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New Soviet Economic Strategy in Asia and the Pacific

Victor L. Mote

I Introduction

As with almost every other aspect of the Soviet condition, the USSR's foreign and economic policies in the Asiatic and Pacific regions (Asia-Pacific Region, in this article APR) have undergone a major facelift since the ascension of Mikhail Gorbachev to the chairmanship of the Communist Party. This has proved to be especially true since the General Secretary set the pace in his now-famous July 1986 Vladivostok address on "Peace, Security, and Cooperation in Asia and the Pacific."¹ Soviet activity in the APR has become so feverish that the University of Hawaii's Center for the Soviet Union in the Pacific-Asian Region (SUPAR) witnessed a virtual explosion of press releases between 1987 and 1989.² In Japan alone, during the summer of 1988, trade conferences involving Soviet representatives occurred almost weekly, and there seemed to be no let up in sight despite significant historic and bureaucratic obstacles to the potential for such commerce.

As if to emphasize the "newness" of Gorbachev's thinking,³ in sharp contrast to the Brezhnev years, when only elderly officials were rewarded with foreign travel, most of the contemporary Soviet delegates to the APR have been young and vigorous. For example, the average age of the ten-member Soviet contingent to the second symposium on Japan-Soviet-Hokkaido Relations in Sapporo during September 1988 was 36; the oldest delegate, in fact, was 45. The stress on youth and vigor was fostered as well by the energy of Moscow's highly mobile deputy foreign minister in charge of the APR, I. A. Rogachev, who himself was Gorbachev's age. During the first half of 1988, Rogachev was involved in missions to at least a dozen different countries in the APR. Also in contrast to Brezhnev's approach to the region, which more often than not was couched in "insidious intent," Rogachev's missions seemed to promote world harmony.⁴

The emphases on youth, vigor, and peace are only a few manifestations of Gorbachev's strategy in the APR. Obviously, they are subsumed within the main theme of economic restructuring (*perestroyka*). Accordingly, the purpose of this article is to detail the problems and prospects of *perestroyka* as they apply to the USSR's Soviet Far East and Transbaykalian region (in this article SOFET) and the APR, specifically the North Pacific (Figure 1). To this end, a model of multilateral economic development of SOFET is introduced, by which the Soviet region theoretically might be integrated into the international community.⁵

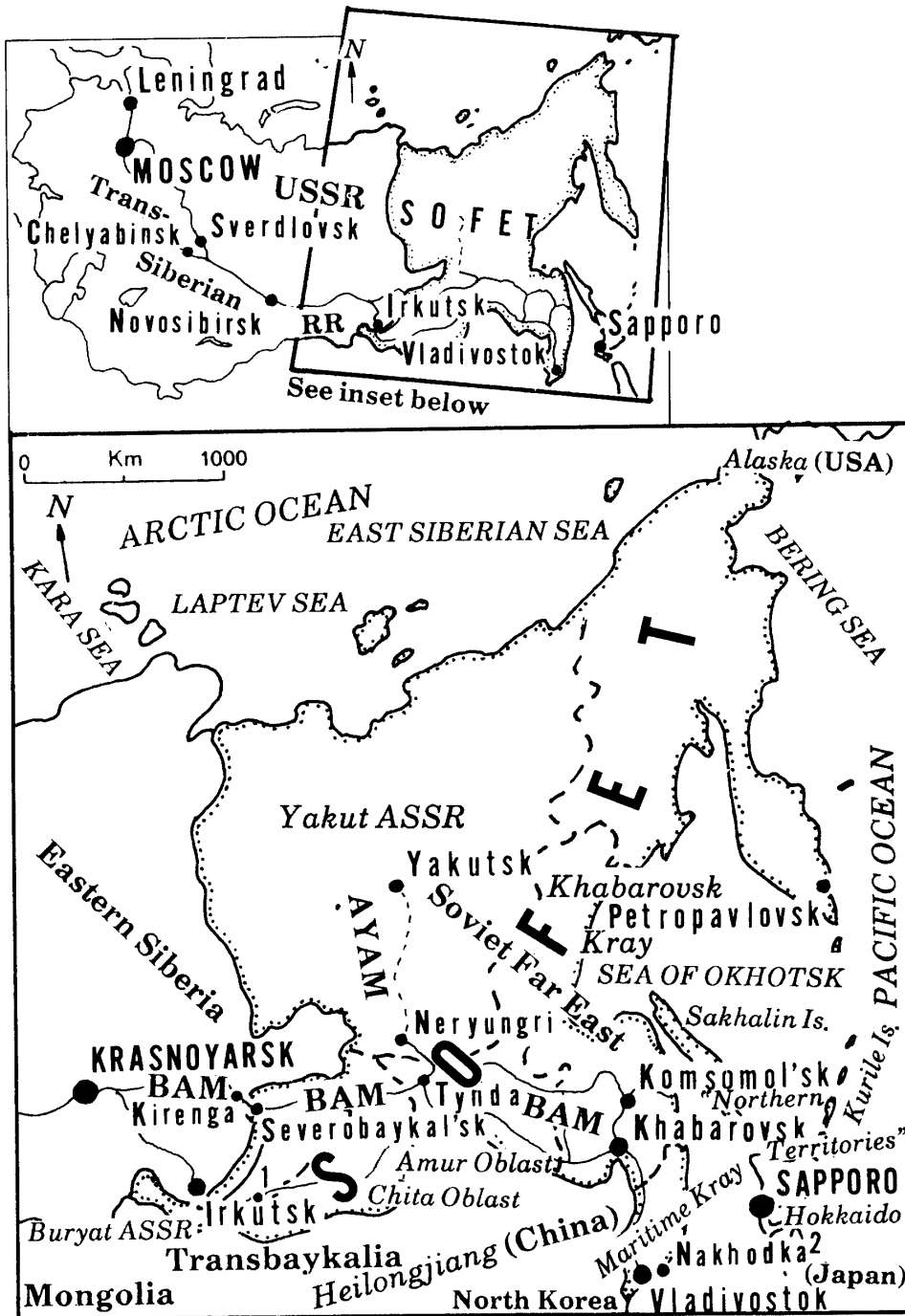
II A Model for Multilateral Economic Development of SOFET

A. The Rationale

Some people have argued that peace in the North Pacific is the key to peace in the world.⁶ There is no question that many of the twentieth century's hostilities may be traced to the dynamic changes, which have occurred in the region since the mid-nineteenth century. As James Gibson observed in his seminal 1983 article in this journal

1867 was a fateful year in the political geography and history of the lands bordering the North Pacific. On the American side the confederation of the eastern colonies of

Figure 1. SOFET : Soviet Far East and Transbaykalia*



¹Petrovsk-Zabaykal'skiy ²Vostochnyy

* (Chita Oblast and Buryat ASSR)

British North America brought into being the unlikely Dominion of Canada The American Union, reconsolidating itself after civil war, hastened the end of the continent's colonial era by purchasing Alaska On the Asiatic side the Meiji restoration substituted the mikado for the shogun and [transformed] Japan from a feudal, isolationist state into a modern industrial and military power. And Russia withdrew from the Western Hemisphere to solidify its newly found position in Asia at the expense of the Chinese. *These events had far-reaching and long-lasting consequences, namely, Japan's rise to power, Canada's distrust of the United States, and China's aversion to Russia. Those legacies are still very much with us.*⁷

Also underscoring the importance of the North Pacific to global harmony is the inconclusiveness immanent in the Treaty of Portsmouth, which diplomatically disposed of, but did not truly end, the Russo-Japanese War (1904–05).⁸ In a sense that war persists to the present day and it will only cease with a satisfactory resolution of the "Northern Territories" issue.⁹

Geographically, the North Pacific includes SOFET and eight sovereign countries that together compose almost one-third of the earth's landmass (28 percent), population (31 percent), and Gross National Product (GNP) (an estimated 25 to 30 percent), including part or all of the three largest economies (the United States, Japan, and the USSR — Table 1). It is a region of paradox and contrast, comprising some of the world's most advanced economies (southern Japan and California) and least developed territories (SOFET and northwestern America). It is a region of vast promise and equally impressive danger. The strategic importance of the region is emphasized by the presence of the massive military strength of the United States, USSR, China, the two Koreas, and underrated Japan, now the world's third largest defense-spender.¹⁰

Gorbachev is intensely aware of the promise of prosperity in the North Pacific. He also realizes the existing perils. Evident from the rhetoric he has used in maintaining his so-called

Table 1. North Pacific : Population and Area(1988)^a

North Pacific Regions	Millions of Units	
	Population	Area(km ²)
USSR (SOFET)	10.2	7.0
Korean Peninsula	61.6	0.2
Peoples' Republic of China	1,060.1	9.6
Mongolian Peoples' Republic	2.0	1.6
Japan	121.5	0.4
Taiwan	19.6	0.0 ^b
United States	241.6	9.4
Canada	25.6	10.0
Subtotal	1,542.2	38.2
World	4,917.0	135.8
North Pacific Share of World ^c	31.0	28.0

^a *Narodnoye khozyaystvo SSSR za 70 let (The economy of the USSR. 70th anniversary edition)*. Moscow : Finansy i statistika, 1987, 699-709.

^b 22,216 km²

^c The figures fall to about one-quarter if western North America is isolated.

“peace offensive,” he is more than aware of his country’s past (and present) role in fomenting the military standoff. Unfortunately, he, like politicians everywhere, must perform a harrowing balancing act between those who lack faith in the establishment of a war-free world (the “military-industrial complex”) and those who trust in peaceful coexistence, international economic competition, and diplomatic cooperation. This is particularly apparent in SOFET, where a traditionally unbalanced military presence (and, by extension, military political clout) collides head-on with one of the world’s weakest regional economies. Ironically, SOFET is contiguous to the globe’s currently most dynamic economic entity, the APR. Gorbachev obviously would like to restructure SOFET so that it can prove itself worthy of sharing in the burgeoning prosperity that is characteristic of most of its neighbors, but he faces immense obstacles above and beyond the political power of the far eastern military establishment.

