

Far East Development Policy in Putin's Fourth Term and New Directions for Korea - Russia Economic Cooperation

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I. Introduction

In July 2017, the Moon Jae-In administration announced its New Northern Policy, aimed to create a new northern economic space and strengthen connectivity between Korea and the Eurasian continent. Vitalizing Korea–Russia economic cooperation is an important factor in realizing the policy. In this regard, Korea needs to come up with new economic cooperation measures which correspond to Russia’s socio-economic conditions, industrial policy and regional development plans. This study focuses on Russia’s Far East development policies and Korea’s measures to cooperate in the region.

II. Socioeconomic Features and Industrial Structure of the Far East

The Russian Far East has abundant natural resources and is situated relatively close to Korea. However, high living costs and poor housing and transport infrastructure conditions deteriorate the quality of life in the Far East, resulting in chronic depopulation. Moreover, the commodity-dependent industrial structure has to be improved and diversified for sustainable economic growth.

Table 1. Promising Sectors for Korea-Russian Far East Cooperation

	FEFD	Sakha Republic (Yakutia)	Kamchatka Krai	Primorye Krai	Khabarovsk Krai	Amur oblast	Magadan oblast	Sakhalin oblast	Jewish Autonomous oblast	Chukotka autonomous oblast
Agriculture ¹				○	○				○	
Fisheries	△		△	△	△		△	△		
Quarrying and mining	□	□				□	□	□		□
Construction	□	□				□			□	
Hotel and restaurants	△		△	△	△					
Transport and Communica-	□			□	□	□			□	

¹ This sector includes agriculture, timber, and stockbreeding.

tions										
Education		○	○	○	○	○			○	○
Healthcare and social services			○	○	○	○			○	○

Note: □ indicates basic sectors, Δ is for growing sectors and ○ is for areas the Korean government is interested in (9 sector bridge).

Source: Author

Considering all these factors, this study suggests to seek cooperation in the Far East’s key and growing industries such as the mining, transport, fishery sectors. In addition, Korea can foster new cooperation projects in the high technology and services sectors.

III. Far East Development Policy of the Putin Administration

The Far East development policy carried out in Putin’s third term was targeted mainly at regional development and investment promotion. The current format of the policy was first announced in 2013. The policy has been revised four times so far during the process of its implementation. Frequent revision of the policy took place mainly due to changes in Russian economic conditions and institutional needs, with new institutions being adopted and budgets reduced as necessary.

In the meantime, government bodies and high-ranking positions in charge of the Far East development began to appear. The Ministry for Far East Development was established in 2012. Yuri Trutnev was appointed as Deputy Prime Minister of Russia and Presidential Envoy to the Far Eastern Federal District in 2013. The same year, Dmitry Medvedev, Prime Minister of Russia, was appointed to chair the Government Committee on Socioeconomic Development of the Russian Far East and Baikal region,

which coordinates Far East development policy and the activities of related organizations overall. In 2015, a number of executing bodies for the development of the Far East were founded.

The major achievements of the policy can be summarized as the establishment of an institutional base, such as with the advanced development zones, Vladivostok free ports and the Far East Hectares. These institutions made various contributions to improving the investment climate in the Far East. In fact, policy implementation is only at the early stage. A period of at least 5–10 years will be necessary before population increase and job creation effects become visible.

The following factors should be carefully considered during the implementation process to bring about intended policy effects: 1) specifying development plans and investment projects in order to raise the attractiveness of the region as an investment destination, 2) maintaining the consistency of the policy, 3) developing appropriate indicators to evaluate policy effects, and 4) securing sufficient budget or finances to realize the aims of the policy.

The policy will continue in a similar manner during Putin’s fourth term as well, but with more focus on increasing the quality of life. Whether the ultimate goal of the policy will be successfully achieved now depends on whether the authorities can find appropriate ways to distribute benefits from development while efficiently managing the institutions that have been

established.

