

bureaucratic discretion often is capricious. Russian exporters, including joint ventures with foreign partners must surrender 50 per cent of any hard currency earnings. The concept, definition and delegation of property rights are still being developed and legislated. The lack of property protection is still a concern to investors. Crime and corruption in the commercial sphere are expanding problems. Given these considerable domestic economic problems and Russia's overwhelming European focus in terms of its economic relations, it is unlikely that Pacific Russia will be a major factor in increased North Asia economic integration into the foreseeable future.

● **Russian Far East**

Prior to the dissolution of the USSR, the Russian Far East (RFE) received a net transfer of resources to finance the military's presence in the region, the production of military equipment, and mineral, fuel and energy supplies required by state enterprises. The military presence in the region supported much of its economic activity. Consequently, the crumbling of the FSU sent a negative shockwave through the region's economy. Changes in the republic's price structure, particularly the prices of fuel, grain and raw materials which the region imports, have had a negative impact on the region's terms of trade. Professional and skilled Russian workers with connections in European Russia reportedly have left the region in large numbers.<sup>43</sup>

As part of the USSR, the RFE had ties with the Soviet Central Asian republics, which were major export markets for its products and suppliers of both inputs and consumer goods. The weakening of these links has forced regional authorities to examine alternative economic development strategies, including more externally oriented schemes. Obviously, this requires increased interaction with the rest of the world, perhaps at the expense of ties to the rest of Russia. Increasingly, it would appear that the RFE's primary strategy will revolve around trying to attract foreign direct investment that will develop and process the region's natural resources, produce goods for export and assist with basic infrastructure development. The economic decline that Russia has experienced in recent years has caused the region to experience supply shortages that have, in turn, provided opportunities for both small private producers and traders. As a result of the ongoing unstable political and economic situation in Russia, however, the RFE has attracted traders and investors looking for quick turnarounds, rather than those prepared to make long-term investments in resource development projects.

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<sup>43</sup> See Won Bae Kim, "Sino-Russian Relations and Chinese Workers in the Russian Far East: A Porous Border", in Asian Survey, Berkeley, Ca, Vol. XXXIV, No. 12, December 1994.