B. Problems

SOFET’s arch nemeses are a crushing labor deficit, a history of mismanagement, and a lack of modern technology and capital, factors which will be discussed later in this article. Other parts of the North Pacific, including Hokkaido, Alaska, most of British Columbia, and some of the Pacific Northwest of the United States suffer problems of a similar nature, differing only in degree. In Japan, for instance, 85 percent of the population lives south of Tokyo, meaning northern Honshu and Hokkaido represent SOFET-like economies: they emphasize primary and service industries, lag in manufacturing,¹¹ and import twice as much as they export. Hokkaido government officials admit that their island-prefecture needs a *perestroyka* of its own; they have a long-range plan of development that is estimated to cost as much as or more than the original cost of Gorbachev’s own plan for SOFET (232 billion 1987 rubles).¹² Although it is favored by its geographical proximity to the USSR, Hokkaido’s mid-1980s’ trade turnover with the Soviet Union represented only 4.9 percent of Japan’s imports and an exiguous 0.8 percent of its exports. According to Leslie Dienes, another erstwhile geographer-contributor to this journal, SOFET needs the high technology of the Kanto-Kansai corridor and not the primary products of northern Japan, notwithstanding Hokkaidoans’ 1988 deal to sell used cars to Sakhalin Islanders.¹³ In fact, 30 percent of the Soviet Union’s trade with Japan is with Kansai, including the prefectures of Osaka, Kyoto, Hyogo, Nara, and Shiga, alone.¹⁴

On the other side of the Pacific, Michael Bradshaw found that the commodity structure of British Columbia’s exports to Japan was, “with the exception of grain,” very similar to that of SOFET, consisting of forest products, minerals, and coal.¹⁵ The same might be said of Alaska and the U. S. Pacific Northwest. Thus, economic similarities in parts of the North Pacific (not to mention the resource-rich South Pacific) conspire against SOFET’s much-ballyhooed “complementarity” with Pacific markets and against a wholehearted acceptance of its full-scale participation in the commerce of the APR. This is especially true in a world that is awash with the very commodities that SOFET is likely to yield. Although more will be said about this, it is the comparatively low-priced commodity markets that have brought shame to the formerly acclaimed Baykal-Amur Mainline (BAM) regional-development project. Previously hailed as “the project of the century,” BAM is now scorned by some as “the longest monument to the era of stagnation.”¹⁶

Despite the current economic realism that reigns over BAM and projects elsewhere in the USSR, the Gorbachev administration thus far has failed to adjust to the realities of SOFET’s relationship with the APR. The attitude remains one of “we have an abundance of rich raw materials in our Far East; you need our resources; therefore, you must trade with us.” Moreover, the attitude includes a major time commitment: “sign up with us for a five-

ten-, or twenty-year period for *our* convenience not yours, so that we can maintain a satisfactory plan." But capitalism does not work that way: capitalist markets are too volatile, and long-term plans are, for the most part, unworkable or unacceptable. Nevertheless, despite the lack of markets for the foreseeable future in the APR, Soviet planners continue to insist on developing SOFET raw materials for export. For all its grandiose targets, the latest long-range plan for SOFET will ensure that unprocessed raw materials (roundwood, coking coal, and so forth) will remain the dominant exports through the end of this century. Soviet realists, who understand capitalism and the "cellar-attic" foreign markets, observe, "The raw material specialization has become a serious limiting factor not only on [SOFET] domestic development but also on the region's business contacts in neighboring regions."¹⁷

C. Solutions ? A Japanese Model: The Ogawa Alternative

What can be done ? First, would-be Soviet participants in the commerce of the APR need a crash course in the nature of capitalism, that is, practice socialism, if that is the choice, at home, but learn to deal with capitalism on its own terms beyond the confines of the USSR. They need to understand the fugacity of world prices and how to adapt quickly to new market conditions. If Japan does not need Neryungri coal one year, then Soviet enterprises should try to find another buyer for the commodity in the APR or learn to be flexible enough to yield a product that the Japanese can use. Instead, Soviet negotiators traditionally insist that the Japanese *inter alios* adhere to the long-range plan irrespective of existing market conditions.¹⁸

Second, APR and Soviet participants alike agree that there needs to be a common organizational framework, perhaps based in Northern Honshu or Hokkaido. In an interview with a MEMO correspondent in Tokyo in 1988, Japanese economist Kazuo Ogawa suggested that such an organizational framework start out small, for example, as a commercial community contiguous to the Sea of Japan.¹⁹ The community would initially include countries with which the USSR currently has official diplomatic relations: Japan, China, and North Korea. In the interview, Ogawa correctly foresaw the possibility "that after the Seoul Olympics, the number of South Korean commercial contracts [would] increase."²⁰ In fact, indirect trade between the USSR and South Korea has been condoned by South Korean businessmen for some time now, and lately direct trade negotiations have been on the upswing, especially in the area of Siberian regional development projects.

Ogawa's model stresses the following comparative advantages: (1) Japan would emphasize high technology; (2) the USSR would continue to emphasize its rich and diverse raw material base; and (3) China and North Korea would guarantee the necessary manpower for the realization of large-scale projects. The organization would be characterized by the duty-free supply and free exchange of raw materials, fuel, industrial units, components, and technology "in an integrated international economic complex, the output of which would bear prices contemporaneous with those prevailing on world markets."²¹

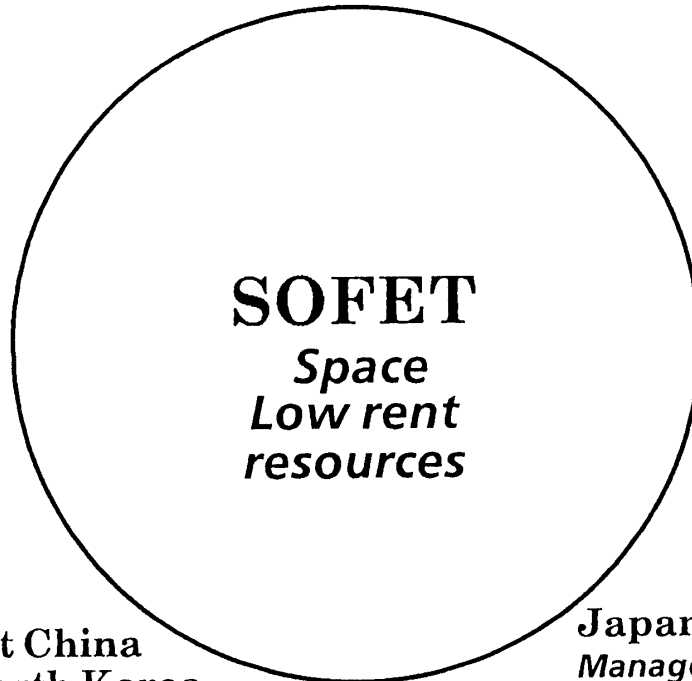
Ogawa, based in Tokyo, proposed Niigata as the cynosure of the Sea of Japan's economic community. The city's advantages include a deep-water port with a freight turnover that currently is third in Japan behind Yokohama and Kobe; its air linkages to Harbin and Khabarovsk; its ferry linkages (in summer) with the Soviet Far East ; and the fact that it is within two hours of Tokyo by *shinkasen* (bullet train) or 3.5 hours by freeway. Rail-sea freight transport between Khabarovsk and Niigata would take half the time that it now takes between Khabarovsk and the Japanese capital.²²

Concerning specific multilateral exchanges, Ogawa envisioned the trading of commodities like timber, rare metals, vegetables (including their cultivation, storage, and processing), an emphasis on rice husbandry, and fish products. Observing that lately Japanese tourists in-

Figure 2. A Multilateral Model for Economic Development of SOEET

Soviet Europe
Skilled Labor

North America
Technology
Capital
Consumer Goods



Northeast China
North Korea
Vietnam*
Unskilled Labor

Japan (Hokkaido)
Management
Capital
Technology
Consumer Goods

South Korea
Taiwan
Hong Kong*
Singapore*
Consumer Goods
Technology

Philippines*
Unskilled
Labor

* Outside of region

SOURCE : Adapted from an idea proffered by O. M. Renzin, Sapporo, Japan, September 1988.

creasingly prefer to take ski vacations in Alaska, the economist queried: would it not be possible for Soviet enterprises to organize similar package tours in SOFET, for instance, in the Lake Baykal region?²³ Ogawa's proposals, like any notions originating in Japan, hang tenuously on a resolution of the Northern Territories issue.

D. A Soviet Model: The Renzin Alternative

Perhaps in response to Ogawa's challenge, Oleg Renzin of the Khabarovsk-based Institute of Economic Research proposed a similar, but broader, regional construct, inclusive of the entire North Pacific, at Sapporo's September 1988 symposium (see Introduction). Renzin's concept, which at the time was a mere brainstorm presented during a discussion session, stirred the imagination of the author of this article. The North Pacific trade organization, composed of the eight (or more) different countries cited in Table 1 plus SOFET, would be based in Hokkaido (Renzin, to the delight of his audience, suggested Sapporo). The headquarters would maintain a common computerized data bank detailing annual supplies and markets with the goal of ensuring and accommodating cooperation among all participants. The organization could be created as a subunit of the Pacific Economic Cooperation Conference (PECC) or as an independent authority.

