

Russian Far East Development Scheme: Agenda and Possible Future

Pavel A. Minakir

INTRODUCTION

The modern economic development of the Russian Far East involves two main characteristics or prongs. First is the deep and long crises in all aspects of society, including the economy, the state's integrity and managing institutions, the political system, the financial infrastructure and many others. Second is the real movement towards the international market and development based on the international division of labor. One of the most important aspects of this second prong is the privatization process in Russia and the Far East, the attempt to change the structure of property rights and decision making.

CRISES OF SOCIETY

The destruction of the Far Eastern economy began in 1991. The financial results in 1991 were favorable enough for the government enterprises, which were encouraged by their profits to continue their strategy in management, that is to reduce production, to increase prices, and to maintain the number of jobs. But at the same time the strategic transition from an economy with subsidized by the central government to one with non-competitive production and low export potential was underway.

This transition became the basic cause of the 1992 economic collapse. The increase in prices at the very beginning of 1992 (the first and largest step of the radical economic reform in Russia) has been followed by some important consequences for consumer and producer markets. They are:

- devaluation of the incomes and savings of the Far Eastern population, with a resultant decrease of production in the consumer sector;
- devaluation of fixed and turnover funds in all sectors of the economy, which became the cause of the financial crisis;

- increasing demand for banking loans and rising interest rate;
- reduction of investment activity;
- capital transference from production to the financial sphere and to trade;
- falling production began because of the decrease in real demand and because of the transfer of financial capital to the banking and trade spheres.

The economic situation in 1992 had nothing in common with the classic economic crises. It looked like the collapse of the entire social system. All economic parameters decreased.

Table 17.1 Economic parameters in 1992

	1991	1992	1992 as % of 1991
Industrial production (mil. rbl.)	580,838.7	491,384.5	84.8
Consumer goods (mil. rbl.)	264,236.4	229,130.9	86.7
Investments (mil. rbl.)	266,058.7	172,188.1	65.0
Consumer prices	-	-	1,900.0

Source: Information on results of social-economic development of the Far Eastern economic region in 1992. Representation of the Ministry of Economy of the Russian Federation in the Far Eastern economic region.

In the middle of 1992 the main reason for the decrease in the industrial output was nonpayment of inter-enterprise credits extended. This was part of the complex reaction of the economy to the "expansive money" policy. As input prices rose relatively in the Far East, enterprises extended commercial credit that was added to bank credits, compensating for the relative lack of the latter.

There are some specific problems of development in the Far East of Russia. Among them:

1) The traditional scheme of providing financial and material resources to the Far East via state funds and guarantees has been changed. Now enterprises and local governments have to look for money and commodities by themselves. In this situation, generating exports or foreign capital to replace past internal transfers became the number one issue in the region. And, for achieving export growth and the active

balance of payment, it is necessary to have internationally competitive production;

2) The Far Eastern production became non-competitive because of two main factors:

- an increase in the relative prices of commodities (fuel, grain, steel, transportation service, raw materials for light and food industries) imported into the Far East of Russia, increasing the relative production costs for the Far Eastern producers;
- a change in the salary system, so that the second part of wages (the so-called northern coefficients) began to be included in production costs without guaranteed state compensation;

3) A production decrease in the extractive industries that have been the base of the regional economy, because of depletion of the regional natural resources base and lack of investments for preparing new reserves and developing infrastructure.

The process of reorientation of economic ties from the domestic to the international markets, especially in the Pacific, began in 1992. On the surface, this was a very adequate response to the reform's challenge, but the realization of this response involved a serious problem. On the one hand, the increase in the US dollar's value [and depreciation of the ruble] was a favorable factor for exports. On the other hand, the export potential of the Russian Far East is based on raw materials. Their export is regulated by the central government in the form of licensing and quotas and these controls did not change. With hyper inflation beginning, those with licensing and quotas for export found the most simple and profitable operations to be buying food and consumer goods with export proceeds and reselling them in the domestic market. This gives profits to exporters but does not help the region's productivity and long-run growth by stimulating productive investment.

In recent months the exchange rate remained more or less the same. The inflation in domestic prices, however, was continuing (the monthly price increase during May-July 1993 was about 20-25%). This means that importing has become much more profitable than exporting.

