greenhouse complex, transport and logistics complex + airport), private investment of 15.4 billion rubles of budget investments -2,4 billion rubles, creating 2574 jobs.
4. Then created another 9: "Bering" (PJSC), "Kangalassy" (Yakutia), "Mikhailovskiy" and "B.Kamen" (Primorye), "Kamchatka", "Belogorsk" and "Priamurskiy" (Amur region), "Yuzhnaya "and "Gorny vozdukh"(Sakhalin)

Free port of Vladivostok

- **October 12, 2015, the Law on Free Port of Vladivostok.**
- **The law applies to 15 municipalities of the Primorye Territory, and all the key ports of the south of the Far East from Zarubino to Nakhodka.**
- **In these territories are established simplified visa mode, fast mode of border crossing in the conduct of international trade, government support measures for entrepreneurs.**

What happens to TASED'?

- **According to an interview with Mr. Alexander Galushki (Minister for Development of the Far East) within the TASED projects, the Free port of Vladivostok, Far East Development Fund and investment projects that receive state support for infrastructure in the short term, more than 50 thousand new jobs should be created.**
- **For projects of territories submitted 105 applications for 312 billion of direct investment.**
- **As a free port Vladivostok filed 43 applications for 147.4 billion. Rubles of direct investment.**
- **There are 6 Development Fund projects of the Far East and the 12 projects selected for state infrastructural support.**
- **There are currently 94 resident registered in 12 territories.**

Growth, structure, development

- A lot of confusion arises because of the unclear understanding of meaning.
- Speaking about the development of the region often mean economic growth, which implies a "GDP growth rate", "investment", "exports", etc.
- Often talk about changing the structure of the economy
- And the pace and structure are relevant to the development, but the direct dependence of the development of the region from the values of these indicators in the region does not exist

Development

The fundamental sector, which means the development of:

1. comfortable infrastructure, providing intraregional and interregional mobility (local airports, utility lines, road network, etc.)
2. comfort and a comparable quality of healthcare, education, cultural environment
3. comfortable communal environment and infrastructure (housing, landscaping, ecology)
4. comfortable business environment
5. low alternative incomes (other below), high alternative costs (from others above)

The canonical model of success

A set of characteristics, which does not guarantee success, but the absence of which reduces the probability of success in interregional and international competition:

1. high quality human capital
2. effective institutions
3. a high level of diversity
4. a high degree of openness in the region
5. a high degree of connectivity of the space in the region.



**Thank you
for attention**