Forthwith, I augmented Renzin's original concept (Figure 2). The North Pacific organization would function as a multilateral economic cooperative with interests focussed on the comprehensive regional development of SOFET. SOFET would provide space requirements at low (or no) rent, some of the skilled labor (economists and engineers), and joint management expertise. Without the imposition of Stalinist forced labor policies, Soviet domestic laborers may never be drawn in sufficient numbers to the USSR's eastern extremity. For the time being, therefore, the manpower of SOFET can be bolstered by volunteers from northeast China and North Korea (as Ogawa imagined), peoples who are already acclimatized to harsh, cold winters and some of whom already work in SOFET. These cadres might be supplemented also by unskilled workers from beyond the realm of the North Pacific, specifically, Vietnamese and Filipinos, who have less tolerance for SOFET winters. Note that all of these laborers, with the possible exception of the Filipinos, would find Soviet wages acceptable.²⁴ The Japanese should be contracted for their management skills, entrepreneurialship, and, where financing allows, high technology. (One criticism of Ogawa's construct lies with the fact that in the absence of a convertible ruble, where will the Soviets find the cash to buy Japanese high technology?) In exchange, Hokkaido's foundering farm sector could be stimulated by SOFET's markets for food. Hokkaidoans already supply vegetables and fish to Sakhalin and other parts of SOFET. More affordable consumer goods and high technology could be obtained from South Korea and Taiwan within the North Pacific and from Hong Kong and Singapore beyond its purview. Under special circumstances, again depending on the convertibility of the ruble and *other incentives*, North American industrialists could provide high technology and capital investment.

E. Incentives: (1) Free-Trade Zones

The cited "other incentives" could be generated in the form of special- or free-economic zonation. The Soviet government has already taken steps to create such regions in the Baltic, on the Black Sea coast (Odessa), and in the maritime regions of SOFET (Vladivostok, Nakhodka, and/or the Gulf of Pos'yet). However, if it truly wishes to lure the entrepreneurialship of North America to its distal shores, the Soviet government needs to consider something far grander than the ideas now contemplated. In a public lecture in Novosibirsk a few years ago, Leslie Dienes suggested that SOFET should be reconstituted into "an autonomous economic soviet socialist republic."²⁵ These sentiments were echoed

more recently by Yevgeniy Primakov, Director of Moscow's prestigious Institute of World Economy and International Relations (IMEMO) and head of the Soviet National Committee for Asia-Pacific Economic Cooperation (SOVNAPEC), who proposed that SOFET be made a "super economic zone."²⁶ Should such an idea prove to be acceptable, the Soviet administrators of this huge territorial entity, under the auspices of *perestroyka's* cost accounting and self-financing, should have complete autonomy in contracting with members of the North Pacific community for both domestic economic development projects and exclusive foreign commerce. This would include their own designation and establishment of special-economic zones (SEZ) and/or, better yet, "free-economic zones." In addition to the three SEZs already imagined for SOFET, various sectors or all of the BAM service area should be seriously considered for free-economic and pioneer homesteading status, the eligibility for which would be open to adventurous settlers from all over the North Pacific.²⁷

New Soviet regulations on the establishment of SEZs were announced in December 1988.²⁸ According to these regulations, since April 1, 1989, any enterprise — state or cooperative — putatively has been able to deal directly with foreign firms without first seeking official permission. Limits, such as prescribed shares, on foreign ownership in joint ventures were supposed to end, that is, the ownership shares would be determined by the partners themselves (in the past, it has been a minimum of 51 percent Soviet). The joint enterprises, through their board of directors, were to be permitted to set their own operating rules on principal activities, hiring, dismissals, wages, and the like. Also, formerly a major disincentive to joint ventures, the chairman of the board or general director can now be a foreign citizen. Goods required for joint-enterprise production would be duty free or subject to minimal duty. Under the new laws, foreign workers would be granted housing and other services, but would be paid in rubles. In reality, these rules evidently applied to only those Soviet enterprises within ministries that were prioritized for allocations of scarce hard currency.²⁹

F. Incentives : (2) A Convertible Ruble and Tax Breaks

Probably the greatest single obstacle to foreign involvement in Soviet joint ventures has been the non-convertibility of the ruble. After January 1, 1990, the ruble is slated to be devalued by 50 percent for commercial transactions. In 1991, a single commercial exchange rate will replace the existing variable rates.

Also essential to any multilateral development of the Soviet Far East is a special tax schedule. The new Soviet regulations prescribe no taxes for three years after the first declared profit of joint ventures based in SOFET, and the subsequent rate will be 10 percent instead of 30 percent elsewhere in the USSR. The tax on exported profits, now, 3 percent, will be lowered or abolished. The Ministry of Finance ostensibly has the right to make part of the profits due to foreign participants tax free or subject to lower tax rates. Joint ventures in SOFET will be allowed to spend up to 15 percent (versus 10 percent elsewhere) of their hard currency, convertible rubles, and other profits on consumer goods, medicine and medical technology.³⁰

G. Prototype SEZs

Despite the potential appeal of a super economic region for the whole of SOFET, it makes sense to at least begin with smaller SEZs. In Japan and the USSR, respectively, the author met with Seizo Ota, President of Toho Life Insurance Company, and geographer Valeriy Lifshits, each of whom favors a different location for SOFET's prototype SEZ.³¹ Since 1987, Ota has promoted a plan to set up companies, airports, port facilities, and communication centers in and around the Gulf of Pos'yet, near where China, North Korea, and the USSR

conjoin. Ota envisions a multilateral relationship, similar to that of Ogawa, in which the USSR will provide the space and China and North Korea, the labor. In June 1988 he had not yet obtained permission to visit the Pos'yets region. In fact, as a non-geographer insurance man, he had little knowledge of the physical geography of the region. (He, in fact, asked me to help him in this regard.) However, he correctly appraised the location's easy access to the manpower of Heilongjiang and North Korea. Ota-san wants to lease a 30- to 40-square-mile area along the Gulf of Pos'yets for 60 years to create a quasi-"Soviet Hong Kong."

As a geographer, Lifshits, though no less visionary than Ota, is obviously a Soviet patriot and realistically warns that an SEZ in the Pos'yets area would draw freight away from the USSR's rail network towards that of China. A Nakhodka resident, who is keenly interested in improving the living conditions of his home base,³² Lifshits strongly favors the Nakhodka-Vostochnyy region as the prototype SEZ. He points out the advantages of the site as the eastern terminus of the Trans-Siberian Railway with an existing infrastructure and a much larger population than Ota's choice, which, at this time, is a largely undeveloped backwater. Lifshits feels that Pos'yets would be better reserved for purposes of tourism and scientific research. An economic geographer, he considers himself a member of the Soviet environmentalist school that is desirous of a balanced approach to the development of SOFET: development should proceed, yes, but without damage to the environment, and Pos'yets, as opposed to Nakhodka-Vostochnyy or Vladivostok, is basically pristine.

SOFET's third possibility for SEZ status is, somewhat surprisingly, Vladivostok, which since 1933 has been off-limits even to non-resident Soviets. (Soviet visitors were required to have special passes.) As headquarters of the Soviet Pacific Fleet, the city was considered too strategic for, most especially, foreign visitors. The first hints that the city might become open to foreigners came in the form of an excerpt from Gorbachev's July 1986 speech, when the leader announced that he intended for Vladivostok to be the USSR's "window on the East." Through late 1988, however, the "window," except to a privileged few, remained tightly closed. For instance, select, especially Japanese, scholars and businessmen were permitted to visit the city on a limited basis.³³ Then, in late August 1988, Vladivostok, by special decree, was declared open to non-resident Soviet visitors. About one month later, Primorskiy Kray, of which Vladivostok is the principal city, was dropped from the Soviet list of "closed areas."³⁴ Almost immediately, Soviet television was flooded with footage on plans for tourism in the city, thoughts about the city's hosting a future Olympics (*ala* Seoul), visits by Japan's NHK television crews to Vladivostok, and so on. Yet, by the spring of 1989, it was still impossible without special invitation to obtain a visa for Vladivostok; thus, although Primorskiy Kray may be open, Vladivostok, for all practical purposes, remains closed to most mortals.

Most of the foot-dragging has occurred, simply because the Soviet military has refused to cooperate. Proponents of the open-city concept, Primakov, for example, cogently argued that the Soviet Fleet was no longer concentrated in Vladivostok, but at other ports along the Soviet Pacific coast (Sovetskaya Gavan' and Petropavlovsk-Kamchatskiy, to name two). Open-city proponents, it seems, have won out, but to little avail.

Once the city is seen, it is clear that there are other explanations for why it is not yet a tourist mecca. The 1988 decrees came so fast that the city-fathers of Vladivostok were caught without sufficient hotel space, quality or otherwise. Moreover, the city has a definite shortage of touristy souvenirs: no one, even an *au fait* local, knows where to look for something as simple as a wall-hanging displaying Vladivostok's coat of arms. In May 1989, Intourist offices still were not to be found in the city. And, worst of all, the city has an horrendous

traffic problem. So, after your grand tour of Vladivostok and its truly beautiful natural site, which may take most of an afternoon, there is little to do, to buy, and few ways to get there even if you could!

Yet, despite its current problems, Vladivostok is most certainly competitive with Pos'yet and Nakhodka-Vostochnyy for SEZ status. It has a magnificent, protected deep-water harbor, the Golden Horn, which links the city to the Sea of Japan via Peter the Great Bay. Freight turnover reportedly is about half that of Nakhodka's, which, in the same category, now lags behind Vostochnyy, the fastest-growing port on the Soviet Pacific coast. In addition to serving as fleet headquarters and home port for much of the fleet's surface and submarine forces, Vladivostok environs a submarine school, logistic and training centers, shipyards, repair facilities, and extensive radar and other electronics installations. In the past twenty years, its port facilities have been upgraded to include special container-handling terminals.³⁵

Underscoring the secrecy associated with the city to date, no modern maps of Vladivostok exist. In the fifth fascicle of the latest edition of the *Great Soviet Encyclopedia*, for instance, the narrative on "Vladivostok" is unaccompanied by a cartogram. Meanwhile, one page away, the story of "Vladimir," a much less interesting city of half Vladivostok's size, is accompanied by a reasonably good map.³⁶ SEZ-status would go a long way towards ending the mystery that enshrouds Vladivostok.