Demographic development could be considered an even more precise indicator of the economic crisis in the Far East. The reduction of population in the Far East began in 1992. It took place because, in total, there was net out-migration. Only in Primorski and Khabarovsk Krai was net in-migration sufficient to keep the population from declining. Amur, Kamchatka and Sakhalin oblasts were characterized by negative balances of migration. The population of the northern regions – Magadan

oblast and Republic Sakha (Yakutia) – were also decreased in 1992, but the departure of residents from Magadan oblast began in 1988 and from Yakutia in 1991.

The cash income of the Far Eastern population during the economic reform period increased more rapidly than that of Russia as a whole. In 1992 the cash income rose 10.9-24.7 times in the Far East (depending on territories) but the average growth in Russia was 12.3 times. It is true that the cash income may distort the real situation in the standard of living because of the differences in inflation rates between territories. But according to the official statistics, the rate of inflation in the Far Eastern territories was lower than the average rate in Russia. This implies population reduction took place as a result not only of the economic situation but also of perceived changes in the long-run economic position of the Far East in Russia and the resulting negative perceptions of the Far East's future development.

In sum, we can say that in the Far East of Russia, 1992 and 1993 showed very consistent negative tendencies. These tendencies can be a reason for slower future solving of economic and social problems in the Far East than in Russia as a whole if new approaches are not introduced and new possibilities are not created.

MARKET AND PROPERTY STRUCTURE CHANGE

Market reorientation of the Far Eastern economy is based on the real reorientation in recent years of the Russian economy as a whole. In 1991 trade volume in the former USSR decreased 37% in comparison with the volume in 1990. But trade with Asia-Pacific countries decreased only 5%. This reorientation is mainly associated with the growing trade with China and Northeast China. For the Far East of Russia the Chinese direction is the most important. In the Maritime territory, for example, trade with China is more than 70% of the total value of foreign trade.

The economic reform activated substantial investment cooperation in the form of joint ventures. It is one of the most positive results of 1992. But, at the same time, figures showing the growth of joint ventures do not seem to warrant optimistic conclusions. 75% of all joint ventures are situated in the southern part of the Russian Far East (Maritime territory, Khabarovsk territory, Sakhalin territory). In this part of the region the heavy infrastructure is more developed. Most of the joint ventures have been established in services (32%) and fishery (16%). Firms from Asia-Pacific countries form 72% of all joint ventures in the Far East of Russia.

The biggest part is by partners coming from the USA (21%), Japan (20%) and China (17%).

Up to now the role of the joint ventures in regional economic development has been relatively small. The share of production sold by joint ventures in domestic markets (in the Far East) is not more than 5%. Practically there is no technology transfer and the investments are not substantial. The main reason is lack of an investment climate that can compete with existing conditions in Asia-Pacific countries, especially in China.

Most joint venture trade and investment activity is connected with the extractive sector of the economy. This is understandable because the share of Japanese investments in the Russian Far East totals more than 50%. Japanese firms were and are interested mainly in raw materials. Russian businessmen are also interested in the raw material sector due to the "convertibility" of this sector production into hard currency and its competitiveness in foreign markets.

Before the radical economic reform, a trilateral model of economic ties had been realized. The Far East produced and exported raw materials to the Pacific countries, the Pacific countries paid for the raw materials in hard currency to the central government (because of all union foreign trade organizations), and the central government bought food and commodities and passed some portion to the Far East.

Now the trilateral model has changed to the bilateral. The Far East produces and exports raw materials to Pacific markets, and the Pacific countries export directly to the Far East food, consumer goods, and some equipment. Such a model, of course, does not cover all the economic ties of the Far East. After the disintegration of the USSR, the Russian Far East began to develop new economic specialization in the domestic market of Russia and CIS countries, including transport transit goods from internal regions of Russia and CIS countries to the Pacific Rim. The largest part of export-import operations between Russia and CIS countries and the Pacific Rim countries is carried out through the Far Eastern territory. These transit operations account for more than 80% all foreign economic activity in the Russian Far East.

Now the Russian Far East has a surplus in foreign trade, whereas the region has a deficit in trade with the domestic market. In 1992 the foreign trade surplus was about \$300 million. The main reason was the decrease in demand for capital goods. In perspective, this situation will change with restructuring and the trade balance can become a major problem for the region. Generally, foreign economic activity now covers about 5% of the total consumption and 4% of the total production in the Far East.