IV. Far East Strategies of Northeast Asian Countries

China's strategy towards the Far East has expansionary features, focusing on transport connectivity. Sino-Russian relations have grown stronger after the imposition of Western sanctions on Russia. The role of China in the Far East is growing as it increasingly supplies manufacturing and agricultural products to the region. In addition, China is actively participating in programs within Russia's advanced development zones. China and Russia formed a foundation for more detailed and practical economic cooperation by establishing funds for investment projects in various fields. The two sides are seeking new projects in the high-tech, manufacturing, agriculture and tourism sectors. Relations between the two will most likely grow even stronger in Putin's 4th term.

Japan's strategy towards the Far East is to expand a business model that has been domestically successful and applying this to the Far East. Japan has traditionally concentrated its investment in the energy sector, especially in Sakhalin Oblast. Recently, however, the country has been trying to employ its comparative advantage and know-how in the region, based on an 8-point cooperation plan. The plan includes: 1) healthcare and medicine, 2) urban development, 3) exchange and cooperation between SMEs, 4) energy, 5) Russia's industrial diversification, 6) industrialization of the Far East, 7) high-tech cooperation, and 8) culture and personal exchange. The Far East has become the main stage for realizing the 8-point plan. The projects under this plan are being carried out through joint investment funds with Russia.

V. Far East Strategy of Korea and New Cooperation Directions

Korea established a joint investment platform with Russia in 2013. Based on this, various projects such as the Vladivostok cold storage project, Zarubino port development, Nakhodka fertilizer plant, and Sovcomflot's oil-tanker support services projects have been discussed. However, these projects were blocked from progress due to the West's sanctions, lagging investment climate, and lack of experience in the Far East. Responding to this, Korea proposed the "9 bridge" strategy at the 3rd Eastern Economic Forum in September 2017. The "9 bridge" strategy encompasses gas, railroads, ports, electricity, northern sea route, shipbuilding, agriculture, fisheries, and industrial complex sectors. Recently, the governments of Korea and Russia have added more sectors such as ecology, healthcare and education, renaming the strategy "9-bridge + α ." Implementation measures of the strategy are under discussion between Korea and Russia.

Korea's key cooperation directions towards the Far East are within the areas of the "9-bridge + α " strategy and trilateral cooperation between Russia and the two Koreas. The former is in the making for tangible results, while the latter holds strategic importance toward forming the base for vitalizing Korea and Russia cooperation and joint prosperity in North East Asia. Such forms of trilateral cooperation would allow the following projects to be realized: 1) constructing a trans-Korea gas pipeline, 2) forming an electricity network (Northeast Asia super grid), 3) connecting the trans-Siberian railway (TSR) with the trans-Korean railway (TKR), and 4) reactivating the Rajin-Khasan logistics project. In fact, the trilateral cooperation is closely related with the "9 bridge"

strategy because the two already overlap in some sectors, namely in the areas of gas, rail- road, electricity, etc.

Table 2. Korea's Far East Cooperation Directions and "9-bridge + α " Strategy

Cooperation directions	Goals	9 bridge + α
Consolidation	Strengthening economic cooperation	9-bridge
		gas, railroad, electricity * long-term projects <i>/vitalizing and establishing the base for Korea-Russia cooperation in the short-term</i>
		shipbuilding, ports, northern sea route, industrial complex * mid- and short-term projects
		agriculture, fisheries * seek new cooperation measures combining producing, processing, distributing, experiencing and traveling
		supporting 9-bridge : finance * linking financial platform for realizing and specifying the projects
Forward-looking	Expanding growth engine through innovation	science and technology, ICT * apply to all sectors
Advancement	Raising happiness and quality of life for the citizens	ecology (urban infrastructure), healthcare and medicine, education, tourism

Source: Compiled by author, based on the results of the 17th Korea-Russia committee for economic, scientific and technological cooperation.

VI. Conclusion

This study suggests to: 1) prepare economic cooperation action plans by sectors and by stage (short-term, mid-term, long-term), 2) push ahead the "9-Bridge+ α " strategy, 3) design Korea's cooperation strategy towards the Far East, 4) formulate comprehensive strategy for the rapidly changing international environment in the NEA, 5) seek new forms of trilateral projects, 6) enhance cooperation between regional governments, and 7) construct channels for sustainable cooperation. **KIEP**