H. Implementation

The multilateral model proposed here is, naturally, fraught with idealism. Ideally, foreign industrialists, like Mssrs. Ota and Ogawa, would cooperate fully with the Soviet government in charting the course of their activities. Ideally, these plans would be carefully orchestrated with dual acknowledgement of the fluctuations of the international market and Soviet long-range domestic plans. Ideally, the mutual goals of such a course would be, in order of priority, (1) SOFET domestic prosperity, (2) the coordination of North Pacific marketing and supplies, and (3) capitalist-style profit-taking for the benefit of the region (including human and ecological factors), the workers, and the investors.

If these ideals are taken seriously, the multilateral model benefits all participants. The people of the USSR benefit by realizing a long-frustrated dream: resource and social development of their eastern periphery. The peoples of the North Pacific benefit in two ways: first, supply and demand for common commodities are coordinated, while permitting Soviet participation in a common market without damage to existing commercial relations and, second, fears of "hostile threats" on *both* sides of the ocean are subtly defused.

III Problems and Prospects for Perestroyka in SOFET

A. The Soviet Far East and Transbaykalia (SOFET): Geography

On the world map, SOFET looms large (Figure 1). It comprises almost one-third (31.2 percent) of the Soviet landmass or an area that would vie competitively for seventh place among the world's largest regions (Table 2). But more people live in Syria, a country 38 times smaller in area, than in all of SOFET. In 1987 SOFET supported a population of 10.2 million or 3.6 percent of the Soviet total.

Size and geographical position militate against the economic development of SOFET. No periphery on earth is so far away from its heartland. By great circle, Vladivostok and Leningrad are almost as far away from each other as they are from Seattle, Washington. By traditional transport modes (rail-river, rail-motorway, and so on), the distances are far greater, and because the region so desperately depends on imports from its heartland, SOFET

Table 2. The Soviet Far East and Transbaykalia(SOFET):
Comparative Areas

Region	Area (Millions of Units)	
	km ²	mi ²
1. USSR	22.1	8.6
without SOFET	15.3	5.9
2. Canada	10.0	3.8
3. China	9.6	3.7
4. United States	9.4	3.6
without Alaska	7.8	3.0
5. Brazil	8.5	3.3
6. Australia	7.7	3.0
7. Europe with Iceland and Greenland	7.1	2.7
8. SOFET	7.0	2.7

SOURCE : *Narodnoye khozyaystvo SSSR za 70 let (The economy of the USSR. 70th anniversary edition)*. Moscow : Finansy i statistika, 1987, pp. 377, 389-91, and 699-709.

lengths of rail haul are well over twice the Soviet average and 10 to 11 times the average for all types of transportation.³⁷ Even within SOFET, distances are legendary : "Irkutsk is [by rail] closer to Sverdlovsk than to Vladivostok"³⁸ Transportation costs thus compose 55 to 70 percent of the cost of a product in SOFET compared to an all-Soviet average of 10 to 13 percent.³⁹

Distances from Soviet cultural centers and the overall harshness of the mostly subarctic, permafrost-plagued environments of SOFET easily explain the concomitant lack of economic development. A 1982 article revealed that the costs of housing and maintaining a SOFET worker were 2.5 times dearer than they were in the heartland, ranging from 17,000 rubles per laborer in the Siberian southland to 60,000 rubles per worker in the northeast (one 1982 ruble was about equal to one ruble in 1988 — \$ 1.33).⁴⁰

Construction costs and consequent scarce investment have led to a perennial shortage of new apartment space. Housing was so short in Khabarovsk Kray in 1988 that one family in three was on the list for new apartments; 28,000 families lived in self-described slums.⁴¹ Some had been on the list for fifteen years! Labor turnover in the kray was thus over 60 percent, costing the Soviet economy, already burdened with a 100-billion-ruble-plus deficit, a total of 5 billion rubles in ten years. In just one construction trust (*Glavdal'stroy*), there were 5,000 to 6,000 job openings during the summer of 1988. An average SOFET construction project employed only seven workers, and the reason for the job surplus was not automation: manual labor in the region was 40 percent.⁴²

SOFET's industrial performance is at best spasmodic. Port capacities and ship-repair yards need massive upgrading. During the eleventh five-year plan (1981-85), heavy-draft vessels sat in the waters off Khabarovsk kray awaiting repairs for 500 ship-days, the equivalent of two such ships floating idly for the whole lustrum. Airport capacities are only half strength. SOFET industries are paragons of waste.

With its inefficiencies, its severe labor deficit, its underdeveloped raw material base, and its remoteness, SOFET has been characterized as a leach on the rest of the Soviet economy. In-shipments roughly double out-shipments in both value and volume. These include 95 percent of the region's ferrous metal products, 80 percent of the processed chemicals, 71 percent

of the light industrial needs, and over half of the required machinery. Imports of rolled metal alone cost the government 32 to 35 million rubles per year during the 1980s; imports of oil and coal cost almost ten times more (300 million rubles). In 1987, Dienes estimated the government's annual subsidy of SOFET to be 7.5 to 8 billion rubles, representing 2 percent of the net material product and almost 10 percent of the state deficit!!⁴³

At the base of SOFET's woes is an excruciating deficit of skilled labor, manifested by a classic "wicked cycle." Skilled labor is needed to build infrastructure, but without infrastructure, how can the needed workers be attracted to SOFET? The incentive most often used is a package of higher wages and perquisites. Although regional average take-home wages *are* 48.4 percent higher than the RSFSR mean, real income, because of the higher living costs, is only 10.8 percent higher. However, within SOFET, there is considerable variation by subregion. In the relatively developed southern third of the region, where four-fifths of the people live, take-home earnings are only 18.8 percent above the RSFSR average in Primorskiy Kray, 26.4 percent above average in Khabarovsk Kray, and 17.4 percent above average in Amur oblast. When adjusted for the higher costs of living, real wages for those subregions dip below the average for the republic or are roughly equal to it. Ivanov and Minakir disclosed an average shortfall of 20 percent.⁴⁴

Most of the perquisites devolve on the workers when they return to the heartland: first priority for housing and cars, for instance. Of course, they could stay in SOFET — and some actually do — to buy their "Zhiguley," but the lack of highways puts a serious damper on their motoring. In SOFET amenities and infrastructure are so lacking that there are no real perquisites except the relatively pristine environment. Thus, in a country with a labor shortage in the most hospitable central regions, skilled workers do not have to tolerate the austerity of the inhospitable peripheral zones, such as SOFET. Those who do tolerate it are too often riffraff, part-timers, and "black-marketeers," who hardly have the best interests of the community in mind.⁴⁵

B. Restructuring and SOFET : Has Gorbachev Ignored the East ?

When Gorbachev first announced his programs, they seemed to favor the European quarter of the country. Western scholars suggested that he might be abandoning many of the Brezhnev administration's Siberian regional development projects.⁴⁶ Doubtlessly, he intended to play tough. This became clear during his first major "Siberia" speech [by September 1989, he had made four] given in Krasnoyarsk in June 1985, when he announced, "The government will not withhold funds from Siberian development, but it is justified in demanding that those funds yield a return, and not be frozen."⁴⁷ The speech was well located: Krasnoyarsk kray had some 5,000 unfinished work projects "on ice." During the Party Congress the following year, Yakutian officials complained of an 85 percent shortfall in the allocation originally earmarked for the construction of the Amur-Yakutsk Mainline (AYAM), a meridional railroad that runs perpendicular to the Trans-Siberian and BAM eventually to Yakutsk. As of mid-1988, the money shortage for the new railroad had not been alleviated, and only forty kilometers of track (out of an anticipated 200) had been laid. Idle workers and their families reportedly departed in droves for other construction sites. The AYAM was a sister project of the BAM, which itself had fallen on hard times.⁴⁸

C. Ban the BAM ?

Once the most coddled work project in the USSR, the BAM, under Gorbachev, has been treated as a walf. The Party Secretary mentioned BAM obliquely only twice during his speech in Vladivostok and not at all in his second Krasnoyarsk speech. Some Soviet economists now dismiss BAM with epithets such as the one introduced earlier in this article ("longest

monument ”), stigmatizing the giant railroad as an example of Brezhnev’s economic *avanturizm* (adventurism). That BAM was Brezhnev’s pampered project is virtually indisputable: Chung Han-ku’s studies of regional politics aver that Brezhnev himself approved the start of new construction on BAM “without any consultation.”⁴⁹ During its period of construction, all in the pre-Gorbachev era, BAM was rarely out of the headlines; today it is passe at best.

