

Russian Government Gears Up for APEC Summit

Aug. 28—The Asia-Pacific Economic Cooperation (APEC 2012) summit will bring leaders from all around the Pacific Rim (but not U.S. President Barack Obama) to Russia's Pacific coast port city of Vladivostok on Sept. 7-8. First Deputy Prime Minister Igor Shuvalov today gave a press conference on the Russian perspective for the meeting: Moscow wants a big surge in its Asia trade. "Our trade potential with these countries is underdeveloped; we're barely using a quarter of it," Shuvalov said.

Woven throughout Shuvalov's remarks was the growing Russian concern, which President Vladimir Putin has also voiced, about its economy getting hit by the Eurozone crisis, because 50% of Russian foreign trade is with Europe and the majority of its budget revenue derives from foreign trade (oil and gas exports). "The future of faster growth for us is to have two strong legs, a European one and an Asian one," he said. Russia will try to use the APEC summit to engage its neighbors more seriously in investing in Siberia and the Russian Far East.

Underinvestment there is a major issue right now. Victor Ishayev, the Presidential Representative to the Far East Federal District and now also Minister for Far East Development, warned July 2 that so far this year, "the federal government has slashed by 80%

the amount of investment going into the Far East. . . . The Far East can be developed only through federal investment and big projects," but such projects have not been approved. Even the site-preparation work at a flagship project such as the building of Cosmodrome Vostochny, Ishayev said on July 24, is slogging along because only 2 billion rubles were disbursed for it this year, although nearly 8 billion rubles worth of work has already been done, and more like 15-16 billion rubles were needed.

With the Russian budget-formation process still operating under monetarist rules, the Finance Ministry last month announced it will seek to cut at least 12% from 2013 federal spending (equivalent to tens of billions of dollars). Since defense, debt service, and the social spending promised by Putin during the Presidential campaign are protected from cuts, the Finance Ministry seeks to slash funds for "the regions" and for Russian Railways, among other needs—exactly the spending areas that would include projects in Siberia and the Far East.

At a July session of a new State Council working group on "issues of improving the economic and demographic development of Siberia and the Far East," Amur Region Gov. Oleg Kozhemyako, who heads the Council, cited a recent alarming poll that found 40% of the population of these regions wanting to leave because of economic stagnation and living conditions. Kozhemyako announced that the working group's team of economists will prepare new proposals for deliberation this Autumn.

—Rachel Douglas