Another principal development which must be taken into account is the formal change in property structure. The transformation of government enterprises into stock companies began in October 1992. Almost all enterprises which have been under the control of the federal or local administration must now be privatized according to the Presidential decree and are in process of privatization. This means that: 1) in the nearest future many of these enterprises will either look for new partners or declare themselves in bankruptcy; 2) direct planning will be impossible and regulation must be based on indicative methods.

The initial stage of the privatization process in the region is characterized by the negative approaches of managers and local officials to the participation of foreign firms in privatization. Managers are afraid to lose the opportunity to acquire former governmental property as their own, and the local officials are trying to support managers' interests and keep control over regional enterprises. That is why the participation of foreign firms in privatization in the Russian Far East is constrained and insufficient.

DEVELOPMENT SCHEME 1: REGIME

After the beginning of the radical economic reform in Russia the circumstances of the center-region relations have changed drastically. Now regions have practically full freedom over what is produced and how it is distributed. Previously this was one of the most important issues in the center-region economic "war."

At the same time even little past state support for the region has practically disappeared. The region now has to survive by itself but without structural changes in its production system or financial resources for reorientation to new markets. In the region itself, from 1991, the tendencies toward disintegration became much more evident. The reason is the change in the power structure in territories – the appearance of executive power in hands of the Heads of Administration nominated by the President. This new power structure needs time for strengthening its authority.

The most important suggestion for the region in 1991 concerned the transfer of production/financial relations between region and center instead of the centralized collection/distribution of output. This transfer is now realized for all practical purposes. But the region receives some benefit because the previous system of budget planning remains in force. However, territories cannot mobilize additional financial resources on

their own because budget subsidies are automatically reduced by an offsetting amount by the Ministry of Finance.

None of the measures suggested in 1991 for the modernization of the Far Eastern economy in the direction of an open and mixed economy were realized during the radical economic reform in Russia. It is very difficult now to predict any substantial amount of financial support from the government. The government has no real money except for the small amounts raised through internal debt sold outside the banking sector. The most realistic form of such support now would be creating, under the governmental guarantees, the regime of regulation most favorable to establishing a mixed, open economy.

The Far East of Russia has to be developed so as to be open to both sides of the region – the Pacific Rim and the internal part of Russia and CIS countries. It is necessary to create conditions for effective movement of capitals, people and technologies between the Russian Far East and Eastern Asia. This will be an additional incentive for attracting the domestic investment to the Russian Far East.

There follow some substantial points for creating in the Russian Far East a climate favorable enough not only to foreign investors (it is only one part of the problem) but to economic development as a whole.

Introduction of Regulation and Guarantees Understandable and Satisfactory to Foreigners, and Compatible with Those in East Asian Countries

This task consists of two parts. First, the Supreme Soviet of the Russian Federation, at the suggestion of the Central Government, has to adopt laws oriented to the creation of special economic regulation in the Far East of Russia. These include: rules of rent and use of land, concession law, tax and tax deduction laws, customs rules, labor relations and unemployment laws, foreign banks (their branches and representation regulation), movement of people and travel regulation and property regulation including rules on participation of foreigners in privatization.

Second, regional economic policy and the system of regional regulation measures must be constructed, first of all, in the area of local incentives and guarantees. Perhaps the most simple and natural step in this direction would be to use the Chinese regulations for their special economic zones. In any case, federal and local legislative bodies have to take legislative actions to freeze all changes in regulations for not less than 5 years.

Internationalization of Property

The regional foreign trade activity must be supported by fundamental changes in capital and technology markets. One of the most important factors in developing foreign economic activity development is establishment of property rights and guarantees for foreigners in the Far East of Russia. It is necessary to establish new companies oriented to stock and realty operations for foreigners. The functioning of the real estate market must be regulated so that foreigners can reliably estimate value and prices. Land property rights have a very important role to play. It is necessary to codify the possibilities for renting land as well as giving land under conditions of concession.

Another of the most important conditions for attracting foreign capital is the provision of accurate and full economic information about privatization possibilities and the regional economy. The scheme of regional development envisages establishing special organizations for collecting data and providing information services.