Diehard BAM proponents justifiably ask where the critics were during the period of construction, when the project might have been nipped in the bud. The point is that the 1970s were a different era: it was a time when the world suffered more than an “energy crisis.” Prices on most resources were extravagantly inflated. As Lenin had before them, scholars openly discussed the possibility of “resource wars.” Siberian resources were as inaccessible as they were impressive, and the BAM was the key that would unlock the resource larder. The threat of competition from the USSR for resource markets eventually encouraged the U. S. National Science Foundation to fund a major research project on “Soviet Natural Resources in the World Economy.”⁵⁰

But resource markets are cyclical, and the inflated prices of the 1970s eventually declined, just as the flackery surrounding BAM subsided as well. Today, true to the hackneyed cliché, hindsight is better than foresight. Still behind the starting gate, yes, the BAM is, as one Soviet critic tersely remarked, “an economic desert.”⁵¹ The main east-west BAM freight is naturally, considering the primitive social infrastructure of the railway zone, building materials, but three out of four railcars riding the BAM are empty. They simply have nothing to carry. As a single-track, half-operational rail line, the BAM could support a volume of 12 fully loaded trains per day; however, because there is nothing for them to carry, a maximum of 5 trains out of the 60, dispatched daily from Komsomol’sk, go over the BAM. The remainder negotiate the Trans-Siberian, the very railway that BAM was designed to relieve.⁵²

At one time slated to carry 36 million tons of freight, including 25 million tons of crude oil, by 1983 and a total of 50 million tons by 1987, the main east-west axis of BAM carried only 1 million tons by the latter year.⁵³ True, the BAM railway jurisdiction generated 16 million tons of coal (from South Yakutia) and 9 million tons of other freight, including over 7 million cubic meters of timber in that year, but 24 million tons of that went over the Little BAM, the southmost 400 kilometers of AYAM. Even on that line, the south-flowing traffic exceeded the north-flowing freight by a factor of three, and this was headed for the beleaguered Trans-Siberian.⁵⁴

The overtaxation of both the Trans-Siberian and Little BAM was cause for considerable alarm. On one 120-kilometer segment of the Trans-Siberian, the rail spikes were so loose that inspectors could not guarantee safety. The Little BAM, which had reached full capacity in a mere seven years of operations, suffered from rails that were so defective that there were three train wrecks in only four months during 1987. Sadly, repairs were delayed because of the small size of the work force, which was half as large as that needed on the Trans-Siberian and even smaller on the Little BAM. This resulted in a curious chain reaction: some BAM laborers, without work because of investment cutbacks, were employed in upgrading and electrifying the heavily used Trans-Siberian, while AYAM workers were compelled to replace track on the Little BAM. This seemed to “rob Peter to pay Paul.”⁵⁵

All along the newly laid BAM, track rectification associated with differential settlement on permafrost has already cost the government more than 10 million rubles per year.⁵⁶ Although west of Tynda, “road metal” ballast (large-diameter crushed rock or cobbles) was used, east of the city, gravel (medium-diameter rock) was employed. The Little BAM was built of low-capacity R50 rails (unsuitable for current traffic) atop a mixed sand-gravel ballast.

The uneven and, sometimes, inappropriate choice of ballast has led to the subsidence of some track segments and the need for new ballast of upwards of 1.5 million cubic meters of crushed rock. Since 1988, the Little BAM's R50 rails have been replaced gradually at no small cost by R65 rails, which are capable of coping with existing traffic, that is, passenger trains of 1,000 tons and freight trains of 3,000 tons.

These technical problems were overshadowed by those associated with developing the social infrastructure within the service area. Pro-*perestroyka* forces noted that centralized command succeeded on shockwork projects like BAM because adventurous youths, who have composed the majority of the work force on the railway, are willing to sacrifice in order to fulfill a great mission. The "young pioneers" first lived in tents, in railway cars, and later still in "temporary" wooden structures "built with their bare hands." This was okay, as long as there was adventure associated with the project, but today the BAM workers, some now in their late-forties, want and deserve decent accommodations. Unfortunately, according to official statistics, three out of four people living in the service area still reside in temporary quarters and many yet live in rail cars.⁵⁷ Thus, in a country with one of the lowest per capita housing allotments in Europe, the Russian republic, *without Moscow and Leningrad*, averaged around 14 square meters (148 sq ft) per person in 1988, SOFET roughly 12.7 square meters (134 sq ft), and the BAM about half of SOFET's mean.⁵⁸ Even with ambitious new construction plans, Soviet planners estimate that by the year 2000, the average BAM resident will have 13 square meters or two-thirds the expected living space allotted to other residents of SOFET.

BAM critics are deeply incensed by, what they claim is, a 50 percent cost overrun associated with the construction of the railway.⁵⁹ They note the current lack of return on the investment. After scrupulous research, the Ministry of Railways concluded that BAM received an unrecouped government subsidy of 205 million rubles per year, representing three-fourths of the total annual expenditure on BAM. The ministry also concluded that the subsidy would reach 249 million rubles in 1990. At existing rates of recoupment (about 15 percent), the study reported that full payback on the BAM investment would not be achieved until after the year 2050. However, on an optimistic note, the same researchers predicted that profits from the railway, which will be fully operational after 1992, would begin to accrue more dynamically in the mid-1990s, when expenditures of 583 million rubles would be redressed by profits of 417 million rubles. At such rates recoupment on the investment would be achieved sometime between the years 2017 and 2037. A pessimistic report speculated that the investment could be recouped only when freight turnover reached the staggering figure of 200 billion ton-kilometers per year.⁶⁰ If true, the struggle to recoup the cost of BAM would prove to be Sisyphean at best.

Such speculation suggests that the BAM investment is obviously "frozen" and not popular with Gorbachev. In an attempt to make the best out of a tenebrous situation, in late 1988, the Railway Ministry threatened to allocate responsibility for the management of BAM, which theretofore had been an independent branch, to the much-older Eastern Siberian, Transbaykalian, and Far Eastern branches of the Trans-Siberian Railway. BAM residents reacted heatedly and negatively, and BAM supporters all over the country came to their aid in an emotional outpouring of *glasnost'*. Academician Aganbegyan and others appeared on the daily Soviet television program *Prozhektor perestroyka* ("Spotlight on Restructuring") to argue against the proposed splintering of the BAM branch. Their words must have been heeded, as BAM to date remains an independent jurisdiction.

D. *Perestroika* and SOFET : The Long-Range Comprehensive Plan

In the United States, local governments usually confront a common problem by "floating a bond issue." In the USSR, the leadership traditionally conjures up a grand, quasi-comprehensive plan. During the last quarter century, SOFET has been the target of no less than five such plans. The latest of these apparently was envisioned by Gorbachev at the time of his visit to Primorskiy and Khabarovsk krays in 1986. At his next meeting with the Politburo, Gorbachev urged that such a plan be excogitated by a blue-ribbon commission. One year later, on August 26, 1987, the program was revealed without much fanfare to the Soviet press by a deputy minister of Gosplan. A later report indicated the program had received Politburo approval. A still-later transpiration revealed that the plan, as approved, had stimulated considerable dissension among the ranks of Gosplan.⁶¹

Cost of the program. The year-long silence was not surprising, if it is true that the Gorbachev administration is biased towards projects in the heartland at the expense of those in the periphery. What was really shocking was the degree of largesse explicit in the "Long-Range State Program for the Comprehensive Development of the Productive Forces of the Far East Major Economic Region, Buryat ASSR, and Chita Oblast to the Year 2000." The SOFET program called for an allocation of 232 billion rubles (at \$1.33 per ruble, more than the annual U. S. defense expenditure) spread over a period of twelve years or close to 20 billion rubles per year. The annual outlay is twice the 1985 expenditure on West Siberian oil and gas development, a project that is far more lucrative and much closer to the heartland. It is also roughly equal to the total allocation to BAM since 1974.⁶² Concerning BAM, some of the funds envisioned by the planners, were patently or implicitly earmarked for the railway service area, including most of the money assigned to Transbaykalia (Chita and Buryat regions — 34 br). The Soviet Far East alone would receive 198 billion rubles, which represents an annual outlay that is 3.6 times greater than the amounts received by the region in each of the years between 1971 and 1986. Moreover, that amount (16.5 br per year) is equal to 89 percent of the total annual outlay for all of Asiatic Russia (Siberia and the Far East) during that same fifteen-year period.⁶³

The 1971-86 period was a time marked neither by a pro-heartland bias nor by economic frugality with regard to SOFET; thus, the SOFET program appears to be far more generous than is realistically justified. In those years, as investments in SOFET increased, the growth rates of economic and social development declined from 7 percent per annum to a low of 3.7 percent. Even with its heavy subsidy, SOFET's share in the USSR's industrial output and labor productivity steadily eroded compared to other regions. For instance, while the RSFSR as a whole increased its industrial production by 81 percent between 1980, the SOFET increment was only 66 percent, and during the next five years, it fell to 59 percent.⁶⁴

Something for all or all for nothing? Obviously Soviet planners should know by now that throwing money at SOFET problems is not necessarily a solution to them. Yet, in terms of cost, the latest program is lavish to the extreme. If BAM was "adventurism," what then is the SOFET program, which will cost over ten times as much? Where will the money come from? The Soviet economy was and is strained to its limits. If Gorbachev is reducing the emphasis on Siberia, why did he permit the Politburo to approve such a grandiose plan?

A consummate politician, Gorbachev is one of the few leaders in the world today, who feels comfortable with intellectuals and the masses, fellow politicians and academics. He is articulate and convincing with almost all of them. Whether he is mixing with the common people on the streets of Warsaw or with planners and professors in a lecture hall in Krasnoyarsk, it is a pleasure to know Russian just to hear (and watch) him in action. He speaks

just as well, perhaps even better, extemporaneously as he dose with prepared notes.

His Achilles' heel, however, may be that he tends to be as *gigantomanic* as his predecessors. Soviet leaders always have been prone to *gigantomania*: the infection began with Marx, who thought bigger was always better. Although *perestroyka* does stress decision-making freedom for enterprise managers, profits and loss, self-financing, "privatization" of certain cooperative businesses, and other quasi-grassroots functions, it still places the main emphasis on industry instead of agriculture. Restructuring has also intruded "superministries," giant industrial and agricultural syndicates, and obviously it has not repudiated "grand schemes." Thinking small has not been a cachet of Soviet officialdom.

Because socialism theoretically places the needs of the people first, Soviet leaders, if true to the dogma, cannot neglect one region over another. In praxis, regions may lag behind other regions, but the Politburo must pay equal lip-service to them all. The SOFET program is well intentioned, but it is not practical.⁶⁵ The point, however, is not economic feasibility, it is, *in theory*, the oblique satisfaction of planned proportional development and, *in practice*, the direct assuagement of the concerns of politicians who dwell in the towns and cities that stretch from Ulan-Ude to Vladivostok. In the process, the politicians are given admirable, although perhaps impossible, goals.

SOFET plan benefits. According to Politburo Member, Yuriy Maslyukov, quoted in the July 1989 issue of *Soviet Union*, the general aim of the SOFET program is "to create a highly efficient economic complex in the Far East that would dispose of its own large resource and production facilities, optimal economic structure, and developed social sphere — a complex organically incorporated into the system of the national and international division of labor."⁶⁶ It is designed to be a "people-first, industry-second" plan, but socio-cultural infrastructure claims only thirty percent of the 232-billion-ruble outlay. Even so, this allocation is supposed to be sufficient to satisfy needs for pre-schools by 1990 and by the year 2000 the total demand for hospitals, schools, entertainment facilities, and apartments. As many apartments as now exist in the region will be built by the end of the century, and the output of consumer goods is slated to triple.⁶⁷ In this regard, food supplies will be bolstered by the production of 58 new state farms. The stress will be on a nearly 200 percent increase in the output of meat and milk and the total satisfaction of the region's demand for vegetables and potatoes. The region's fishing fleet, already the most productive in the USSR will expand its share of the country's catch by 3 percent (from 40 to 43 percent), including a 28 percent increase in quantity and an improved variety.⁶⁸

Had Brezhnev himself drafted the guidelines of the SOFET plan, the BAM service area could not have fared better. Optimistically expecting a 170-percent increase of the zone's population, planners earmarked a 280-percent increase in housing construction, a 720-percent rise in the now-critically scarce number of hospital beds, a 270-percent growth in pre-school capacity, and a 330-percent expansion in school capacity.

The SOFET region's industrial production, again according to Maslyukov, is to outstrip the Soviet average by 40 to 50 percent during the period. Included in this will be a greater share of the country's power generation, coking coal production, steelmaking and rolled products, wood pulp and paper products, and chemicals. Exports of wood and wood products are slated to expand by 11 percent. The machine manufacturing sector will be restructured and reoriented to the needs of local extractive industries, which to date have relied on equipment imported from Soviet Europe or from foreign countries. The sector includes more than a dozen superannated plants, half of the output of which is shipped irrationally out of the region because the machinery produced is unsuited for the regional market !!

The BAM's inchoate industrial base also attracted special attention in the plan. The industrial output of the service area is slated to rise by almost 300 percent. This includes the expansion of electric power production, coal output, non-ferrous metal mining and processing, and the felling and processing of timber. The highest rates of growth are naturally reserved for the BAM's construction industry.

Feasibility and implementation. Initial implementation of the SOFET plan has had mixed results. According to an article, entitled "Lame Steerage," the long-range program was "totally on the skids" during the summer of 1988.⁶⁹ Critics of the program assert that the problems are rooted in Moscow. Not enough funds have been granted to the construction industry, and heat and power production targets have been only half met. The "people-first" infrastructural needs thus lagged. The bright spots were the rates of industrial production for the Far East in general (4.3 percent in 1986-88 vs. 3.3 percent in 1981-85) and for Khabarovsk kray in particular (6.1 percent for 1986-87 vs. a 5.5 percent planned rate). The growth of capital investment in SOFET was a healthy 5.4 percent per year. Plans were met or exceeded for the production of coal, refined oil, cement, machine tools, and agricultural equipment. Far eastern fisheries had a bumper catch.

Where the program was stultified, it was harried by the usual SOFET bottlenecks: the labor shortage and a labor turnover that reached 51.3 percent in 1987. Again, real wages did not measure up. SOFET construction workers garnered real wages of 99.1 percent of the Soviet monthly average compared to 113.5 percent for their counterparts in the RSFSR overall. Needed to redress the deficient infrastructure, construction workers were frustrated by the lack of accommodations for themselves and their families.⁷⁰

The key to program fulfillment may rest with a greater international emphasis. "Frankly, today the Far East's contribution to the nation's exports is far below its available resources and possibilities. Raw materials, fuel, and preprocessed products of the timber, mining, and fishing industries comprise 95 percent of the region's exports."⁷¹ Perhaps, the situation can be rectified by the new enterprise laws, which require industrial plant managers to target 68 to 80 percent of their output for state procurement organizations and, at the discretion of the managers, 20 to 40 percent of their output for consumers within SOFET, the country, and/or on foreign markets.

Pyotr Baklanov, Director of the Soviet Academy of Sciences' Institute of Economic Research, firmly believes that the answer to SOFET's economic problems lies with the region's relationship with the APR:

One of the most important factors in the socioeconomic development of the Soviet Far East is the expansion of economic, scientific, and cultural relations with countries of the APR. In this respect, we feel our region currently achieves only about one-tenth of what is possible. We are convinced that these relations can and should be mutually advantageous both for our region, for countries of the APR, and, in sum, for the whole world. Our goal is to seek and create effective forms of such relationships.⁷²

IV Conclusions

Baklanov's idealism is typical of Gorbachev's novel approach to the APR. Recognizing the obvious, that the USSR is an Asian country with a Pacific coastline, Gorbachev has mirrored the reflections of Herzen and Lenin. He has acknowledged his country's relatively weak economic presence in the world's most dynamic economic region. That he intends to rectify

the weakness is exemplified by the sundry alternatives discussed in this article, including the SOFET domestic plan and ideas associated with multilateral development of the region.

Today the economy of the APR is booming, holding responsibility for over half of the world's industrial production, almost one-third of the trade turnover, and is home for two-thirds of the globe's population.⁷³ It is "the Mediterranean of the present," latterly fulfilling Marx and Engels' earlier observation that it was "the Mediterranean of the future." Yet, the USSR's share in the prosperity is miniscule compared to those of others in the APR. As a participant in an extraordinarily frank and open roundtable discussion during the summer of 1988, Vladimir Ivanov of IMEMO bluntly declared, "We need to honestly recognize that our presence in the region [the APR] is insignificant and, lately, even diminishing not only in the relative sense but also absolutely."⁷⁴ Ivanov's polemic was supported by published statistics on Soviet commerce with members of the APR, including China, which in 1987 was only 8 percent of its total foreign trade, comprising 9 percent as exports and 8 percent as imports. (Under half of the exports — 3.3 percent — came from SOFET.) Three-fifths of Soviet-Pacific trade is with socialist countries in the APR, and these rank among the poorest states in the world.⁷⁵ In contrast, the non-socialist states focussed their efforts on trade with economically flourishing capitalist countries in the APR. The latter relationship characterized over half the trade turnover of the United States, Canada, and Japan and four-fifths of the commerce of ASEAN and newly industrializing countries.

So far having missed a ride on Alvin Toffler's "third wave" (the high-tech, communications revolution), Gorbachev realizes that if he does not restructure the Soviet economy fast, he runs the risk of perpetuating culture lag in the form of "knowledge starvation." This occurs when a country lacks the resources needed to create and diffuse knowledge in order to keep pace with state-of-the-art technological development. Mired in the trough of the "second wave" of technological revolutions (the Industrial Revolution; according to Toffler, the Agricultural Revolution was the "first wave"), the USSR has been largely bypassed by the revolutions and innovations in the high-tech fields, which are pervasive among most of the countries of the APR.

Perhaps, the only way for Gorbachev to remedy knowledge starvation in SOFET is to throw open the region to multilateral development by the advanced societies of the APR. This article has provided suggestions for that occurrence. Without early implementation of these or other possibilities, SOFET will remain the odd-man out in the APR's technological race. Unfortunately, it also means that the region may be forced by necessity to remain a military bastion for want of any other constructive purpose.⁷⁶

NOTES

- 1 *Pravda*, July 29, 1986. For reflections on the significance of that speech, see "Vladivostokskaya programma: impul's novogo myshleniya," *Problemy Dal'nego Vostoka*, No. 4 (1988), pp. 3–8.
- 2 Press-release coverage expanded from 21 to 42 to 46 pages in a single year. "Chronicle," *SUPAR Report*, Vol. 1, Nos. 4–6 (February and July 1988 ; January 1989).
- 3 Mikhail Gorbachev, *Perestroyka : New Thinking for Our Country and the World* (New York : Harper and Row, 1987). This new philosophy of foreign policy is highlighted in James P. Scanlan, "Gorbachev's 'New Political Thinking' and the Priority of Common Interests," *Acta Slavica Iaponica*, Vol. VII (1989), p. 47.
- 4 V. G. Smolyak, ed., *Tikhookeanskiy region : Ekonomicheskkiye i politicheskkiye tendentsii 80-*