Export-Import Regulation

The existing system of export licensing and quota is designed to protect the State's interest in this field. In reality, however, this system is a basis for corruption. Because the Far Eastern region is dependent upon both domestic marketing and export, the quotas for export must be based mainly upon estimation of the necessary deliveries to domestic markets. The most popular form of operation among the exporters now is to export raw materials and import food or consumer goods, selling the latter in domestic market. These operations are giving maximum profits because of differences between domestic and international prices. The exchange rate was and is very favorable to such operations. The exchange rate (rubles per US dollar) increased 10 times in 1992 while food and consumer prices increased 25 times. In 1993 the exchange rate has remained stable on the average (about 1000 rubles per one US dollar) but food and consumer prices are increasing about 20% monthly.

Import/export licenses must be obtained from local authorities, but the main problem is how to control the imports to stimulate productive imports. One possible remedial mechanism is to change the customs policy so as to be flexible enough to give more incentives to exporters and stimulate the import oriented to the development of import substitution production. More specifically, the following measures are required:

- 50% reduction of customs duties on export commodities produced in the Far East of Russia;

- 50% reduction of customs duties on productive and consumer goods imported for production needs in the Far East of Russia;
- custom incentives to increase the share of value added captured by the region from commodities exported through the Far East of Russia;
- custom incentives for exported commodities produced in Far Eastern enterprises if the share of foreign capital is 30% or more.

To stimulate transit operations in the Far Eastern economy, it is necessary to determine the share of customs duties for commodities exported and imported through the Far East.

Free Economic Zones

It is almost impossible to open the Russian economy immediately as a whole. It is very difficult to do so even for one region as a whole if this region is as big as the Russian Far East. The effective approach to this problem is to create free economic zones in the region. These "special zones" must play a "window role" for receiving capital and technology as they have done in China. A very important reason for establishing free economic zones is to change people's mentality to get them used to working with (and trusting) foreigners. Of course, conditions in the Far East of Russia and in China are very different and free economic zones will not be familiar to the Russians. But they can be used for creating new channels for opening the region.

Existing official free economic zones, such as Sakhalin and EVA (Jewish autonomy oblast), can not be considered to be real free economic zones. Their creation was a political step and nothing constructive has happened in these zones. There are two main reasons for this. First, the general economic and political destabilization in Russia is a strong obstacle for the Russian Far East in the highly competitive environment among Northeast Asian countries for attracting foreign investments. Second, because of the huge territorial size of the "free economic zones," the necessary conditions for investment concentration and resulting externalities are very difficult to obtain. Only the situation in the free economic zone of Nakhodka approximates, but not too closely, an operable free economic zone.

The common problem for all free economic zones is the traditional Russian economy's lack of infrastructure. To use free economic zones in stimulating regional economic development, they must be created in areas with high concentration of state capital in the infrastructure field.

It is possible to establish operable free economic zones in the Far East of Russia by:

- upgrading and concentrating state investments in infrastructure facilities in Nakhodka;
- creating a free city and free sea port in Vladivostok.
- establishing free trade zones in Ussuryisk and Pogranichnoe Maritime territory: these zones can be specialized in the field of Russian-Chinese trade across the line of Pogranichnoe-Ussuryisk-Vladivostok;
- upgrading the free port at Vanino: reconstruction of this port as well as the railroad "Komsomolsk-Vanino" will create conditions for the growth of domestic and export cargoes, and the port can be specialized in processing cargoes and transportation services. In future it will create conditions for developing the Baykal-Amur railroad zone;
- creating a Khabarovsk free economic zone with specialization in the fields of transit transportation and new technology;
- creating a free economic zone near Blagovestchensk (Amur oblast), oriented to China and collaborated with the Chinese city of Heihe.

Tax Incentives

The suggestion here is to revise the tax laws and to establish incentive systems for investors in the Russian Far East. Of course, it is very difficult to hope for a decision like this because of the difficult and very unpredictable situation in Russia, especially with respect to the budget. In addition, the government almost excludes tax incentives as an instrument of economic policy. That is why it is necessary and possible to use territorial resources for the purpose of tax incentives. These incentives can include:

- tax breaks for 2-5 years for enterprises (excluding trade companies) whose share of foreign capital is not less than 30%;
- 10-year tax breaks for all enterprises with high-tech production that is more than 30% of total production;
- a 50% reduction of the profit tax for enterprises in consumer and food processing industries that show an increase in output;
- accelerated amortization for all enterprises.

Financial Incentives

The most important problem now is the organization of expeditious and effective banking operations. These are necessary to assist the Russian Far East in creating a modern financial system and banking network on the basis of effective technology.