- kh godov* (Vladivostok : Akademii nauk SSSR, DVO, 1987); thanks to Leonid Kondrashov of the Khabarovsk Institute of Economic Research.
- 5 This concept was introduced originally in crude form by Oleg M. Renzin during a discussion period at Sapporo's second symposium on Japan-Soviet-Hokkaido Relations. The idea previously had been contemplated by Renzin and other members of the Institute of Economic Research in Khabarovsk. I have systematized and expanded it here.
 - 6 Quoting South Korean President Roh Tae Woo, *The Japan Times*, October 20, 1988. Also, references in speeches made at the "North Pacific International Forum," *Fletcher Hokkaido Program* (Sapporo, Japan : The Association for the Fletcher Hokkaido Program, 1988).
 - 7 James R. Gibson, "The Sale of Russian America to the United States," *Acta Slavica Iaponica*, Vol. I (1983), pp. 36–37. For a Soviet perspective, see N. Bolkhovitinov, "Kak prodali Alyasku," *Mezhdunarodnaya zhizn'*, No. 7 (July 1988), pp. 120–31.
 - 8 Precedent for the hostilities may be traced to the equally unsatisfactory Simonose Peace Treaty of 1896, which ended the Chinese-Japanese War (1894–95), after which Tsarist Russia wheedled the Manchu government with the very real threat of Japanese expansionism in Manchuria in order to build and lease the Chinese-Eastern Railway (1897–1903), V. N. Vartanov, *et al.*, *Konflikt na KVZhD* (Khabarovsk : Khabarovskoye Knizhnoye izdatel'stvo, 1989), pp. 11–12 ; thanks to Valerly Slyusarev. See as well F. W. Unger, *Russia and Japan* (New York, Illustrated Publishers, 1905) ; thanks to Tsuyoshi Hasegawa. For subsequent troubles between the two powers, see W. S. Graves account of the Intervention in Siberia, *America's Siberian Adventure, 1918–20* (New York : Peter Smith, 1941).
 - 9 Hiroshi Kimura, "Soviet Focus on the Pacific," *Problems of Communism*, Vol. XXXVI, No. 3 (1987), pp. 1–16. For a more recent assessment, see his opinion expressed in *The Japan Times*, October 17, 1988, p. 20. Both sides feel that they have legitimate arguments. For a concise, perspicuous summary of the Japanese point of view, see Ministry of Foreign Affairs, Japan, *Japan's Northern Territories* (Tokyo, Ministry of Foreign Affairs, 1987) ; for the Soviet viewpoint, see "Gostinyy dvor : SSSR-Yaponiya — K novomu nachalu," *Mezhdunarodnaya zhizn'*, No. 2 (February 1989), 145–57 and Ye. Prokhorov and L. Shevchuk, "O territorial'nykh pretenziyakh Yaponii k SSSR," *Mezhdunarodnaya zhizn'*, No. 1 (January 1989), pp. 46–52. For a valiant attempt to provide a dispassionate, balanced analysis, see Peggy L. Falkenheim, "The Soviet Union, Japan, and the Northern Territorial Dispute : Incentives for and Obstacles to Its Resolution," *The Korean Journal of International Studies*, Vol. XVII, No. 4 (Autumn 1986), pp. 73–99.
 - 10 *The Japan Times*, August 22, 1988.
 - 11 The share of manufacturing in Northern Honshu's economy is 16.2 percent; in Hokkaido's — 11 percent. By comparison, central and southern Honshu's manufacturing hovers in the vicinity of 25 percent all told. M. Ya. Kornilov, *et al.*, *Yaponiya : Regional'naya struktura ekonomiki* (Moscow : Nauka, 1987), pp. 38, 55, 70, 100, 111, and 135.
 - 12 Kenichi Kamiyama and Kiyoshi Oda, "Economic Problems in Hokkaido," Papers presented at the second symposium on "Japan-Soviet-Hokkaido Relations in the Far East," Hokkaido University, Sapporo, Japan, September 1988. In Japanese.
 - 13 Leslie Dienes, *Soviet Asia Economic Development and National Policy Choices* (Boulder, Colorado : Westview Press, 1987), p. 101 and *The Japan Times*, August 11, 1988.
 - 14 *The Japan Times*, December 8, 1987 and November 17, 1988.
 - 15 Michael Bradshaw, *Canada and the Changing Economy of the Pacific Basin. Soviet-Pacific*

- Basin Trade : A Canadian Perspective*. Working Paper No. 29. (Vancouver, British Columbia : UBC Institute of Asian Research Publications, June 1987), p. 43.
- 16 V. Khavin, "BAM : Debating and Suggesting," *Soviet Union*, No. 7 (472) (July 1989), pp. 34–35.
 - 17 V. Ivanov and P. Minakir, "O roli vnesheekonomicheskikh suyazey v razvitii tikhoookeanskikh rayonov SSSR," *Mirovaya ekonomika i mezhdunarodnyye otnosheniya (MEMO)*, No. 5 (1988), p. 62.
 - 18 Gordon B. Smith, "Recent Trends in Japanese-Soviet Trade," *Problems of Communism*, Vol. XXXVI, No. 1 (January-February 1987), p. 59.
 - 19 S. Kotsyuba, "Puti sotrudnichestva stran Yaponskogo morya," *Mirovaya ekonomika i mezhdunarodnyye otnosheniya*, No. 9 (1988), p. 79.
 - 20 *Ibid.*
 - 21 *Ibid.*, p. 80
 - 22 *Ibid.*
 - 23 *Ibid.*
 - 24 Several thousand Chinese workers already labored in Primor'ye and Khabarovsk krays during 1988–89. Joint restaurant ventures between the Chinese and Soviets had been implemented in Khabarovsk and Vladivostok, using Chinese labor, and in June 1988, the Chinese agreed with the Soviets "in principle" to avail some of their excess labor to "the Soviet Far East region. *Sankei Shimbun*, June 18, 1988. In Japanese. Also, according to Japanese television at least 6,000 North Koreans were employed on a diversity of projects in Severobaykal'sk on the BAM. NHK News, "Today," August 1, 1988. Vietnamese workers have been used as loggers near Komsomol'sk since the late 1970s, and labor exchange agreements between Vietnam and the USSR in 1988 projected the employment of 5,000 more in various roles throughout the Soviet Union by 1991. Some 40,000 Vietnamese "studied and worked" in the USSR in 192 enterprises in 96 cities in 1988, while 130,000 of their countrymen studied Russian in Ho Chi Minh City alone. *SUPAR Report*, Vol. V, No. 5 (July 1988), pp. 35, 37. Ms. Aquino reputedly has been asked by Soviet authorities to consider labor exchanges with the USSR, but the Filipinos, to date, have reluctant to agree with the arrangement because of the lingering threat of Communist insurgency at home. *SUPAR Report*, Vol. V, No. 5 (July 1988), p. 34.
 - 25 Personal conversation with Leslie Dienes in Sapporo, Japan, July 14, 1988. Dienes stated that reactions from his Soviet audience, consisting principally of economists and geographers, were generally positive.
 - 26 Sophie Quinn-Judge, "Partners Preferred," *Far Eastern Economic Review*, February 2, 1989, p. 54.
 - 27 That the BAM is *under* consideration for special status came to light during meetings in Sapporo in September 1988. P. Ya. Baklanov, "Novyye yavleniya v sotsial'no-ekonomicheskom razvitii Sovetskogo Dal'nego Vostoka," a paper presented at the second symposium on "Japan-Soviet-Hokkaido Relations in the Far East," Hokkaido University, Sapporo, Japan, September 1988. Carbon copy.
 - 28 *Izvestiya*, December 10, 1988.
 - 29 I gained practical experience in this respect in May 1989, when, serving as a syndic for a Houston-based engine-repair firm, I received an invitation to discuss the possible establishment of a joint venture with Soviet executives of a ship-repair plant in a port in the Soviet Far East. I learned that the Soviet Maritime Ministry is a high-priority designate for allotments of scarce hard currency. I also learned that the firm I represented would

- be very useful to the Forestry Ministry, but that the Forestry Ministry so far had no hard currency. Lingering departmentalism thwarted the sharing of hard currency across ministerial lines; moreover, even with ubiquitous availability of hard currency, my engine-repair firm would have to be prepared to discuss business with the apposite ministries separately and, I might add, very expensively.
- 30 Quinn-Judge, "Partners Preferred," *op.cit.*, p. 54. See also "Topics," *SUPAR Report*, Vol. 1, No. 6 (July 1989), p. 9.
- 31 Interview with Seizo Ota at the Fletcher School Symposium, Sapporo, Japan, June 1988 and Interview with Valeriy Lifshits, Nakhodka, USSR, May 1989.
- 32 Nakhodka and Vostochnyy are located at sites, which are comparable in scenic beauty to Vladivostok's, which has been referred to as the "Soviet San Francisco," although having seen "the power of the East," I am not in complete agreement with that analogy. Nakhodka, like Vladivostok itself, suffers from the same austere standardized architecture that plagues so many Soviet cities. It is a dirty, dingy place, the physical geography of which has been unnecessarily severely denuded and quarried. In many respects, Nakhodka has been "raped" by local industrialists, who have only now come to their senses. A sensitive man with big ideas, Lifshits would like to urge capitalist tycoons — I imagined Donald Trump or H. Ross Perot — to invest in a total redesign of the city, placing emphasis on harmony with the local fundament.
- 33 American visitors to Vladivostok since the 1930s may be described as a "handful." In addition to President Gerald Ford and his staff in 1974, the 1980s have witnessed Americans John Stephan (historian), Elisa Miller (economist), Michael Churkin (geologist — and his wife), Robert Buchanan (politician), Bruce Andrews (political staff member), Steve Anderson (political staff member), Tony Allison (businessman), and Bill Turner (businessman) as visitors to the city. *SUPAR Report*, Vol. I., various issues since 1986. Japanese visitors, such as economist Kiichi Mochizuki and international businessman, Nobuo Arai, are especially frequent visitors to Vladivostok. In May 1989, I too had the opportunity to spend two days in the city as a guest of the Presidium of the Far East Branch of the Soviet Academy of Sciences (N. G. Nekhaenko, Chief). On the second day of my visit, a shipload of Japanese tourists, requiring at least five busses, arrived as guests.
- 34 *The Japan Times*, September 5, 1988, September 26, 1988, October 4, 1988, October 5, 1988, and November 5, 1988.
- 35 In the 1960s, Vladivostok's turnover was about 5 million tons per annum. Having seen the port facilities of both cities, I would have to say that Vladivostok with its Golden Horn would appear to possess far greater freight-turnover potential than Nakhodka and its bay of the same name, especially, since the former's moorages and docks were, according to Soviet press releases, greatly improved during the 1970s and 1980s. Nakhodka handles close to 2,500 ships per year, including 8 to 9 million tons of freight. E. Stuart Kirby, *The Soviet Far East* (London : Martin's Press, 1971), p. 156 ; Rodger Swearingen, ed., *Siberia and the Soviet Far East* (Stanford, California : The Hoover Institution Press, 1987), p. 247-49 ; *Izvestiya*, November 17, 1977, January 4, 1981, and November 28, 1981. Vostochnyy, which is roughly thirty minutes away from Nakhodka by motor vehicle, is expected to handle up to 40 million tons of freight, including as many as 600,000 twenty-foot-equivalent (teu) containers, by the end of the century. "Russian East Coast Port Gears Up to Handle Trans-Siberian Containers," *Fairplay Pacific*, October 31, 1985, p. 33 ; courtesy of Mr. Ken Moore.