Very annoying to foreign investors and their Russian partners is the problem of transferring profits abroad. All enterprises with foreign capital have to receive rights to exclude from their currency income the sum of expected dividends that must be transferred abroad.

To accelerate the convertibility of ruble assets to hard currency and to accelerate all the related payments, it is necessary to establish in the Far East (in Vladivostok and Khabarovsk) inter-bank currency auctions. Such auctions began to operate in Vladivostok some months ago. The problem is that the Central Bank of Russia must support these operations.

Two years ago the authors of the first Far Eastern economic development concept made the suggestion that a Far Eastern Bank of economic development be established as a stock company on the basis of all territories' funds. But the political situation in the region has changed drastically during the last two years. More than 200 new commercial banks have been or are being formed and the territorial bodies of management have lost their rights to establish commercial structures. Thus, the desire and will of the territorial officials to work together has much weakened.

The most realistic step now would be to establish in the different territories of the Russian Far East new commercial banks large enough to achieve economies of scale, based on the existing small commercial banks, territorial funds, pension funds and the people's hoarded money. These banks could provide financial resources for purchasing foodstuffs and consumer goods for the population, supporting small business and thus increasing jobs, and funding infrastructure projects. These banks would also be good places for allocation of territorial gold reserves and accumulation of currency incomes. In future a new system of banking and financial institutions can be formed on the basis of these banks.

One of the important goals of financial and banking regulation in the territories is to support the commercial bank's efforts in the area of international transactions. It is necessary to exclude from the currency income of banks the cost of representing foreign banks. Also, the banking law must be changed so as to facilitate the establishment and functioning of foreign banks and their branches in the Far East of Russia.

A very important item for the financial support of foreign investments is provision of mortgage funds. Mortgage funds right now are formed by

territorial administrations largely on the basis of natural resources. The general sources of formation and support of these funds includes the following:

- hard currency incomes of territories from transfer of enterprises to foreigners;
- part of hard currency incomes from export-import activity;
- part of incomes from rent, concession payments, infrastructure services, and so on;
- foreign credits;
- income from natural resources (mineral reserves, forest covered lands, and fishery fields)

Small Business Development

The development of small business is one of the most important conditions for market transformation of the Far Eastern economy as well as the entire Russian economy. Firstly, small business creates the natural environment for the modern market economy. Secondly, small business helps to create new jobs.

During the last two years the central government and local administrations have been trying to implement special programs for supporting small business. There are some important points for establishing programs like this. They must be supported by:

- creation of business training centers in the territories;
- establishment of small firms incorporating foreign technology and management derived from foreign technical and economic assistance to Russia;
- formation of special credit funds in territorial banks (described above) for providing low interest loans to small enterprises;
- a 2-year tax break for small enterprises founded by people who lost jobs in governmental or commercial sectors;
- stimulation of the cooperative movement among small enterprises;
- establishment of special information centers in territories for the purpose of gathering market, economic, and technological information for small businesses (this information must be free for small enterprises);
- special incentives for firms and organizations that will place orders with small firms.

DEVELOPMENT SCHEME 2: STRUCTURE

The development of the Russian Far East can be based on some key industries and sectors only. Their future will determine the future of the regional economy as a whole as well as conditions for foreign investments.

Energy

The number one task is to decrease the cost of energy in production. A very important measure for this is to change the price structure in energy. Right now prices for householders and municipal consumers look like mini-skirts, almost all expenses of energy production being covered by producers. It is necessary to increase prices for household and municipal consumption in order to decrease costs for producers.

The second task is to construct new facilities or to finish the ones under construction. For example:

- finish construction of Bureya station (Amur territory);
- begin construction of the Urgal energy complex (northern part of Khabarovsk territory);
- complete construction of a gas pipeline from Yakut Republic through Khabarovsk;
- begin the Sakhalin oil project.

It will also facilitate increased energy production to promote concessions for exploration and production in the oil and gas fields in Khabarovsk and the Magadan Okhotsk-sea shelf.

The situation with nuclear energy in the Far East of Russia is not very clear. Opposition of the general population to nuclear energy has been very strong. People are afraid that the technology has not improved much since the Chernobyl accident and they are sure that the quality of construction and exploitation has become much worse. But the real situation of energy in the Russian Far East is so bad that local authorities, in spite of popular opposition, have begun (in Khabarovsk and Vladivostok) to study the possibilities of using small nuclear reactors for producing electricity and heating. Such reactors have been used for many years by the navy and are considered sufficiently reliable, effective and safe.

Agriculture

From the very beginning of 1992 the central government has insisted on solving the food problem in the Far East on the basis of the regional agriculture. The result of this strategy can be the death of regional

agriculture. For many years a huge amount of money has been invested in Far Eastern agriculture. Now it is a highly industrialized and specialized production system, leaving the Far East almost fully dependent on imported grain. Costs are so high that it is impossible to support production without substantial government subsidies. The further development of farms in the Russian Far East faces many obstacles. Many of the farms are lacking in working capital and the money needed for subsidies to farmers is not available.

However, Chinese farmers are eager to work the Far Eastern land for agricultural production. It is possible to utilize their willingness and allow them to rent farm land in the region if they are ready to invest money for land melioration and construction.

Finally, solving the credit problem for agriculture requires the establishment of special banks and credit cooperatives for this sector.

Conversion of Military Industry

The Central Government has no clear policy for conversion of military industries. Some level of weapons production will, of course, be maintained but it is very difficult to say what level. Support for the military enterprises' efforts in the process of conversion must include:

- establishing information centers for analyzing the conversion process, problems and results;
- establishing marketing centers for products of the converted enterprises;
- the takeover by local governments (on budget) of all social infrastructure previously financed by the military enterprises;
- organization of technological parks in the Khabarovsk and Maritime territories for supporting the process of technological transfers from military to civilian industries.

Transportation and Telecommunications

There are three important elements of the general strategy for transportation and telecommunications development. First, modernization of existing transport and telephone network, including:

- reconstruction of the railroad bridge through the Amur River near Khabarovsk;
- electrification of the last pieces of the Trans-Siberian railroad from Khabarovsk to Ussurysk;

- renovation of the Amur River fleet, including construction of new shipping "river-sea";
- modernization of the old telephone stations in big cities (Khabarovsk, Vladivostok and others).

Second, supporting the territorial projects, oriented to development of international transit transport, including:

- development of sea ports, the most important of which includes the development of Vanino port and Vostochny port, and construction of a new port in the southern Primorye (Zarubino);
- development of air cargo centers near Khabarovsk and Vanino for air transit from Pacific countries to Europe.

Third, development of an inter-territorial communication network is also necessary. In the different territories of the Russian Far East, different communication systems are now operating, mainly supporting international communications. These systems do not cooperate and are technologically and organizationally inconsistent. They are not connected with domestic (Far Eastern and Russian) networks. It is therefore necessary, on the basis of inter-territorial cooperation, to establish a special company for integrating existing capacities and to develop a general regional telecommunications system.

Foreign Economic Relations Infrastructure and Export Orientation of Production

The future of the Far Eastern territories depends on their possibilities for developing export oriented production and export value. One of the most difficult problems, when we are trying to develop regional economy on the basis of export, is the regulation of the commodity structure of exports and imports as well as management of the regional balance of payments. The promotion of export orientation of the regional economy includes the following measures:

- establishment of special financial funds for granting loans for modernization and the expansion of export production, for financing feasibility studies for potential exporters, introducing quality control systems, and so on;
- export-import operations must be concentrated, preferably in big trading firms;
- the licensing system must be modernized (licenses must be distributed by local administrations);

- local administrations must support exporters financially (directly and indirectly);
- exporters must meet their obligations to import mainly technology and production goods for export production;

An important part of this program is also the development of foreign economic activity infrastructure, which includes:

- establishing exhibition centers in the Far East;
- construction of new transport channels on the Russian-Chinese border;
- establishing special divisions of local administrations for promoting export in each territory.

STATE SUPPORT OF REGIONAL ECONOMIC DEVELOPMENT

This support can be based on the following four main points:

1) Establishing, based on the central budget, a financial corporation for promoting regional development;

2) Changing the budget system: the central government must approve local budget deficits in financing infrastructural projects and then these deficits must be covered by the central government, possibly by issuance of internal debt;

3) The laws and regulations discussed above for regional regimes and program must be formally approved by and the status of these laws and regulations must be officially granted by the Supreme Soviet of the Russian Federation;

4) Political assistance for regional economic development and integration into the Pacific Rim.

The federal government must formulate its intentions and priorities in the field of economic and social development of the Far East of Russia and support their realization by federal policy measures.