- 36 *Bol'shaya Sovetskaya entsiklopediya*, 3d Edition, V, pp. 139–41.
- 37 P. G. Bunich, "BAM i ekonomicheskoye razvitiye Dal'nego Vostoka," *Planovoye khozyaystvo*, No. 5 (1975), p. 29 and L. I. Kolesov, *Mezhotraslevyye problemy razvitiya transportnoy sistemy Sibiri i Dal'nego Vostoka* (Novosibirsk : Nauka, 1982), pp. 62, 92.
- 38 Leslie Dienes, *Soviet Asia Economic Development*, *op. cit.*, p. 29.
- 39 A. G. Aganbegyan, A. A. Kin, and V. P. Mozhin, *BAM : stroitel'stvo, khozyaystvennoye osvoyeniye* (Moscow : Ekonomika, 1984), p. 42.
- 40 V. A. Aleksandrov, "Mesto Sibiri i Dal'nego Vostoka v ekonomicheskikh svyazyakh SSSR i Yaponii," *Problemy Dal'nego Vostoka*, No. 1 (January 1982), p. 29.
- 41 *Sovetskaya Rossiya*, August 10, 1988.
- 42 N. Singur, "Dal'niy Vostok : Kompleksnoye razvitiye proizvoditel'nykh sil," *Planovoye khozyaystvo*, No.3 (1988), pp. 94–95 and Ivanov and Minakir, "O roli vneshneekonomicheskikh svyazey," *op. cit.*, p. 64.
- 43 Singur, "Dal'niy Vostok ·····," *op. cit.*, p. 94 and Dienes, *Soviet Asia Economic Development*, *op. cit.*, p. 89.
- 44 Singur, "Dal'niy Vostok ·····," *op. cit.*, p. 96 and Ivanov and Minakir, "O roli vneshneekonomicheskikh svyazey," *op. cit.*, p. 64.
- 45 *Izvestiya*, August 24, 1988 ; *Pravda*, September 4, 1988 ; and *Sovetskaya Rossiya*, August 10, 1988.
- 46 Theodore Shabad, "The Gorbachev Economic Policy : Is the USSR Turning Away from Siberian Development? A paper presented to School of Slavonic and East European Studies conference on "The Development of Siberia : Peoples and Human Resources," University of London, April 1986 ; Andrew Bond, "Spatial Dimensions of Gorbachev's Economic Strategy," *Soviet Geography*, Vol. XXVIII, No. 7 (September 1987), pp. 490–523 ; and Dienes, *Soviet Asia Economic Development*, *op. cit.*
- 47 *Literaturnaya gazeta*, June 12, 1985.
- 48 *Gudok*, March 13 and May 5, 1988 ; *Izvestiya*, December 26, 1986, January 24, 1987, and May 11, 1987 ; *Pravda*, March 5, 1986 ; and Victor L. Mote, "The Amur-Yakutsk Mainline : A Soviet Concept or Reality ?" *The Professional Geographer*, Vol. XXXIX, No. 1 (February 1987), pp.13–23.
- 49 Chung Han-ku, "Politics of Soviet Development Policy : Comparison of Two Siberian Lobbies," *American and Soviet Studies Annual* (1986), p. 66.
- 50 Robert G. Jensen, Theodore Shabad, and Arthur W. Wright, eds., *Soviet Natural Resources in the World Economy* (Chicago : The University of Chicago Press, 1983).
- 51 Igor' Al'ter, "BAM bez litavr," *Yunost'*, No. 10 (October 1987), 42 ; thanks to Leslie Dienes.
- 52 *Izvestiya*, August 19, 1987.
- 53 *Ekonomicheskaya gazeta*, No. 29 (1987), 8 and *Izvestiya*, August 21, 1987.
- 54 *Sotsialisticheskaya industriya*, October 11, 1988. The Transsiberian registers a freight density that is 2.3 times the average for the entire Soviet network, while the incomplete BAM is running at only 15 percent of its predicted capacity (*Gudok*, April 19, 1989).
- 55 *Sotsialisticheskaya industriya*, October 11, 1988.
- 56 *Gudok*, January 6, 1989.
- 57 *Gudok*, September 4, 1988, *Izvestiya*, July 30 and August 20, 1987, *Sovetskaya kul'tura*, October 11, 1988, and *Sotsialisticheskaya industriya*, October 11, 1988.
- 58 Yu. T. Skorokhodov, "Sovetskiy Dal'niy Voptok — problemy i perspektivy," *Problemy Dal'nego Vostoka*, No. 2 (February 1988), p. 9. Conditions are no better for Soviet Army

- officers, who supervised the building of the eastern half of the BAM. If nationwide, half of the officers live in new quarters, then in the BAM zone, the ratio is one in five (*Krasnaya zvezda*, June 4, 1988). The situation is even more appalling with the requirements for nurseries, schools, hospitals, and recreational facilities.
- 59 Cost assessments for BAM are confusing. According to one report, by August 1988, the BAM had “soaked up U. S. \$25 billion” and showed “no signs of paying for itself ……” Sophie Quinn-Judge, “Pragmatists and Pioneers Near the End of the Line,” *Far Eastern Economic Review*, August 4, 1988, p. 25. The original estimates were never published, but track-laying costs were said to be about 1.1 million rubles (U. S. \$1.5 million) per kilometer in 1975. *Ekonomicheskaya gazeta*, No. 5 (1975), p. 13 and *Saturday Evening Post*, November 1975, p. 66. These costs indicate a total of U. S. \$4.5 to 5 billion for track-laying alone. In keeping with the spirit of *glasnost*, BAM costs were reported as 9.6 billion rubles in 1989, including 7.3 billion for construction and assembly, 629 million for the North Muya Tunnel bypass, and 1.7 billion for other work. Around 1.1 billion rubles of work remained to be done, totalling 10.7 billion rubles of estimated expenditure, just to bring the BAM to fully operational status. This compared to a 1977 cost of 8.4 to 9.5 billion rubles or a cost overrun of 1.2 to 2.3 billion rubles (20–34 percent not 50 percent). Several institutes in 1976 allegedly predicted a total cost of 12 billion rubles, to wit, a zero overrun (*Gudok*, April 19, 1989). The 50 percent cost overrun was reported in Khavin, “BAM : Debating and Suggesting,” *op. cit.*, p. 34. If Quinn-Judge’s estimate (U. S. \$25 b or 19 br) is correct, and I believe it is, and the highest estimate (12 br) is used, then the overrun is likely close to 60 percent.
- 60 Vladimir Fedyakin and Eduard Ettinger, “Golubyye goroda,” *Ogonek*, No. 5 (January 1989), p. 15 ; *Pravda*, December 28, 1988 ; *Gudok*, December 8, 1988. The pessimistic feelings were expressed in *Sovetskaya kul'tura*, October 11, 1988 and *Sotsialisticheskaya industriya*, October 11, 1988.
- 61 *Pravda*, August 26, 1987 and P. Minakir and V. Syrkin, “Strategiya Kompleksnogo sotsial'no-ekonomicheskogo razvitiya Dal'nego Vostoka,” *Ekonomicheskiye nauki*, No. 12 (December 1987), p. 3.
- 62 *Pravda*, September 7 1985 ; see also Quinn-Judge, “Pragmatists and Pioneers,” *op. cit.*.
- 63 Skorokhodov, “Sovetskiy Dal'niy Vostok,” *op. cit.*, p. 7.
- 64 Singur, “Dal'niy Vostok ……” *op. cit.*, p. 94.
- 65 For a careful feasibility study of the SOFET plan, see Leslie Dienes, “Comment on the New Development Program for the Far East Economic Region,” *Soviet Geography*, Vol. XXXIX, No.4 (April 1988), pp. 420–22.
- 66 Yu. Maslyukov, “The Far East : A New Stage,” *Soviet Union*, No. 7 (July 1989), p.4.
- 67 *Sovetskaya Rossiya*, August 10, 1988.
- 68 Ivanov and Minakir, “O roli vneshneekonomicheskikh suyzey,” *op. cit.*, p. 65 and Singur, “Dal'niy Vostok ……” ,” *op. cit.*, p. 98.
- 69 *Sovetskaya Rossiya*, August 10, 1988.
- 70 “Topics,” *SUPAR Report*, *op. cit.*, pp. 9–10.
- 71 Maslyukov, “A New Stage,” *op. cit.*, p. 4.
- 72 Baklanov, “Novyye yavleniya,” *op. cit.*, p. 11.
- 73 “Aziatsko-tikhookeanskomu regionu — mir i bezopasnost',” *Kommunist*, No. 8 (1988), p. 120.
- 74 “Vladivostoksiye initsiativy : dva goda spustya,” *Mezhdunarodnaya zhizn'*, No. 7 (July 1988), p. 148.

- 75 Sophie Quinn-Judge, "Moscow Looks East," *Far Eastern Economic Review*, June 2, 1988, p. 59 and Smolyak, *Tikhookeanskiy region, op. cit.*, p. 6.
- 76 My personal opinion is that the unbalanced presence of the Soviet military in SOFET plays a dual role. One is logically defensive, no matter whether it is really needed; the other is as a substitute labor force. I have estimated that one person out of every 28 residents of SOFET is in uniform compared to a ratio of one to 62 in the USSR overall. Tsuyoshi Hasegawa, among others, has estimated that maybe 15 percent of the 390,000 troops in SOFET are truly ready for combat. The rest are engaged in some kind of economic activity (roads, railroads, and so forth). In the absence of a Stalinist forced labor policy, the remaining 330,000 troops thus represented a licit form of involuntary labor that is an important adjuvant factor in SOFET's economy. Given a 1987 population of 10.2 million, SOFET's natural increase rate of 1.6 percent suggests a working-age population of 6.1 million, of which 6 percent (1 in 17) would be soldiers working in a civilian capacity. Because these troops were concentrated more heavily in some areas than others, the subregional ratio could be 1 in 10 or less. Without the military, SOFET would suffer a parlous labor shortage.

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